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MASTER'S THESIS

**STRATEGIC PERFORMANCE MANAGEMENT
IN SMALL AND MEDIUM SIZED ENTERPRISES
IN HIGHLY COMPETITIVE INDUSTRIES**

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HRISTIЈAN GEORGIEVSKI

AUTHORSHIP STATEMENT

The undersigned Hristijan Georgievski a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), author of this written final work of studies with the title *Strategic Performance Management in Small and Medium Sized Enterprises in Highly Competitive Industries*, prepared under supervision of PhD Tomaz Čater.

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INTRODUCTION

Strategic performance management refers to the use and design of performance management systems in order to manage different types of performance. As such, it comprises of formal and informal mechanisms, processes, systems and networks used by small and medium sized enterprises for conveying the key objectives and goals elicited by the management, for assisting the strategic process through analysis, planning, measurement, control, rewarding, broadly managing performance, support and facilitation of small and medium sized enterprise`s learning and change (Buck, 2016).

Small and medium sized enterprises tend to use informal and dynamic strategies. However, this does not necessarily apply to all small and medium sized enterprises, because some managers see value in formal strategic planning. As part of the performance management, the small and medium sized enterprises use a mixture of financial performance indicators and non-financial ones. Within the last decade in the global economy, it has been noted that the financial measurements and the respective indicators have certain limitations, such as short-termism, internal focus, manipulation of results, which do not convey the whole picture due to the backward looking approach (Dresner, 2008). All of these drawbacks inspired the small and medium sized enterprises and even the multinational corporations to find a new and not very common type of performance measurement, performance measurement at non-financial level (Anish, Lala-Popa, Cican & Tarta, 2012). Following this global trend, the thesis mainly focuses on the non-financial performance measurement, the implementation and the management of the results.

The purpose of this thesis is to assist the small and medium sized enterprises to improve and develop their strategies by introducing a new and not very common type of measurement, the non-financial one, something that positively affects their competence, performance and growth prospects. The research objectives' aim at conducting a detailed analysis of the strategic performance management and measurement, focusing explicitly on several factors and models that influence the performance in today`s highly competitive global environment of small and medium sized enterprises (Heit, 2010).

Additionally, the strategic performance management positively influences the stage of the growth and development in small and medium sized enterprises, so that they become more competitive, take greater market share, grow and further develop into corporations (Kotane, 2012). Throughout the thesis I use different types of research. Namely, the implemented deductive research method refers to the theory leading to its implementation in practical examples. Each of the chapters contains theoretical description of their definition, systems, features and manners of implementation. The deductive research method uses theoretical sources such as professional textbooks, articles from academic journals, scientific and other published materials related to the subject of the master thesis.

Within the conducted empirical research, the focus is based on the qualitative method of research with several tools such as interviews and questionnaires. The research based on the qualitative method provides data via conducted surveys on the CEOs and the employees of five small and medium sized enterprises from Republic of Macedonia, within the research goals. In addition, the used data in my thesis is primary and secondary. The obtained primary data from the employees in the small and medium sized enterprises is via questionnaire. The secondary data refers to a collection of already existing and available data, in order to make a comparison i.e. the secondary data tends to prove the methods of strategic performance management already implemented and functioning in small and medium sized enterprises.

The first chapter defines and presents the theoretical part of the definition, the meaning of strategic performance management and its practical use in small and medium sized enterprises. In times of fearless and strong competition, the strategic performance management can create sustainable competitive advantage through well-established processes, market analysis and reasonable decision-making that will help the small and medium sized enterprises introduce innovation, creativity, motivation and flexibility, which will consequently bring positive results. The second chapter focuses on the most popular models of non-financial performance measurement, with detailed explanation about the most applicable models such as balanced scorecard, performance pyramid and performance prism. The third chapter provides supporting evidence of the importance, influence and justification for the implementation of the strategic performance management in small and medium sized enterprises. This chapter also covers the positive short and long-term effects that the strategic performance management has over the sales, marketing, PR and HR, within the small and medium sized enterprises. The penultimate chapter covers the research design and methodology in relation to the description of the respective internal and external business environment, description of the enterprises' profiles, backgrounds and the implemented research tools.

1 DEFINITION AND PROCESS OF STRATEGIC PERFORMANCE MANAGEMENT

To explain and elaborate the essence of the strategic performance management established in the small and medium sized enterprises, it is necessary to define strategic performance management, explain the meaning and the framework, monitoring and evaluation criteria. The process of strategic performance management is applicable in many different departments, settings and activities within the small and medium sized enterprises. Performance management is a strategic and integrated process that contributes to the constant success of small and medium sized enterprises by improving the performance of the employees who work in them, and through the individual's and the team's development skills (Ana-Maria, Constantine & Catalina, 2009, pp. 276-279).

The comprehensive goal of strategic performance management is to achieve a high-performing processes and activities that are consisted of multifunctional and high performing individuals and teams within the small and medium sized enterprises. Strategic performance management positively affects the quality, customer service and profit margins as a consequence of improved processes and efficient utilization of the resources. The initial goal of the strategic performance management is to develop a good organizational and working structure that inspires the ability of the employees to achieve high productivity in the operational level, help managers and executives in improved planning, investments and decision-making, also introduce new and high performing processes within the departments including human capital and technological development in the small and medium sized enterprises. By proper and guided implementation of the strategy by the employees, from any hierarchical and departmental level, the human capital within the small and medium sized enterprises will have clear understanding and improved direction in their daily, weekly and monthly activities, which are especially important to emphasize the implementation part within the operational processes that meet operational targets. Performance management focuses and covers all the perpetrators of each task and it serves as a positive tool of directing people and teaches them how to improve their performance, or how to improve their skills (Wooldridge & Floyd, 1990, pp. 231-241). Crucially extracting, the strategic performance management is a joint process between executives, managers, individuals and other employees, it empowers them to use their full potential in a very structured and measurable way, something that has a direct impact over the level of success in small and medium sized enterprises.

1.1 Definition of Strategic Performance Management

Strategic performance management is a process of managing the direction of performance in a very structured and measurable way, defined as a unifying concept of processes and operations, which can measure the internal and external performance of the business activities in small and medium sized enterprises. The concept of strategic performance management represents a modern approach in identifying the main constituents of organizational performance, positive determination and contribution in every management and departmental level. It represents an active guideline for planning the necessary steps to improve the performance processes that will bring positive results within the small and medium sized enterprises. The performance measurement aids the strategic performance management, which is a management philosophy. Management is a broader subject than the measurement. Management creates the context or design and application of measures for measuring the organizational performance on a departmental level by the management of enterprise's resources and human capital. Management performance is actually the use of information obtained by measuring performance (Medlin & Green, 2009, pp. 93-95). Efficient system of performance management includes two components: one is the

behavior of employees, the other, operation systems and processes. An effective system for measuring performance should provide relevant and clear information on:

- the capacity we have to take over some work or activity,
- the quality of our efforts in that direction,
- the results of those efforts.

The management literature often mentions the performances, especially in relation to management control. Despite its common use, the interpretation of the performance is the following:

- an indicator, representing numerical or descriptive information, which allows communication between people,
- something that has been achieved and is of particular importance as creating additional value,
- result of some action or created value measured in some way,
- the potential to achieve results, such as consumer satisfaction seen as a measure of the potential achievement of future sales,
- comparison of the results with some standards or benchmarks, internally or externally.

According to Kloviene, Gimzauskiene, Stravinskiene and Misiunas (2016, pp. 213-220), the following points are potential benefits achieved by managing and measuring performance:

- strengthening and improving processes, services and products of the small and medium sized enterprises,
- improving and facilitating communication in the enterprise,
- improving the small and medium sized enterprise's forecasting,
- active involvement and commitment of the employees and managers, in order to achieve the organizational goals,
- achieving organizational efficiency and synergies,
- future focus orientation,
- easier implementation of organizational strategy.

1.1.1 Process of planning and strategy development

Via planning, the small and medium sized enterprises provide relevant information about the future course of certain activities. In essence, the planning is a continuous process of adoption and execution of decisions that cover and direct the overall activity of small and medium sized enterprises. Decisions in planning contain reflections in the future; more specifically planning is forecasting the future of present decisions. The need to plan the activities of the small and medium sized enterprises results from the dynamics of the environment caused by the constant changes, market potential, size and power of the

competition, economic parameters etc. The planning process is crucial for the business development (Schneider, 2015, pp. 27-35). The major changes in the field of technology, ever-increasing uncertainty in daily operations, increased competition and other factors that make the planning process necessary and inevitable characterize today's economic conditions (Mazzarol, Clark & Reboud, 2014, pp. 54-71).

Planning is formulating objectives and business policy based on prior analysis and forecasting factors that influence the outcome of planned actions. The planning process is intrinsically important for operation of small and medium sized enterprises, because this process establishes the framework for the formulation and execution of variety of strategies. However, the process is not universal for all small and medium sized enterprises, it varies depending on the industry that they operate and the power of the competition in that specific industry (Wong, Tesng & Tan, 2014, pp. 602-617).

The common thread for all types of small and medium sized enterprises is the development of the planning process and the entire management process (Nartisa, Putans & Muravska, 2012, pp. 240-248). Planning contributes to the successful execution of the strategy within the small and medium sized enterprises. It is particularly important to note that this process establishes standards for control. At the end of each completed process, the top management can compare and analyze the plans and actions, in order to take corrective actions for the next planning process or creation of certain changes that will be of great significance for the future development of the small and medium sized enterprises (Ebener & Smith, 2015). Planning, as a process, is actually a formulation of the mission and vision including objectives, analysis, opportunities and constraints posed by the external environment and assessment. Any planning process begins with establishment of clear mission, which defines the cause of the existence in small and medium sized enterprises, which is of particular importance to the internal and external public. Long-term and short-term planning, strategic planning, tactical planning, operational planning and financial planning are the five stages of development of systems for planning. I explain the five stages in the following pages (Nieboer, 2011, pp. 371-382).

Long-term plans are plans that focus up to ten years or more and determine long-term goals and directions of development of the small and medium sized enterprises. The task of long-term plans is to determine the dynamics of growth and directions of development of the small and medium sized enterprises. The predictions of numerous parameters are the base of these plans and contain elements of uncertainty that the future holds. Long-term plans aim towards the definition of the activities related to the environment and competition, less on adaptation to the environment. Long-term plans exist as standardized procedures or management continuous operations. They include policies, standard procedures and rules (Peel & Bridge, 1998, pp. 848-857).

The short-term plan is a concrete, precise and very detailed plan, which focuses on using existing capabilities of the small and medium sized enterprises and the surrounding conditions in the planning year. Short-term plans are detailed descriptions of the activities that focus to achieve specific purposes and shall cease to apply to achieve the short-term goals. Such plans are working plans, programs and projects, mostly operationally focused (Lacerda, Ensslin, Rolim, Knoff & Junior, 2016, pp. 18-30).

- Strategic planning is a proactive process of formulating long-term objectives, policies and plans. Or rather, strategic planning formulates the long-term plans by including efficient management capabilities and limitations of operational environment that also considers the strengths and weaknesses of the business actions. Strategic plans are long-term plans that help the small and medium sized enterprises create sustainable growth by forecasting the future actions and directions. The highest level of management sets the general goal, develops strategy that applies to the entire enterprise, while managers develop compatible objectives and plans in order to achieve them.
- Tactical plans deal with the performance of subordinate units within the sectors from each level of the management structure. Tactics are methods, procedures and tools for implementation and achievement of the strategic goals. The used tactical plans achieve short-term objectives. Middle level management is obliged to undertake extensive strategic plans and determine specific tactical actions.
- Operational planning enables the realization of the previously set operational objectives by sectors, working groups and individuals. These operational objectives are precise and measurable. Operational plans derive from the management, as support to the tactical plans.
- Financial planning; this type of planning refers to the preparation of annual budgets and financial plans, which are the framework for the planning and implementation of activities of the business functions. At this stage, the small and medium sized enterprise is internally oriented and with the budgetary control attempts to provide broader operational control.

In highly competitive industries, the long-term planning might be misleading due to the frequent changes, market conditions, including the level of competition, where the entire process of planning is challenging. That is why the contingency plans need to be incorporated within the five types of planning, so that the worst-case scenario will be replaced with a well-structured plan that further supports the strategy of the small and medium sized enterprises (Nejad, Niroomand & Kuzgunkaya, 2014, pp. 19-35). According to Quinn, (1979, pp. 35-53), strategy as a process and idea has several characteristics that require special attention. They are the following:

- The process of formulating the strategy does not produce immediate action. Strategy indicates a general direction that should follow the small and medium sized enterprises, so that it can flourish and grow.

- The strategy is required to encourage and empower all employees of small and medium sized enterprises to innovate new ways and create opportunities to push the innovation of others.
- As another characteristic, the strategy develops new information about the enterprise that is included in the process of decision-making.
- Misleading type of information may cause a dose of suspicion in the original and initial strategic choice of small and medium sized enterprise.
- The process of selecting the strategy and implementation closely links to decision-making. Two-tier decision-making process brings feedback.
- Strategy and goals are very similar, but fundamentally different. The goals represent marked points by which you can measure the expected or past success of the enterprise.
- Strategy and objectives sometimes may combine with each other in different points of time and in varying degrees of organization. The small and medium sized enterprises have elaborated objectives and strategies, which result from typical hierarchical relationship including the elements of the strategy from the top management level. The successful strategy is the existence of a network of interconnected strategies. According to the latest findings on the theory and practice of management strategies, the appropriate term that explains all of them is "intelligent strategies". The successful strategies, based on the capabilities that the competing enterprises cannot copy or imitate, emphasize long-term profitability of the small and medium sized enterprise.

The primary responsibility of the managers is to decide how they can develop a successful small and medium sized enterprise in the future and how to create a sustainable competitive advantage, due to the constant changing environment: economic, political, social and technological (Channon, 1980, pp. 386). If the top management does not consider the signals from the external environment, such as competition, new technology within the industry, entrance of new competitors or certain administrative limitations imposed by the country might negatively affect the small and medium sized enterprises in the long run (Motwani, Levenburg, Schwarz & Blankson, 2006, pp. 471-495).

1.1.2 Process of measurement and analysis of results

In the past, small and medium sized enterprises based their decisions solely on financial indicators, which were significantly misleading and had many drawbacks in terms of measurement and analysis. The open criticism of imperfect and incomplete measures in regards of the performance within the small and medium sized enterprises influenced a large group of top managers to rely solely on non-financial measures. Motivated by such criticism, majority of professionals began to question and modernize traditional measures. Whereas, other professionals found proficient use of non-financial measures of performance such as the quality of services or products, sales target accomplishments, consumer satisfaction and employee productivity (Waheed 2016, pp. 65-88).

The measurement of the strategic performance management, analyzes the success of the group, program or organizational effort, by comparing data on what happened and what was actually expected and planned to happen. In addition, it shows the realistic side of the target accomplishments, especially evident in the sales and marketing department. Performance measurement is a practical management tool, necessary to clarify the objectives and documenting progress toward achieving the goals. Measuring performance is a term often equated or confused with the terms efficiency or effectiveness. The process of quantifying the efficiency and effectiveness of organizational actions, through indicators and metrics used defines the measuring performance (Guni 2016, pp. 310-316). From the foregoing, it can be concluded that measuring performance is simple to define, but not simple to implement. The term performance does not focus solely on the results of past actions, but it is an indicator of the achievements and accomplishments of future operations and actions. Effective measurement and management performance can achieve many potential advantages. The benefits can progressively increase the overall results of the small and medium sized enterprises, if there is a successful link to the system that monitors and encourages the implementation of the strategy. According to Singh, Darwish and Potocnik (2016, pp. 214-224), the most important benefits of the measurement and management of organizational performance in small and medium sized enterprises are the following:

- Measuring performance improves decision-making, the process of measuring performance in small and medium sized enterprises is very important; the quality of performance measurement directly supports the decision-making.
- Measuring performance facilitates strategic management. The lack of ability to measure the performance and progress of the small and medium sized enterprises in achieving goals makes the strategic planning process meaningless.
- Measuring performance links the internal activities and processes with the organizational goals. The process of creating measures that monitor organizational performance enables the small and medium sized enterprises to determine their mission, goals and desired results in a more accurate way.
- By measuring employee's performance, the productivity rate of the workforce significantly increases due to the personal engagement in the final results and the personal contribution and attachment within the tasks or projects observed by the superiors, executives. The top management monitors the positive change, in terms of operating results, through a well-established action plan.

1.1.3 Performance management systems

The purpose of the performance management systems is to achieve improved results, from groups and individuals. It is the process of ensuring compliance or common understanding of what one needs to do, access management and development of employees in such a way achieved in certain planned short or long-term period (Della Torre & Solari, 2013, pp.

2583-2607). Ana-Maria, Constantin & Catalina (2009, p. 276-279) listed the often-detected direct benefits, because of successful implementation of management systems, those are the following:

- quick response to changes,
- increased flexibility,
- favorable competitive advantage,
- easier to identify opportunities for improving performance.

The considered basic principles, in any planned performance management system, include the translation of organizational goals into individual, team and departmental objectives, which represent a continuous and evolutionary process, compliance in dynamic environment, permanent feedback from the results and measurement of the contribution of all individual results achieved towards the realization of joint forces (Bititci, Cocca, & Ates, 2016, pp. 1571-1593). Effective system design of performance management is a process supported by four principles and nine steps. The four main principles are designing a successful strategic performance management system for small and medium sized enterprises that can encourage an interactive two-way communication between superiors and employees, based on consensus and cooperation rather than control. Feedback communications provide knowledge that applies to the improvement of organizational goals and encouragement of self-assessment performance (Prabhu & Hegde, 2012, pp. 121-133). The steps in designing a system for performance management developed by Ferrón, Vílchez and Darnall (2016, pp. 221-240) include several focus segments:

- First, it is necessary to define clear organizational mission.
- The second step is to identify strategic objectives based on the report of the mission.
- The third step focuses towards understanding the role of each business function and the realization of previously identified goals and objectives.
- The fourth step develops measures for measuring the performance of each business function, capable of signaling results in achieving goals.
- The fifth step involves the explanation of the strategic objectives and expected results at the basic levels of the enterprise and the establishment of more specific measures for each level of the enterprise.
- The sixth step focuses on ensuring consistency of specific measures from every level of strategic goals.
- The seventh step ensures the compatibility of the measures of all business functions in order to identify the current situation of problematic areas and weak spots of the measurements.
- The last step refers to occasional re-evaluation of the appropriateness of the established system for performance management.

1.2 Financial Strategic Performance Management

Karadag (2015, pp. 26-40) believes that the performance metrics are very important ingredients in the performance management and represent a discipline that aligns performance with the strategy. The strategic performance management is a four-step cycle and involves development of strategy and plans, monitoring of the execution of the adopted plans and adjustment of the operations in order to achieve the strategic goals. According to Hempel, Laric and Mandell (1982, pp. 13), there are three levels of the conducted financial performance management:

- **Level 1:** Visualization of Metrics. In this phase, the employees need insights into the key indicators of performance. In order to visualize and present the performance information in a consistent manner, there is a certain need of a dashboard or report.
- **Level 2:** Management of Performance. Executives want to measure and visualize the performance across the teams in a consistent way in order to improve productivity. They usually use the performance management as means to identify issues, discuss solutions, and track fixes.
- **Level 3:** Drive Strategy. These managers use the KPIs to achieve strategic objectives and goals. They define the KPIs and correlate them with the results. They know what kind of behaviors drive desired outcomes and set the targets accordingly. Although the non-financial measures are increasingly important in decision-making and performance evaluation, small and medium sized enterprises should not simply copy measures used by others. The choice of measures must link to factors such as strategy, objectives and the competitive environment (Ponraj & Rajendran, 2009, pp. 88-89).

1.2.1 Financial performance indicators

The goals of small and medium sized enterprises attached to financial KPIs are multidimensional: they have ranges that are encoded in software, a time frame by which the goals must be achieved and a benchmark against which the goals are compared for a certain period of time (Abdel-Maksoud, Cerbioni, Omran & Ricceri, 2015, pp. 421-441). Financial KPIs have much of their impact from the targets associated with them, so it is important to differentiate between the types of targets. Ranga Bodla defines five different types of targets:

- achievement: performance should reach or exceed the target,
- reduction: performance should reach or be lower than the target,
- absolute: performance should equal the target,
- min/max: performance should be within a range of already set values,
- zero: performance should equal zero, which is the minimum value possible.

Performance targets are defined by time frames, which affect the way financial KPIs are calculated and displayed. Many small and medium sized enterprises establish annual

targets for key processes and initiatives. To keep employees on track to achieve the stated long-term targets, many small and medium sized enterprises divide time frames into intervals that are measured on a more frequent basis (Al Omoush & AL- Shubiri, 2013, pp. 1-11). To assist the top management of the small and medium sized enterprises with interpretation of the financial KPIs, a good performance dashboard displays a few attributes for each, but is not limited to the following:

- KPI name,
- Status,
- Trend,
- Actual and target value,
- Variance percentage.

According to Monea and Guta (2011, pp. 207-214), the development of the key performance indicators is hard work and there are no shortcuts. The task is significantly easier if the top management has developed formulated strategy and continuously updates new information by following the competition and the market conditions.

1.2.2 Drawbacks of financial measurement

Management and measurement of performance have become a trend in the 1990's, due to the need of tracking the performance of employees and processes. Many small and medium sized enterprises were looking for ways to improve and reward the employees for the achieved results. At the same time, there was an appearance of dissatisfaction in the process of measuring and managing performance from many small and medium sized enterprises. The high level of dissatisfaction derived from the lack of non-financial measures as indicators of future success (Dobbs, 2014, pp. 32-45). As a major criticism of traditional financial measures and indicators of organizational performance to highlight are the following:

- Encouragement of short-managerial actions, in order to show improved result in the income statement, in which the manager decides to postpone the capital investment, although in the long run it is the fact that it would not provide a significant success for the small and medium sized enterprises and their development.
- Lack of strategic focus;
- Encouragement of particular isolated optimization in operations instead of teamwork and synergy;
- Encourage the top management to minimize deviations from the standards in operation and keep them in the normal range rather than engage in finding new ways for continuous improvement;
- Ignoring the customers` preferences due to the lack of customer relationship management focus;

- Ignoring the industry analysis that considers the external factors such as the power of suppliers, buyers, existing competition, substitute services and products new competitors that might dilute the market.

Financial measures are under criticism, because they focus on the past. For example, indicators for sales revenue only provide information on what was selling last week or month; although most managers want indicators that can predict what will happen next week, month or year (Bagataskaya, 2014, pp. 61-68).

1.3 Non-financial Strategic Performance Management

The environment in which modern small and medium sized enterprises operate is dynamic, unpredictable, turbulent and full of many discontinuities. Nowadays, in theory and practice, new complex management concepts and models are here to help and prepare the small and medium sized enterprises to become flexible and timely, also sufficiently respond to the changes and challenges in the complex business environment of today. In order to successfully accomplish the mission and objectives in such circumstances, it is important that the small and medium sized enterprises have proper plans for further formulation and strategy implementation of objectives and measuring performance.

1.3.1 Objectives and advantages of non-financial measure

A number of studies worldwide point to the fact of increased use or participation of non-financial measures in the monitoring of organizational performance. The most common reasons for the increased use of non-financial measures in measuring and managing organizational performance are the following:

- Non-financial measures are indicators of progress towards the achievement of the enterprise's goals and objectives and serve as direct support of the financial measures. The profit margin return on investment and other financial measures show the effects or consequences of some past activities. Unlike them, non-financial measures are key factors for creation and support of the existing competitive advantage aimed for the sustainable future results in the small and medium sized enterprises.
- In order to maintain competitiveness, the small and medium sized enterprises must increasingly focus on the formal feedback, positive or negative reactions from the customers.

Non-financial measures provide timely feedback or information required for top management to take corrective actions before it is too late. Non-financial measures provide an opportunity for quick reaction and responsive solutions. Unlike them, the financial indicators show the consequences of past actions that are no longer fixable (De Waal, Kourtit & Nijkamp, 2009, pp. 1242-1265). When it comes to marketing performance and

its measurement, we can conclude that strategic approach takes into account the effectiveness and efficiency of all marketing activities. Marketing effectiveness covers four strategic marketing parameters: consumer's satisfaction, market research, brand awareness and sales success after every marketing campaign. Performance management in small and medium sized enterprises, specifically in the sales department, serves as processes that involve corrective measures that include improvement in customer services, sales measures and tactics that consequently lead small and medium sized enterprises to grow their sales figures and achieve their sales targets (Gaber & Stoica, 2012, pp. 114-122). All management levels and other employees often use the practice of non-financial measures in the performance evaluation. Thus, one can expect greater motivation and results in managers.

1.3.2 Monitoring and evaluation of the non-financial measurement and results

During the monitoring and evaluation of the non-financial measurement and results, it is essential to determine which nonfinancial factors have the most powerful effects in the performance of the small and medium sized enterprises (Awasthy & Gupta, 2015). The solution, therefore, is to base decision-making on a well-established series of connections, so that the small and medium sized enterprises are able to realize the promise, capability and potential of nonfinancial performance measures (Nourayi & Canarella, 2009, pp. 1-11).

- Firstly, it is important to develop a causal model based on the hypotheses in the strategy. Unfortunately, many strategies of small and medium sized enterprises` consist of mission and vision statements rather than road maps.
- The second step is to collect the data, because most enterprises track large numbers of non-financial measures in their daily operations. Therefore, in order to avoid data collection that already exists, small and medium sized enterprises should take careful look at all of the existing data.
- The third step is to turn data into useful information using the appropriate tools or other techniques. Qualitative analysis such as focus groups and deep interviews can test the top management's opinions of what is important to the customers, employees, suppliers, investors, and other stakeholders. In addition, the process of monitoring of the models can bring essential information that can improve the future operations of the small and medium sized enterprises.
- As following step, the small and medium sized enterprises must continually develop and improve the monitoring and evaluation, because reassessment of results should be ongoing. A highly competitive environment can decrease the effects and neutralize the effectiveness of key activities, such as improvement of the strategy and the results, customer satisfaction and experience due to the lack of time, effort and focus. The lack of strategic response of small and medium sized enterprises' can marginalize important performance areas.

- The final step in the performance measurement process is to determine the action plans and the investment that actually achieve the desired results.

The three most commonly used models as part of the non-financial performance management are the balanced scorecard, performance pyramid and performance prism, but there are also two other models that can improve the process of strategic performance management as the Porter's five competitive forces model and SWOT analysis. Michael E. Porter developed the model of the Five Competitive Forces in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. Since that time, it has become an important tool for analyzing an industry structure in strategic processes. Porter's model bases on the insight that a corporate strategy should meet the opportunities and threats in the external environment. The understanding of industry structures and the way they change should be the base of the competitive strategy (Grigore, 2014, pp. 31-47). Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability. The objective of the strategy modifies these competitive forces in a way that it improves the position of the enterprise. Based on the information derived from the five forces analysis, top management can decide how to influence or to exploit particular characteristics of their industry. The five competitive forces are the following: bargaining power of suppliers, bargaining power of customers, threads of new entrants, threads of substitutes and competitive rivalry within the industry (Dobbs, 2014, pp. 32-45).

SWOT analysis represents a review of internal and external factors that affect the environment and further support the small and medium sized enterprises, to be more competitive by improving their weaknesses and support the strength, but also find new opportunities and lower their threats. The SWOT analysis is a method for strategic planning that serves for estimation of the internal strengths and weaknesses and external opportunities and threats. SWOT analysis represents the combination of trends in the external environment and internal capabilities (Bertelsen, 2012). SWOT matrix increases the opportunity for identification of alternative strategies, which will capitalize on the strengths, opportunities, overcoming weaknesses and threats by proper strategy implementation. Small and medium sized enterprises will achieve strategic success by maximizing the strengths and opportunities, while minimizing the weaknesses and threats. The original purpose of nonfinancial performance measures is to fill out the drawbacks from financial performance indicators. It is shown that financial performance indicators offer little guidance unless the process for choosing and analyzing them comes with less generic performance measurement frameworks and guesswork with more sophisticated inquiries involved into the factors that actually contribute to improve performance and well-being of the small and medium sized enterprises. Otherwise, prosperous times abandon these measures in lean ones (Sharma, Sharma & Agarwal, 2016, pp. 224-247).

2 MODELS OF PERFORMANCE MEASUREMENT

"What you measure, that you will get" is a statement with which Kaplan and Norton began their research in performance management. It is obvious that the systems for strategic performance management and measurement can strongly influence the future of the small and medium sized enterprises, their growth and development prospects.

Therefore, they developed new models for measurement of the performance that can avoid previous inconsistencies, arising from reliance solely on financial measures or indicators. These indicators are simply inadequate to the guidance and evaluation of small and medium sized enterprises that work in today's highly competitive environment. They reflect on past actions and one cannot expect from them to identify processes or activities in the future that can create value for the small and medium sized enterprises and sustainably support their strategies. According to Kaplan and Norton (1992), the successful guidance and management of the small and medium sized enterprises must simultaneously follow and take into account many different aspects of information and management. Relying on information, solely, on one indicator can have negative consequences that can be fatal for the small and medium sized enterprises. Nowadays, business managers must keep in mind and follow a number of aspects simultaneously. The developed models for non-financial performance management and performance measurement are adequate tools for the process of performance measurement and management.

2.1 Balanced Scorecard

The first notice of the advantage of this model is in its practical value to the top management. This model is useful and provides a simple system that would unite all the different initiatives and elements needed for business management; and secondly, this model allows sub-optimization when thriving to achieve improved financial results at the expense of some other non-financial indicators. The US firm Analog Devices developed the first balanced scorecard (BSC). In addition, a number of academics researched it, but Kaplan and Norton had the most famous study resulting in a 1992 article in Harvard Business Review called "The balanced scorecard – measures that drive performance". According to Nielsen and Nielsen, (2015, pp. 1-20) the model grounds on several important assumptions:

- the concept is based on the application of top-down approach pro formulation and implementation of organizational strategy,
- the concept focuses on the future, with an emphasis on current and future prospects instead of the traditional, directed to the past, financial measures,
- the concept itself integrates external and internal measures,
- the concept focuses on the most important aspects of business.

Definitely, balanced scorecard is the first original, logical and simple system for performance management and measurement, it causes great interest among scientists, executives and managers in small and medium sized enterprises, because they find it useful in the following four aspects such as learning and growth, customers, business processes and financial part included in the figure 1. This concept provides a solid basis or framework to implement key management processes such as: determination of objectives, resource allocation, planning and budgeting, strategic initiatives, feedback loop and learning (Lueg & Vu, 2015, pp. 306-327).

Confirmation of the existence of a strong causal link between the measurement of the performance and the desired achievement of future performance of the small and medium sized enterprise is powerful enough to signal a bid for development of the concept. The four new added management processes are translation of the vision, communication and connectivity, business planning, feedback and learning. In the development process of the balanced scorecard, the addition of the four management processes is marked as the second stage of development of the concept. Besides its limitations, this model helps many small and medium sized enterprises to achieve their goals and objectives in a very effective and efficient way. An example for that is the enterprise Phillips Electronics. The drive to implement a model as balanced scorecard came from the top management, that considered the importance and the influence of the performance management for the enterprise's development and lifetime (Gumbus & Lyons, 2003).

Figure 1. Presentation of Balance Scorecard Model



Source: R.S. Kaplan and D. P. Norton, *Balance Scorecard*, 1996, Harvard Business School Press, p.9

While studying the concept, there is no universal method for development and implementation of the balanced scorecard model in small and medium sized enterprises. The application of the concept provides several potential benefits: the designed balanced scorecard concept enhances managerial decision-making by focusing their attention

towards a next level or to the vision and strategy of the enterprise; it provides a causal connection between the financial and non-financial measures and it can have a use as a system for strategic management (Bostan & Grosu, 2011).

A variety of small and medium sized enterprises, depending on the industry in which they operate, additionally upgrade and modify the balanced scorecard model, due to its use. Besides its benefits and advantages, this model has significant limitations. Lack of proper knowledge and expertise requires the management to spend significant time, in order to adapt this model into the real case performance that it takes significant effort and time to communicate this model with its employees.

If the management of the small and medium sized enterprises does not have time to support the implementation of this model, it usually needs an external consultant, professional that might significantly increase the costs of the small and medium sized enterprises. Sometimes, if not properly established, this model gives incomplete information in regards to the evaluation and the effectiveness from the training delivered to its employees, something that does not always justify the resources spent. Through the process of development, the model gained second and third generation of its upgrade. In the second generation, many small and medium sized enterprises, which implemented the balanced scorecard, understood that a connection was missing with the strategic objectives, so they developed it. The connection's name is strategy map, a type of linkage model that helped the top management to improve and develop their strategies. The third generation improved the concept in the 21 century with the development of the destination statement.

Therefore, the development of the destination statement helped the enterprises predict where they will be in the following two, three or five years, if the implemented strategy accords to the estimated plans and in the same time by proper implementation of the balanced scorecard model. These two improvements helped many enterprises such as Philips to improve their operations and to be number one in their industry (Lawrie & Cobbold, 2004).

2.2 Performance Pyramid

The primary goal of the performance pyramid is to connect the strategy goals and operations within the small and medium sized enterprises hierarchically from the top to the bottom and evaluate performance measures vice versa from the bottom to the top. The model was developed by Cross and Lynch in 1991. The pyramid has four levels of performance targets, that affect the external effectiveness and at the same time its internal efficiency (Zielinski, 2005).

Figure 2. Description, Effectiveness and Efficiency of the Performance Pyramid Model



Source: Kaplan Financial Knowledge Bank, The performance pyramid, 2012.

The performance pyramid divides into four levels, which take into consideration the internal and external effectiveness, presented in the figure 2. The highest level represents the vision of the enterprise. The level below includes the goals of the units that relate to the market and financial aspects. This level includes benchmarked performances that are oriented to specific elements of the process and outcomes, that are important to customers and business owners, also related to customer satisfaction, flexibility, productivity, quality, delivery, time required for implementation and losses. The lowest level of the pyramid represents the operational performance, which takes quality and delivery, cycle time and waste into consideration, in order to make sure that the quality standards achieve high effectiveness and efficiency. The performance pyramid monitors the internal and external efficiency with regard to the small and medium sized enterprises (Murdoch, 1997, pp. 52).

Clark (2008, pp. 8) identified the following advantages derived from the performance pyramid:

- Connected hierarchical view of business performance measurement with the business processes.
- Integration of corporate objectives with operating performance indicators.
- Strategic operations by measuring performance.
- Different rates for interested external parties (customer satisfaction, quality and delivery) also link them with the interested enterprise (quality, productivity, cycle time and loss).
- Well-structured way for monitoring performance at all levels.
- Describes how the objectives are communicated to the operational level and how measures can be "translated" at different levels of the small and medium sized enterprises.

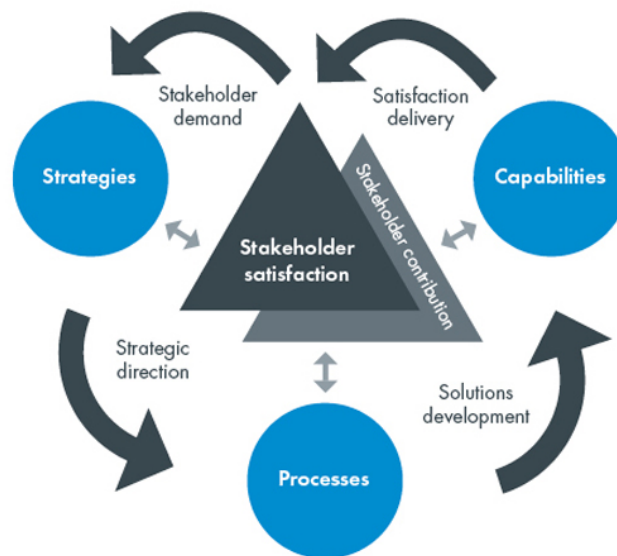
Performance pyramid aims to connect the strategy with its operations, translates goals from the top to the bottom and performance measures from the bottom up (Tangen, 2004). According to Striteska and Spickova (2012), this model does not continuously improve, but it is one of the models in which the structure is an advantage compared to the other two models, the balanced scorecard and the performance prism. The performance pyramid faces many critical points, even though, this model has not been empirically tested. Miral and Mark (2005), believe that the performance pyramid does not explicitly integrate and continuously improve; also it does not provide any mechanisms to identify KPI. According to Hasnan (2006), when the strategic map, the second generation of the balanced scorecard is used, the balanced scorecard model is more effective than the performance pyramid, because the performance pyramid model compared to the strategic map is more difficult to understand compared to the second generation of the balanced scorecard model, strategic map. DHL used performance pyramid to improve their position on the market and to improve their results. Their management successfully introduced and implemented the strategic performance management by using the performance pyramid model. DHL's top management recognized the importance and benefits from the performance management tools and its use to upgrade the enterprise on the next level (Stefenson, 2004).

2.3 Performance Prism

The best way for the small and medium sized enterprises to survive and thrive on long-term bases is to think about the needs of their stakeholders and continuously strive to increase their value. Small and medium sized enterprises must take a broader role in their operations and not just be restricted in creating value for their stakeholders (Vinichenko, 2015).

According to Nelly and Adams, the performance prism is second-generation performance management model. They believe that there are three reasons why this model needs to replace the other two. According to them, it is not acceptable for the enterprises to focus solely on one or two stakeholder groups. Secondly, most of performance frameworks do not take into consideration the improvement or changes in the strategies and processes of the small and medium sized enterprises, which is an obstacle to meet their customers` needs. The third and last reason is that the small and medium sized enterprises expect the customers or stakeholders to use their products or services, but on the other hand, the stakeholders expect something from the enterprises too. For example, the proper implementation of performance management and creative approach of how to satisfy the entire stakeholders of the small and medium sized enterprises could improve the maintaining of the quality, better service delivery and additional benefits for the product or service offered.

Figure 3. Presentation of the Process of the Integration of the Five Perspectives of the Performance Prism



Source: A. Nelly, C. Adams, and M. Kennely, Performance prism: The Scorecard for measuring and managing business success, 2002, Crainfield University

The Cranfield University invented the framework, called prism of performance, which can illuminate the complex relationship of small and medium sized enterprises with its stakeholders in operations and activities. It is an innovative and holistic framework that guides the top and middle management of the small and medium sized enterprises to focus on what is important for long-term success to help design, build and properly manage the system for performance measurement according to the specific conditions of their operation in the environment (O'Boyle & Hassan, 2013). The most famous enterprise in the furniture industry Ikea implemented this model. According to the CEO Anders Dahving, the global changes require strong ties and good relations between enterprises and its stakeholders that need to be managed (Neely & Crowe, 2001). Figure 3 presents the management framework and shows the stakeholder's relationships, by which the performance prism model is proven to be a well-structured and suitable for any industry in which the small and medium sized enterprises operate.

Performance prism represents a framework that allows the small and medium sized enterprises to integrate five interrelated perspectives and to provide to the top management answers for the following five basic questions:

- Satisfaction of stakeholders: Who are our stakeholders, what do they want and what are their needs?
- The contribution of stakeholders: What do we want and what is required from them?
- Strategies: Which are the needed strategies, in order to meet the different needs and desires?

- Contributions: What processes are necessary to meet these needs and desires?
- Abilities: What is the needed capability from the professional staff technology, practices, skills and infrastructure in order to process and increase higher efficiency and effectiveness within the small and medium sized enterprises?

These five views provide a comprehensive and an integrated framework for managing organizational performance. By answering these five questions, we can structure a model for monitoring business performance (Youngbantao & Rompho, 2015, pp. 122-128).

- First Perspective: Satisfaction of stakeholders

Small and medium sized enterprises exist to create value for stakeholders: investors, suppliers, employees, regulators, local government and others. The values have a different meaning for different stakeholders, for example, customers want fast and reliable delivery of quality products and services that offer a solid value for the money spent, employees seek good salaries, personal growth, training and development, and executives expect high return of the investment and stable growth prospects.

- Second perspective: Contribution of stakeholders

Each small and medium sized enterprise needs partners. Their cooperation satisfies certain needs through its stakeholders, also they expect to meet their needs and desires. For example, while customers are looking for competitive price, fast delivery and high quality services and products, the small and medium sized enterprises require loyalty from their customers, consequently higher profitability.

- Third Perspective: Strategies

Once the wishes and needs from the stakeholders are satisfied, the top management needs to decide to what extent they will adapt these strategies for the benefit of the small and medium sized enterprise. Through the specifically selected strategy, the top management delivers the values to the stakeholders, which are the final destination in the process of implementation of the desired wishes and needs.

- Fourth Perspective: Processes

The appropriate well-harmonized and integrated processes, must accompany the chosen strategy, which will ease the way to the finalization. Processes are what the small and medium sized enterprise does, work. They present plans on how, where and when, also who should complete the work.

- Fifth perspective: Capabilities

Processes cannot function on their own. There is a clear need of professionals with specific skills, knowledge and expertise, in order to manage different functions within the small and medium sized enterprise such as procedures, policies, infrastructure and technology in order to improve the overall performance. In fact, capabilities represent a combination of factors, which help small and medium sized enterprises to create value for the stakeholders.

I can find advantages and limitations to all three models. Hereby, I will compare and comment the benefits and the shortcomings from these models. The balanced scorecard model supports and focuses on processes that, when combined, can significantly help the small and medium sized enterprises to meet their goals and achieve excellent financial results. This model covers objectives, measures, targets, initiatives important for further implementation of the business strategy. Usually, the problems arise, when the employees do not have a direction and association of their work with the goals of the company. Lack of learning culture is critical for further incompetence of the employees to do their job sufficiently and correctly, the learning environment for the entire employees is the essence of this model. Without it, the customers will not be happy due to the lack of customer relationship, processes will not be sufficient due to the lack of know-how and consequently the financial results, sales targets, high profit margins will not be achieved. If the learning culture is present, it will help the employees to understand the strategy and to improve the business performance of the small and medium sized enterprises. The main challenge is that many of the employees have no idea how they fit in the company and business unit, they do their jobs, for which they get a salary, but they do not help the company reach its business goals, hereby the learning culture is a solution to this problem.

The top management finds the balanced scorecard model easy to understand and easy to use. This model explains and links strategies and goals to low level initiatives and line level employees, it gives an opportunity to all of the employees to understand their role in the overall business success and it directly associate the goals and the objectives with their work. Even though the balanced scorecard model is the most commonly used, performance pyramid has some advantages compared to the balanced scorecard model. In my opinion, performance pyramid model is better than balanced scorecard in the following aspects. It is much more structured and hierarchical, so that objectives are easily set for each level of the organization. Performance measures that derive from the bottom up are specific to each level. This model is a process focused and it explicitly considers combination of processes, (internal and external) in order to achieve the organizational goals. This model finds that financial and non-financial measures support each other by meeting customer's needs more effectively by improving financial performance, increasing revenues and reducing costs.

The performance prism differentiates itself from other models in a number of ways. This model is a stakeholder driven and not a strategy driven model and this concept does not limit itself to a specific group of people within the small and medium sized enterprises. Good partnership means close relationships among the enterprise and the stakeholders. One can generate and use these measures for better strategic planning, measurement and decision-making. Performance prism and performance pyramid have several aspects in common, such as using a broad range of financial and non-financial key performance indicators, linking measures to objectives and taking into consideration a broader perspective not only focusing on the financial measures.

My preferred choice is the performance prism over the performance pyramid, especially when small enterprises are involved, because it is stakeholder-driven model and reflects diversity of stakeholders that organizations work with. At the same time, it does not affect only certain group of stakeholders such as the balanced scorecard model and the performance pyramid. In my opinion, this model is much more suitable for small sized enterprises and has significant advantages comparing to the other two models, balanced scorecard and performance pyramid that are mostly strategy driven models. This model has developed itself by including the strategic purposes within the operations, it considers the analysis of stakeholder's needs before establishing a strategy, it also involves processes and capabilities required to support the strategy, before identifying appropriate performance measures. All three models have positive and negative sides and they are suitable for different business models and industries.

3 THE IMPORTANCE OF STRATEGIC PERFORMANCE MANAGEMENT IN SMALL AND MEDIUM SIZED ENTERPRISES

The financial crisis and aggravated competition introduced the small and medium sized enterprises with new rules and tactics used in the business world. The planning process requires much of a sustainable strategy for further actions. Capital investments in the business have become riskier, due to the open economy and global trends in this direction. Each department within the small and medium sized enterprises requires skills and practices delivered from strategic performance management that would support the operation in highly competitive environment and prepare small and medium sized enterprises to face the global challenges. Long-term operational plans are not as accurate as they were before the globalization. The globalization has penetrated in every segment of the businesses; long-term operational plans have become misleading and obsolete due to the rapid changes, high competition and unpredictable environment. In times of high competition, short-term operational planning is most reliable and relevant for the small and medium sized enterprises. Strategic performance management directly supports the implementation of the operational, short-term plans and long-term strategies; it also measures the performance and outcome delivered from each department within the small and medium sized enterprise. The amount of the content and data in the internal and external reports has significantly increased, causing changes in reporting practices in small and medium sized enterprises, something that can directly influence and improve their performance, achievements and objectives (Oswald, Mossholder & Harris, 1997, pp. 343-365).

Lack of control of the small and medium sized enterprises, due to the significant market changes, brought a need for well-structured way of managing processes. Strategic performance management helps small and medium sized enterprises in this direction by directly supporting individuals and departments of small and medium sized enterprises.

Strategic performance management provides a support for the executives, decision makers of the small and medium sized enterprises, in order to deliver better quality and more reliable decisions, high quality plans and measures. The need for constant adjustments and improvements of the processes of strategic performance management emerged as a challenge for the small and medium sized enterprises, especially when they operate in the highly competitive industries, due to the time resources and additional effort that is required.

3.1 Importance of Strategic Planning and Decision-Making Process

The small and medium sized enterprises should strive for strategic planning and performance management systems that sufficiently support the decision-making process and add value to it. When implemented well, performance management systems provide information that allow the executives and managers of small and medium sized enterprises to deliver certain decisions based on the previously gained internal information. Strategic planning includes the process of defining the small and medium sized enterprises present and future goals and objectives, as well as the processes that will help their implementation (Cao, Thompson, & Triche, 2013, pp. 555-557).

Falshaw and Keith (2006) believe that performance management systems must align with the strategic plan in order to be effective. When making decisions, the planning should consider creation of development plans including the vision, mission, goals and strategies as top priorities within every department of the small and medium sized enterprise.

Depending on the strategy of the small and medium sized enterprise, one needs to conduct certain steps. Process development and better performance measures encourage the top management to develop strategies that are more specific, set performance standards and arrange an independent evaluation of the strategic planning and performance management, implementation of those strategies. The task of any executive and manager, within the small and medium sized enterprises, is to deliver high quality and timely decisions. The quality of the decisions made within the small and medium sized enterprises largely depends on the quality of information delivered from each employee internally and customer satisfaction externally, gathered as a starting point in planning and decision-making. Efficiency and effectiveness in the implementation of performance measurement means greater effectiveness in the decision-making process (Moreira, & Tjahjono, 2016, pp. 2345-2365).

The approach to performance measurement and application of the findings is also an important role in the process of decision-making. The small and medium sized enterprises choose the most appropriate model for performance management that would reduce or eliminate the risk of delivering the wrong decisions, which can have long-term negative consequences. In times of turbulent changes and constant risks, small and medium sized

enterprises often face the need of delivering decisions in a very limited period of time, short-term decision-making. The decisions should derive from relevant and accurate information supported by high quality data, but more important is the necessity of information and data delivered on time (Hudson, 2015). In order to implement the strategy, it is very important that the managers are well introduced with all of the objectives from each individual as part of their team. Executives need to make reliable decisions, maximally utilize and properly allocate the resources of the small and medium sized enterprise including high performing activities delivered from each team consisted of sales, marketing, human resources and public relations professionals.

3.2 Importance of Marketing, Public Relations and Sales

To develop stronger market position and ensure survival in the pool full of competition, small and medium sized enterprises gather information and evaluate performance through appropriate processes. The strategic performance management directly supports the processes in many departments of the small and medium sized enterprise. Marketing, PR and sales departments are complementary and need to act coherently, especially in the small and medium sized enterprises. These three departments are externally oriented, their performance metrics are very important in order to achieve great results, reach the sales targets and build recognizable reputation of the small and medium sized enterprises.

Every action plan, in regards of marketing and PR campaign, needs to be directly coordinated with the sales department. Sales department needs marketing support and marketing department requires sufficient budget that can support the sales department. The internal communication within these departments is crucial for the further success of the small and medium sized enterprises. Collaboration and liaison among these three departments should be a top priority of the small and medium sized enterprise, before any type of strategic performance management system is established.

Marketing department mostly relates to the services and products that need promotion and communication and the PR department mostly relates to the general perception from the stakeholders to the small and medium sized enterprise in regards of reputation and brand recognition. Strategic goals of marketing and PR department differentiate, but from the perspective of the top management, they are complementary, mostly because both are externally oriented and have positive implications over the sales volumes of the small and medium sized enterprises. Small and medium sized enterprises usually have limited marketing and PR budgets compared to the large enterprises. For that reason, it is important to establish specific, measurable, achievable, reliable and timely goals in all three departments and hire executives that will directly support the process of strategic performance management, in order to maximize the customer's value, satisfaction and brand preference, which consequently show better sales results. The performance

management system is useful to measure the customers' satisfaction through direct feedback from the customers. The management and performance measurement can significantly improve the campaign's results and help the managers easily allocate the resources (Terzić, 2010, pp. 253-271).

The effectiveness of public relations covers few parameters such as: image, reputation and brand awareness. Nowadays, high quality information is one of the most valuable assets that any business can have. It is almost impossible to measure and follow the entire public communication from the industry due to the excess of information coming from different media channels, covering similar but not the same topics of interest. It is important that decision makers within the small and medium sized enterprises are updated with high quality and highly relevant information about the news and trends of the industry, based on that information they can create their own view and act accordingly. In the marketing department, managers measure their success in terms of ROI from the marketing campaigns of the product or service they promote. Strategic performance management significantly supports sales, marketing and public relations initiatives that further bring higher profitability and growth (Lee & Park, 2007, pp. 222-236).

Nowadays, the communication process is uncertain due to the fast changing behavior of the customer's needs and desires. The strategic performance management can improve the internal and external communication such as: frequent interaction, improved negotiation with the customers, liaison among teams and individuals by improvement of interpersonal skills of each employee within the small and medium sized enterprises. According to the empirical study of Faghihi, Afsharnezhad and Kheirandish (2012), the top-level management plan and implement different sales tactics such as discounts, sales promotions (buy one-get two products) and bulk offers, in order to evoke the customer's attention with the products or services that the small and medium sized enterprises are offering. The link between the performance management and the sales tactics derives from the quality of the information collected that can improve the sales tactics and performance measurement in order to develop and create metrics-driven approach, optimize resources and improve sales performance.

Finally, the performance management in small and medium sized enterprises improves the collaboration between the three departments: marketing, PR and sales. The process of collaboration between these three departments in certain situations is not fluent, because of the different perspectives for the final goal. The collected data from the external environment delivered to the executives or managers helps the management create sustainable goals and achieve significant results, which will directly improve the competitiveness of the small and medium sized enterprises that operate in highly competitive industries.

3.3 Importance of Competition

The main and most difficult task of the small and medium sized enterprises is to create new or support the existing competitive advantages. Open question that arises in front of the managers of modern small and medium sized enterprises is how to deal with challenges derived from the market and turbulent economic environment and create stable small and medium sized enterprises that will follow the positive change and overcome instability. In addition, another question that arises is how to stay competitive and ready to respond to the competitor's strategy with innovative approach, being an innovator, not the follower. The changes occur quickly and the executives and managers cannot surrender to the metaphor "stable water" business. Digitalization, information, innovation, ideas and knowledge increasingly dominate the uncertain dynamic business environment, so the managers must be prepared to manage these changes (Breznik & Lahovnik, 2016, pp. 167-185).

Technological development brought higher competition in the business than ever before. In order to gain competitive advantage, the small and medium sized enterprises have to know who their competitors are. According to Papazov and Mihaylova (2012, pp. 427-438), the biggest competitive threat is likely to come from those enterprises that have the following characteristics: same type of customers, similar products and services, substitute products and services, well established distribution channels, similar or superior technologies and target the same customers.

Ge and Ding (2005) believe that the new entrants on the market always have a new possibility for competitors to grow. Competition closely links to the innovation that in the last decade is the moving force of the business world. Based on the innovation and creation of unique selling propositions, the new entrants foster the creativity, in order to come up with competitive advantage. Satisfying the customers' preferences through innovative service or product is one of the best practices to improve small and medium sized enterprises' results and to become number one choice for the customers in a certain industry. By being innovative small and medium sized enterprises need to strive, to achieve hardly replicable idea that is unique and it will give them an opportunity to achieve first mover advantage. Innovation is the driving force of the competitive advantage. Consumer resistance happens in situations and industries where the current and potential customers have already developed brand preferences and attach to consume only one brand of services or products. For some reason, they prefer the competitor's service or product, even when they have not tried or bought it yet. Integrated marketing campaigns can improve the brand preference and significantly influence the behavior of the existing and new, potential customers. In order to do that the small and medium sized enterprise need constant improvement in terms of performance, quality and value delivery towards the customers, in order to keep the loyal, existing customers and always be attractive for new ones (Sigalas, 2015, pp. 2004-2016).

One of the most important benefits from the process of performance management is the feedback approach. Feedback from the customers directly improves the processes and the quality standards. The frequent feedback from the customers alerts the top management on time, in order to take a corrective action, in case some problem arises. Also, it helps executives make the right decisions for further product or service development, quality improvements and investment decisions which will positively affect the enterprise's performance and the general prospects of the small and medium sized enterprises. The feedback can improve and develop the daily functioning of every department in the small and medium sized enterprises including the marketing, PR and sales departments. These three departments are the driving force in the creation of competitive advantage within the small and medium sized enterprises, because all three have something in common such as to attract new customers, add value to the product or service and maintain the good reputation. They all work to satisfy the customers' needs, wants and preferences, also create value that is recognizable by the customers, which measures, further develops and improves the real performance.

Strategic performance management requires constant improvements of the existing processes, in order to sustainably support its competitive advantage or create new one. Through well-established strategic performance management, it's much easier to introduce the monitoring of the processes, consequently the service or the product penetrating a certain market would have a better direction, information flow and quality standards that meet customer's expectations and criteria, something that directly affects the small and medium sized enterprise's success and growth prospects (Mihaela, 2015, pp. 32-40). Competitive intelligence helps small and medium sized enterprises to gather useful information about the current state of the competition, customers, services and products. By creating a competitive report, the competitive intelligence gathers in one place. This approach helps the top-level managers, which operate in small and medium sized enterprises, to support their strategies with high quality information crucial for accurate decision-making, budget allocation and investment. One can use the competitive intelligence in sales, marketing and PR purposes; it directly supports the strategic performance management (Du Toit, 2015, pp. 14-21).

4 RESEARCH ON PERFORMANCE MANAGEMENT IN MACEDONIAN SMALL AND MEDIUM SIZED ENTERPRISES

4.1 Research Design

The following chapter presents the collected data from the conducted research process for the purposes of this thesis. The main research questions were the guidelines for the development and implementation of the research tools such as interviews with management representatives and surveys for the employees in the selected small and

medium sized enterprises. Initially, this chapter represents a summary of the collected and analyzed data from the research process. The main objective is to get certain information on how these small and medium sized enterprises implement the models of strategic performance management and where they find its best usage and outcome. In addition, the analysis presents different perspectives about these small and medium sized enterprises, which operate in different but highly competitive industries. The collected and analyzed data can show how certain small and medium sized enterprises can improve their plans, operations, measurement, control, competitive advantage and decision- making process.

4.1.1 Research purpose and goals

The purpose of the thesis is to assist the small and medium sized enterprises to improve and develop their strategies and activities, which directly correspond with their competence, development and growth. The research objectives of this thesis specifically aim to conduct a detailed analysis of the strategic performance management and measurement focusing explicitly on several factors and models that influence the performance in today's highly competitive global environment of small and medium sized enterprises (Heit, 2010). Additionally, the strategic performance measurement positively influences the growth and development of the small and medium sized enterprises and assists them to become more competitive, take greater market share and in the future, eventually grow and develop into corporations (Kotane, 2012). The thesis of this research is: the implementation and the importance of the non-financial performance management considered as a factor for better performance results. Table 1 additionally supports the purpose and goals of this research, in which the main research questions will serve as a guideline of the purpose and goals of this thesis.

Table 1. Main Research Questions.

| Number: | Research questions : |
|----------------|--|
| 1 | Do the employees working in the small and medium sized enterprises understand the meaning of strategic performance management? |
| 2 | Do the small and medium sized enterprises consider planning as one of the most important aspect for successful implementation of strategic performance management? |
| 3 | In which department does the strategic performance management has the highest level of influence within the small and medium sized enterprises? |
| 4 | Does the strategic performance management can support the existing competitive advantage of the small and medium sized enterprises? |
| 5 | Which of the following models (balanced scorecard, performance pyramid, performance prism) are mostly suitable for the small and medium sized enterprises? |
| 6 | Is strategic performance management useful for further growth and prospective of small and medium sized enterprises? |

4.1.2 Description of the business environment

Global trends and modern aspects inevitably have a direct implication over the functioning of small and medium sized enterprises in Macedonia. The advantage of highly skilled and lower labor costs gives a significant competitive advantage to small and medium sized enterprises operating in Macedonia, especially those that operate internationally. Macedonian small and medium sized enterprises that compete internationally have a significant challenge due to lack of knowledge and expertise mostly from Macedonian managers and executives that are not ready to face the international challenges, support and create sustainable competitive advantage in most of the small and medium sized enterprises.

Strategic performance management directly helps Macedonian managers and executives to accomplish higher productivity rates, lower costs, create competitive prices, creative innovative ideas and problem solving approaches, something that will further support and develop the existing competitive advantage or create new competitive advantage, in order to face the challenges of highly competitive environment. The demand for high quality services and products has become a global trend in which tastes, desires and preferences of customers have become a challenge of the Macedonian small and medium sized enterprises.

Therefore, the Macedonian managers face a constant need for product, service or process innovation, improved quality, new distribution channels and effective communication, in order to keep the small and medium sized enterprise competitive and sustainable in terms of profitability and value delivery to the end customers. Moreover, the entry of many foreign companies in the Macedonian market contributed in changing the competitive forces in certain industries in Macedonia and additional challenge that something needs to happen, in order to remain competitive and attractive for the customers.

On the other hand, the effects of the global economic crisis certainly influenced many industries as well as small and medium sized enterprises. Therefore, the negative effects from the economic crisis in small and medium sized enterprises brought reduced purchasing power and reduced placement for the services and products on the market. The application of a number of international standards, rules and licenses increased the complexity in the operation of small and medium sized enterprises.

Consequently, Macedonian managers and executives are in position to find new ways in order to adapt adequately and quickly respond to new market conditions and challenges, find the best solutions and use the best practices, in order to reduce the risks from competition, consequently build sustainable competitive advantage. In order to achieve greater efficiency and effectiveness in operation, there is a need for continuous change and

adaptation of methodologies and techniques applied in the framework of the process development supported by the strategic performance management.

4.1.3 Selection and presentation of cases

Five Macedonian enterprises are the subject of this thesis research. KLS Events small sized enterprise and Lynx Animations medium sized enterprises are well-established brands in the creative industry, which operate successfully. However, both of them require significant help and support in the field of strategic performance management, in order to improve their performance, educate their employees and develop a collaborative culture that will improve the communication and will initiate further development in every aspect. The other three small and medium sized enterprises are Engineering Trade, small sized enterprise operating in the field of coal steel production, another medium sized enterprise called Megantic, which successfully operates in the field of internet marketing from Macedonia by serving the Australian market and last Stobi Winery, Macedonian medium sized wine production enterprise that produces high quality wines.

KLS Events is a leading B2B and B2C creative event management enterprise located in Macedonia that operates regionally. KLS Events provides creative event solutions and services for complete event management and organization, with high quality audiovisual equipment for all types of events, corporate and private. KLS Events has 15 years of event experience operating in the Macedonian and regional markets. This enterprise offers unique events and one-of-a-kind journeys worth remembering. The mission statement of KLS Events is the following: "We create unique and memorable events that will follow you forever". This is a small sized enterprise with 10 people working on the regular bases and 20-part time workers that work on the project bases depending on the project requirements.

The proper practice of strategic long-term planning make this enterprise forecast all possible turbulences, something that helped this enterprise remain a leader in this industry for more than 15 years. By offering high quality services all through the years, this small sized enterprise has built unbreakable peer-to-peer recommendations from the current client base. By making the right moves and significant capital investments KLS Events has built strong competitive advantage over its competitors in both private and corporate events. Strategic performance management is useful for KLS Events, especially in the strategy formulation and implementation, where the measurement of performance is necessary and crucial for the middle management team to measure the progress of the operational activities as well as to create new sustainable, competitive advantage by process improvement of managers and executives operating in the field of sales and marketing. After the strategic change from rental to complete event management, the enterprise KLS Events has divided itself in two main categories:

- private events (weddings and birthdays)
- corporate events (conferences, company's celebrations, promotions, fairs and festivals).

KLS events provides:

- professional technical equipment (sound, light, video, 3D mapping, stage)
- design & visualization (POS materials, banners, catalogs brochures, digital banners)
- planning & organizing (locations, catering, media coverage, fairs).

With its current capacities, flexibility and high performing approach it can serve 3-4 events per day, depending on the clients` requirements. Well-established teams and professionals are ready to serve several functions within the process of the event realization and implementation. Every employee in KLS Events is skilled enough to cover all the operational parts, depending on the needs and requirements for that specific event. The management team of KLS Events is consisted of the General Manager, Event Manager, Marketing Manager, Sales Manager; all other operational employees working in the operational part of the enterprise cover multitasking activities, depending on each project requirements. The main focus of KLS Events in the last five years has mostly been attached to increase the client base and achieve higher operational performance, multi-tasking approach, flexible and timely decision-making practices directly supported by the strategic performance management.

Lynx Animation Studios is a Macedonian B2B service enterprise, formed in 2015 that offers high quality featured movies, animation and game content. Their mission statement is: "Creativity is our main competence, high quality service our commitment, good prices our advantage and long-term collaboration our priority". This medium sized enterprise has over 30 employees and 4 departments and focuses on international target markets. The management team of this enterprise is fully aware and dedicated to further successes and high performing project accomplishments.

Currently, the animation and the creative team at Lynx actively manage three ongoing projects. Lynx Animation Studios strongly focuses and aims these projects for international markets. The gaming department of Lynx Animation Studios creates and develops games associated with the featured films of the studio; every animation project has its own mobile and desktop version of the game. The management structure of this enterprise is consisted of general manager, creative director, art director, marketing director and sales director. Each of these directors directly collaborates with the managers and the animation team, depending on the tasks.

The direct report to the superiors is the base of the management structure of Lynx Animation Studios. In this enterprise, most of the processes and rules are still in the development phase, but there are already some excellent HR established practices, such as the daily reports written from every employee, including the directors.

These daily reports measure the real performance of the employees that has shown as an excellent practice. Lower-level management structure reports to higher level, as an example, the marketing manager reports to the marketing director and the marketing director reports directly to the general manager. This has shown as an excellent practice due to the follow up of the performance from each individual working within the enterprise, regardless of his/her position within the management hierarchy.

Megantic is an Australian and Macedonian based internet-marketing enterprise that has an office in Macedonia but operates and covers the Australian market. Due to the excellent HR department and additionally the digital dimension of this enterprise, the performance management is an easy thing to implement and measure including all departments and individuals within the enterprise, regardless of the location from which they operate. Internet industry is a fast changing and requires recent updates in the field of knowledge and expertise; hereby the know-how of the executives and managers is constantly demanding updated skills and expertise from all employees within the enterprise. This enterprise is B2B oriented and it serves businesses that want to sell and promote their on-line products or services, also helps them achieve their goals and objectives in this direction.

Engineering Trade is a small construction enterprise that operates solely on Macedonian market since 1991. It has 15 employees, five that work in the management and the rest work in the factory of production of preprinted galvanized steel coil. Their work covers both, B2B and B2C in which they deliver high quality product galvanized pre-painted steel coil and service (assembly) of the product to all kinds of buildings and houses that require roofs.

Stobi Winery is a medium sized Macedonian enterprise that operates since 2009. Stobi owns its wine yards, as well as a factory, in which the wine is processed and made. This enterprise offers three wine types, low cost, medium and high quality wines. All of these types have lower price than the wines from its competitors, so the price is their main competitive advantage. By covering these three segments and offering high quality for lower price, the Winery stays competitive and has an increasing trend in regards of market share.

The following table 2 presents the details of the five small and medium sized enterprises considered from five different aspects that will significantly provide detailed explanation and support the presentation and selection of the cases.

Table 2. Summary of the Key Profile Information from the Researched Enterprises

| Enterprise | Industry | Size | Product or Service | Market | Employees Number |
|------------------------------------|--------------------|-------------|---------------------------|---------------|-------------------------|
| KLS Events | Event | Small | Service | Regional | 10 |
| Lynx Animation Studios | Animation | Medium | Product & Service | Global | 32 |
| Megantic | Internet Marketing | Medium | Service | Global | 50 |
| Stobi Winery | Wine and beverages | Medium | Product | Regional | 45 |
| Engineering trade | Construction | Small | Product | Local | 15 |
| Total survey respondents | | | | | 152 |
| Relevant survey respondents | | | | | 100 |

4.1.4 Methods

Due to the nature of the subject matter, different types of research are used. Namely, the implemented deductive research method refers to the theory leading to its implementation in practical examples. Each of the chapters contains theoretical description and definition of systems, features and manners of implementation. The deductive research method uses theoretical sources such as professional textbooks, articles from academic journals, scientific papers and other published materials related to the subject of the master thesis. The implemented inductive research method presents the data obtained from the research and connects their practice to the respective theoretical approach leading to conclusions and further recommendations. Respective analysis of the data, obtained from the research support both methods.

Through the analyses and scientific methods, I will discuss the importance and the influence of strategic performance management. The focus derives from the qualitative and quantitative method, within the conducted empirical research. The conducted interviews are a qualitative tool and the included survey is a quantitative method of research.

Lynx Animation Studios creates high quality 2D animation, featured movies and video games. KLS Events provides private and corporate event services. Megantic provides high quality and reliable digital marketing practices including Search Engine Optimization, Social media and link building, crucial for their clients to sell their products digitally. Engineering trade produces high quality steel coil necessary for roofs. Stobi Winery

produces high quality wine, currently selling regionally, but with aspirations to expand internationally.

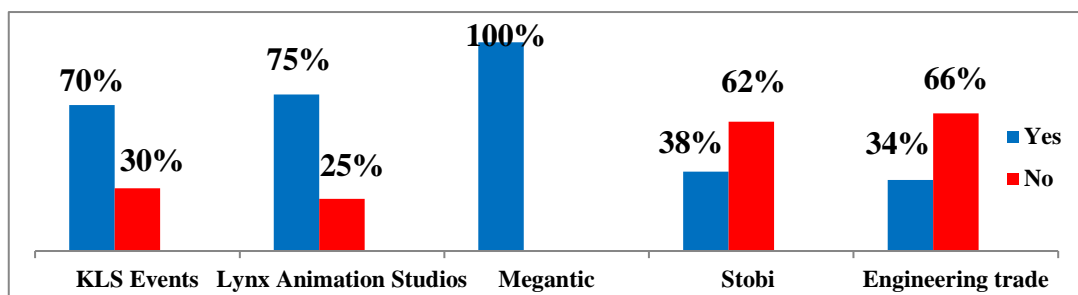
This thesis includes primary and secondary data. The obtained primary data is via survey conducted on the employees operating in the enterprises KLS Events, Lynx Animation Studios, Megantic, Engineering Trade and Stobi Winery. The survey includes management representatives from all five small and medium sized enterprises.

The secondary data refers to the collection of already existing, available data in order to make a comparison and create significant meaningful conclusion by using indicators that are relevant to the size, competition and industry analysis including five small and medium sized enterprises. Hereby, the secondary data tends to prove the methods of strategic performance management and gives a detailed explanation of the applied secondary data. All of these small and medium sized enterprises use strategic performance management to some extent, but it is obvious that most of them need significant support such as already proven practices, skills and expertise in this field.

The designed main research questions underline the essence of strategic performance management, get deeper insights and find a solution suitable for small and medium sized enterprises. The designed questions serve as a guideline for the interviews with the enterprises` management representatives and serve as a guideline for the survey with the employees within the enterprises, which are the main subject of research in this thesis.

The classification of the main research questions develop in accordance with the three main hypotheses, which are the core part of the thesis. I conducted the survey in five different small and medium sized enterprises, KLS Events, Lynx Animation Studios, Megantic, Stobi Winery and Engineering Trade. In the research process out of 152 respondents, only 100 were the representative sample that were further considered as relevant for this survey, in order to collect and gain useful data for the requirements of this thesis, presented in Figure 4.

Figure 4. Do the Employees Working in the Small and Medium Sized Enterprises Understand the Meaning of Strategic Performance Management?Q1



This question was essential to make the preliminary selection and make sure that this is the right target audience (relevant survey representatives) that will take part of the research process. The eliminated employees from this survey did not know the meaning of strategic performance management, so they are irrelevant due to relevancy of data required for this thesis. The employees that knew about the strategic performance management were relevant representatives for the survey and proceeded with the following questions. Out of 152 respondents, only 100 took part of the survey as a relevant sample, ready to answer further survey questions.

4.2 Research Results

In the following section, I will submit the results from the research process of this thesis. Five small and medium sized enterprises, from different and highly competitive industries, were included in the analysis. The following section presents the results from the short SWOT analysis the strengths, weaknesses, opportunities and threats of these five small and medium sized enterprises. In addition, this section will submit the key points from the interviews with the management and the survey results conducted on their employees.

4.2.1 Short SWOT analysis

The second chapter of this thesis introduced the SWOT analysis. SWOT analysis is a quick and comprehensive tool and it is an essential part of the development and implementation of strategic management.

Therefore, the delivered analysis includes the internal and external factors that influence the development, life cycle and growth of the small and medium sized enterprises. This analysis provides an overview on the main capabilities of the five small and medium sized enterprises that are subjects of the research process.

On the other hand, it is important that the top management is aware of certain internal and external factors that can either positively or negatively affect the performance of the small and medium sized enterprises, explained and elaborated by four aspects as part of the table 3.

Table 3. Short SWOT Analysis

| KLS Events | Strengths | Weaknesses | Opportunities | Threats |
|-------------------------------|---------------------------|------------------------------------|--|---------------------------------------|
| Financial | Low variable costs | Unutilized equipment | Sell the older equipment | More expensive technology |
| Customer | Strong domestic position | Price sensitivity | Satisfying new targets | Lower price competition |
| Process | Leading technology | One decision maker | More employees required | Increased assembly time |
| Growth | Experienced professionals | Fast changing technology | Expanding on international market | High competition in existing markets |
| Lynx Animation Studios | Strengths | Weaknesses | Opportunities | Threats |
| Financial | Funding from many sources | Depended on new project acceptance | New sources of capital and co-production | Misleading forecasts |
| Customer | Entertaining content | Limited audience | New markets | Already existing similar projects |
| Process | High quality animators | Lack of feedback | Management skills and expertise | Developing countries with lower costs |
| Growth | Positive referral | Lack of measurements | Global markets | Well established studios |

| Megantic | Strengths | Weaknesses | Opportunities | Threats |
|------------------|----------------------|----------------------|------------------------------|---|
| Financial | Available resources | Money transfer costs | Expanding number of projects | Delayed payments |
| Customer | High quality service | Slow time results | International markets | Substitute services <i>(table continues)</i> |

| Megantic | Strengths | Weaknesses | Opportunities | Threats |
|--------------------------------------|---------------------|--------------------|----------------------------------|----------------------------|
| <i>(continued)</i> Process | High performance | Training costs | Flexibility to new market trends | Constant internet changes |
| Growth | Know- how advantage | High project risks | Expanding in new markets | Extremely high competition |

| Stobi winery | Strengths | Weaknesses | Opportunities | Threats |
|---------------------|-------------------------|-------------------------------|---|------------------------|
| Financial | Positive ROI | High Accounts Receivables | Lowering DSO | More competitive wines |
| Customer | High quality wines | Lack of distribution channels | New wine tastes | Cancelation of orders |
| Process | Skilled labor | Production bottlenecks | New production technology | Hard to differentiate |
| Growth | Marketing and Promotion | Package design | Delivering good margins to distributors | Over saturated market |

| Engineering Trade | Strengths | Weaknesses | Opportunities | Threats |
|--------------------------|------------------------------|--|---------------------------|-----------------------------------|
| Financial | Low cost materials | High ordering costs | Partnership | Seasonal work |
| Customer | High quality product service | Long delivery time | New kinds of steel coil | Lower prices from the competition |
| Process | Experienced employees | Technology | Purchasing new technology | Unused materials |
| Growth | Flexibility | Lack of knowledge and expertise in SPM | Horizontal integration | Substitute roof products |

4.2.2 Key points from the interviews with the management

The following section will elaborate the key points from the interviews with the management representatives from all five small and medium sized enterprises. I conducted the interviews with Petar Georgievski, General Manager in KLS Events, Allan Castillo, Co- founder and Sales Manager in Lynx Animation Studios, Vane Velkov, Search Engine Marketing Executive in Megantic, Damjan Georgievski, Assistant to the General Manager in Stobi Winery and Aleksandar Kostovski, General Manager in Engineering Trade.

Petar Georgievski has been the owner and general manager of KLS Events for 15 years, since the establishment of the enterprise in 2001. There are 10 full time professionals working in this enterprise. They use strategic performance management to some extent, but they recognize the potential for improvements in the near future. The general manager of KLS Events finds the strategic performance management as a significant support for his small enterprise. However, his opinion is that strategic performance management is not competitive advantage for itself, but it supports the main competitive advantage of KLS Events in some ways. In his opinion, the long-term planning is a more adequate choice rather than a full establishment of strategic performance measurement, in order to survive in the highly competitive environment, but there is also a need of short-term planning in the operational level that will significantly improve the existing operational part.

That is because the creative industry is fast-changing, the need of adaptation needs to be really fast, in order to maintain the competitive advantage and stay number one in this industry. Mister Georgievski mentioned that, because of the lack of resources such as time, there is not enough room to improve and develop the strategic performance management. Also, during the interview he admitted that he has the full power in the process of decision-making and believes that the current performance management system is adequate for the enterprise. As advantages of the strategic performance management, he mentioned improvement of the communication, elimination of low performers and satisfying the customers` needs and expectations, but also better relationship with the entire stakeholders with KLS Events. As disadvantages, he mentioned the following factors: it might be a time-consuming activity and significant waste of resources and effort. Mister Georgievski finds the non-financial model as performance prism more suitable for KLS Events due to the creative industry in which this small enterprise operates.

According to him, performance prism is an important model to consider because through this model he, as a general manager and owner of KLS Events, can meet all the necessary requirements and take care of all enterprise`s stakeholders. He believes that the performance prism model is not a strategy driven, but it is stakeholder driven model, something that is of a crucial importance for this small sized enterprise. Mister Petar Georgievski finds that the performance management has the best effect in marketing and

sales and sometimes it can help the process of decision-making. He agrees that, in certain situations or periods, the performance management is important for the executives and the managers, but not that much for the employees. Also, he believes that the performance management can have direct impact on the internal and external communication, but as a general manager he puts an emphasis on the manager`s responsibility to develop this system and monitor the effectiveness, benefits and outcomes.

Allan Castillo is the Co-founder and the Sales Director of Lynx Animation Studios. He admitted that Lynx Animation Studios operates in highly competitive industry and that the importance of high performance is crucial for obtaining a competitive advantage. Up to now, Lynx Animation Studios has developed certain models and tools, in order to measure and manage the performance of their employees. However, strategic performance management is not yet established because this medium sized enterprise is brand new on the market and there is a significant need and place for improvements, especially in the establishment of strategic performance management models suitable for this medium sized enterprise in which the goals and objectives of this medium sized enterprise are aligned with the processes, teams and individuals within the enterprise. Allan Castillo mentioned that mostly the management of Lynx Animation Studios uses both the short term and long term planning.

As a co-founder and sales director of this medium sized enterprise, he believes that the already introduced performance tools, within Lynx Animation Studios, helped him understand how each individual, employee operates within this enterprise. However, there is a significant need for further improvements. Mister Allan Castillo mentioned that he prefers non-financial models of measurement of the performance, because he finds it much more appropriate for this type of industry, market and environment where the enterprise operates. Until now, there had not been any non-financial models introduced in the practical work, models such as balanced scorecard, performance pyramid or prism. His focus is on testing different tools which could improve the enterprise`s performance. He mentioned that the strategic performance management has its best effects in the human resources department, because it can motivate the employees to improve their personal performance.

Hence, improving the quality of their work will be a significant benefit for the enterprise, high quality content, featured movies and video games production. Mister Castillo was not fully aware of the influence from strategic performance management in the internal and external communication, due to the process of development in which the enterprise currently operates. On the other hand, he agreed that the strategic performance management could be useful for further growth of small and medium sized enterprises in the way that it can support the existing competitive advantage of Lynx Animation Studios.

Vane Velkov has been the SEM executive for four years in the medium sized enterprise Megantic. The enterprise is operating in highly competitive environment and it has been present on the market for the past 4 years, since 2012, currently operating with 50 employees. The main competitive advantage of Megantic is the strategic performance management implemented to its full extent, well-established planning, processes, measurement and feedback criteria are evident from the success of this medium sized enterprise. Megantic uses the long-term and short-term plans as a mix, depending on the certain departments within the enterprise. Mister Vane Velkov, the SEM executive of Megantic, finds significant use of strategic performance management. It directly supports his work, it helps him generate final results that ultimately translate into new clients and successful leads, delivers high value proposition, and directly impacts high ROI.

As advantages, he mentioned: rewarding the effort of employees such as overtime extra payments, project based bonuses for the best results, above average performance in every team and elimination of low performers. This kind of working environment motivates the employees to work harder and better, because their effort is valued and constantly observed and measured. By high quality service offered from employees the customers' expectations are satisfied, additionally the feedback approach improves the service quality of Megantic. As disadvantages of strategic performance management that sometimes may occur, Mister Velkov mentioned the following: time-consuming activities that are hard to measure constantly, because they subordinate to industry changes, which reveal instantly without prior announcement. Such industry changes can impose a need for a completely new revision and new measurement processes and activities. The SEM executive in Megantic prefers non-financial models, because he finds them more suitable for today's business environment. The balanced scorecard model is used in this medium sized enterprise, in order to reach higher performance by measure of the existing performance, that directly helps this medium sized enterprise to achieve its goals and objectives in a more efficient and effective manner. The enterprise Megantic fully implements the four divisions of the balanced scorecard model, such as: learning and growth, business process, customers focus and financial indicators.

Megantic as a medium sized enterprise has experienced improvements from the performance management on a departmental level and it certainly made a positive impact, especially in terms of higher productivity rates delivered from the employees within the enterprise. Mister Velkov believes that the performance management's best effect is human resources department, due to the training, education and knowledge that is delivered to all employees of Megantic. He believes that strategic performance management directly contributes to more reliable, accurate and adequate decision-making. Strategic performance management helped Megantic refine the faultiest processes and set a clear pathway of activities that ultimately lead to high quality service and excellent results. If the right criteria have been set during the implementation stage, the risk of making a

wrong decision in a certain scenario would be far higher than without strategic performance management, which significantly lowers the risk of making the wrong decisions. He mentioned that the performance management is equally important for the managers, executives and other employees. In addition, he firmly believes that by using strategic performance management activities at a higher pace, it would definitely deliver better internal and external communication within the company, which is important for achieving better results, higher productivity and transfer of knowledge and experience among employees, managers and executives. Mister Velkov agreed that the performance management has a direct impact on the productivity, because the ultimate goal of strategic performance management is to improve and support the activities within the enterprise, also align them with the enterprise's goals and objectives that will lead individuals and teams to achieve common goals and objectives.

Mister Damjan Georgievski works as an assistant of the general manager at Stobi Winery, a medium sized enterprise that has been on the market for eight years, along with 50 other employees. According to Mister Damjan, the wine industry is extremely competitive, especially on the local (Macedonian) market. Mister Damjan Georgievski confirmed that Stobi Winery uses strategic performance management mainly to align the goals and objectives set by the higher management, with the other employees from the operational level. He agreed that strategic performance management could support the competitiveness of the medium sized enterprises, especially in the beverage industry. According to Mister Damjan Georgievski, the management of Stobi develops plans based on short-term and long-term planning, in order to maintain their competitiveness on the market and to satisfy customers' needs, desires and preferences.

As an assistant to the general manager, he finds the strategic performance management very useful for his position, because it provides information about previous activities and possible future improvements in the organizational structure. From this statement, he provided information that the strategic performance management is extremely important for planning, process development and decision making within this enterprise. He mentioned the following advantages and disadvantages: an improved communication among the departments, sales department achieves its targets, customers' expectations are satisfied, the detected additional needs and preferences from customers. As disadvantages, he mentioned that implementation of strategic performance management is time consuming and it discourages creativity due to the time spent in creation and formulation of certain tasks and measures as part of the strategic performance management. He stated that their enterprise use the non-financial measures, because he finds them more suitable for today's business environment. Stobi Winery practices the implementation of the performance pyramid model.

Mister Damjan Georgievski shared further information about the improvements from the performance management model on the performance pyramid through each department

have outstanding performance effects. He mentioned that the results have increased and improved due to the good structure that performance pyramid offers, the numbers in sales are higher and there is an increasing tendency of satisfied employees due to the recognition of their high performing activities from their superiors. In his opinion, the performance management has the best effect in the sales department. He agreed that the performance management is equally important for the executives, managers and other employees. On the other hand, Mister Damjan Georgievski mentioned that the strategic performance management has a direct impact on the internal and external communication in the enterprise and it has a positive impact on the production quality, performance and profitability of the winery.

As a general manager of the small enterprise Engineering trade, Aleksandar Kostovski is aware of the benefits that strategic performance management delivers to his small sized enterprise. His father established this enterprise in 1991. Five years ago, Mister Aleksandar Kostovski took over the position as General Manager. Since then, he has been trying to find new ways to improve its operational activities, planning and decision-making. In this enterprise, there are fifteen full-time employees. Due to the excess of work in the summer period, their number significantly increases. Engineering Trade is operating in highly competitive environment, which is the reason why they have to plan every next step. This small enterprise focuses on selling high quality product of steal coil; quality is one of their main competitive advantages. As value added activity that differentiate this small enterprise from its competition is that it offers a service in which it installs roofs for the customers by including the materials that this enterprise produces. Based on the interview, Aleksandar mentioned that as a general manager he uses strategic performance management along with his executives for better planning, higher productivity and increased profitability.

The closest model in which this small enterprise currently operates is the balanced scorecard model. Mister Kostovski believes that performance management can significantly support Engineering Trade and can help into establishing further knowledge and education as something that is required and crucial for satisfied customers, process development, higher growth and profitability. Strategic performance management approaches significantly depend on the industry. Strategic performance management creates an opportunity for Engineering Trade to find new tools and better practices that can positively influence the performance of the enterprise. Engineering Trade uses long-term planning approach and develops a long-term strategy due to the import of raw materials from Europe and Asia that require administrative and custom documentations, followed by procedures that require significant amount of time. Additionally, due to the transportation and the currency reasons, the management takes the long-term planning into consideration. The management of Engineering Trade needs to be very careful in their projections, because as the general manager mentioned, the shipping (delivery) of raw materials and

production time are significantly slow and can have a negative impact on the enterprise's development and growth, if the market demand is not matched with ordered quantities and production. Mister Kostovski also emphasized the importance of performance measurement for enterprises that operate in highly competitive markets such as Engineering Trade.

According to him, with the practice of strategic performance management tools, it is easier and more convenient to make some of the most important decisions and to improve the results. The managers can easily solve many hard decisions, if they have all the necessary information. He mentioned the following advantages of strategic performance management in the enterprise where he works such as: rewarding the effort of employees, elimination of low performers, improved communication among the departments, satisfaction of the customers' expectations, detection of the customers' needs, also feedback approach that improves the services and products of the enterprise. As disadvantages, he listed time consumption and waste of resources, if the strategic performance management is not properly established.

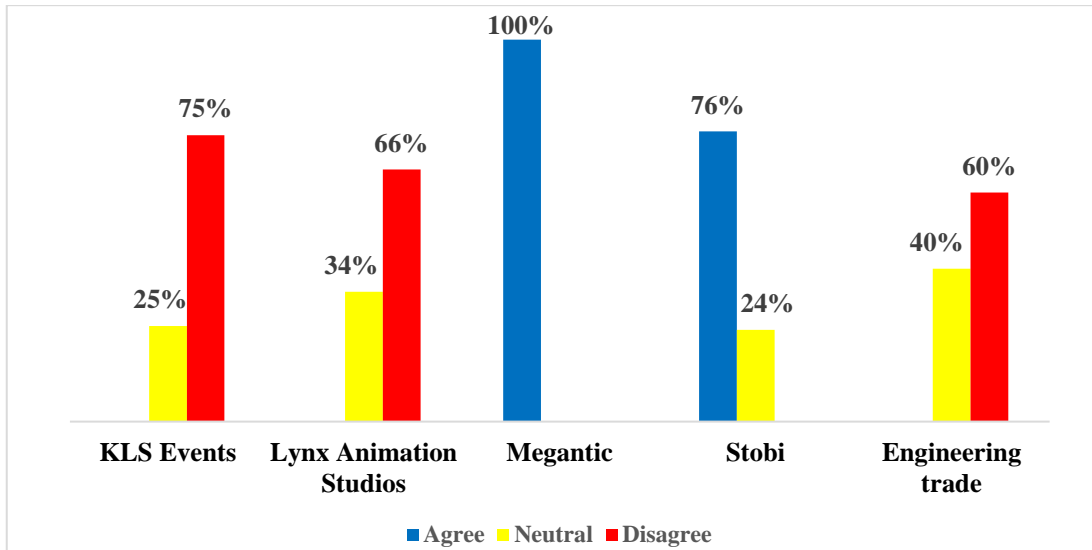
He stated that the performance management has the best effect in sales and marketing, because the results are easily recognizable and easy to measure. He agreed that the management of his enterprise significantly benefits from the performance management due to improved communication and guided measurement practices that further help the decision-making process. In his opinion, strategic performance management can help the managers, by giving them all of the necessary information. Based on the reliable information delivered from strategic performance management the general manager can make significant improvements in regards of planning and decision-making, that will consequently bring higher profits and more satisfied stakeholders that are important for the growth prospects of this small enterprise.

4.2.3 Presentation of survey results

The following pages present the results from the conducted survey with the employees from KLS Events, Lynx Animation Studios, Stobi Winery, Megantic and Engineering Trade. The figures represent the different perceptions of the employees about the implementation and the importance of strategic performance management in their small and medium sized enterprises. There is a significant difference among employees' in regards of the perception depending on the level of position, high, middle or low level management. The main purpose is to define the importance and the influence of strategic performance management in which small and medium sized enterprises practice different non-financial performance management models, different industries and have different size and management structure. Figure 5 presents the positions of all five small and medium

sized enterprises. All of these five small and medium sized enterprises clearly emphasize the definition of the performance management.

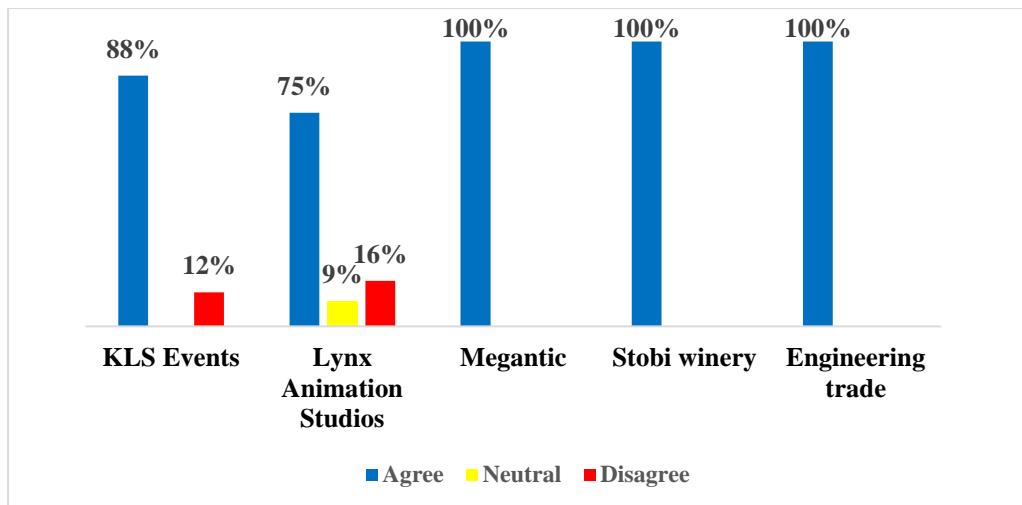
Figure 5. Do the Employees Working in Small and Medium Sized Enterprises Think that Performance Management is Clearly Defined in the Enterprise They Work for?Q2



It is interesting that 75% of the respondents from KLS Events disagreed that their enterprise clearly defines the strategic performance management. This means that this enterprise is missing strategy for further development and growth. Lynx Animation Studios has a majority of votes, 66% from the respondents agree that the strategic performance management has not been properly defined; this is mostly because this is a new enterprise. Consequently, in the case of Lynx Animation Studios 34% of the respondents were neutral, they did not have any opinions whether the enterprise has clear goals and objectives, which signifies that some departments and individuals are not aware of performance management within their enterprise.

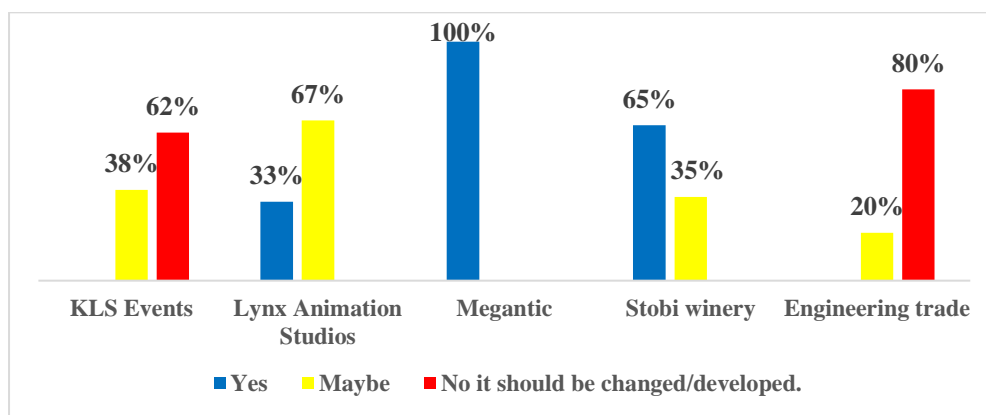
The case with Engineering Trade is similar, 40% of the respondents were neutral and 60% of them disagreed that their enterprise clearly defines the strategic performance management. On the other hand, as a better example, we have the other two enterprises, Megantic and Stobi Winery, which have a clear definition of performance management, due to the significant effort in better alignment of goals and objectives incorporated in the tasks of the employees. Figure 6 presents the strategic performance management's influence over job responsibilities by each small and medium sized enterprise, which is a personal opinion of each employee as part of the selected small and medium sized enterprises.

Figure 6. Are the Job Responsibilities Clearly Defined According to the Personal Opinion of each Employees?Q3



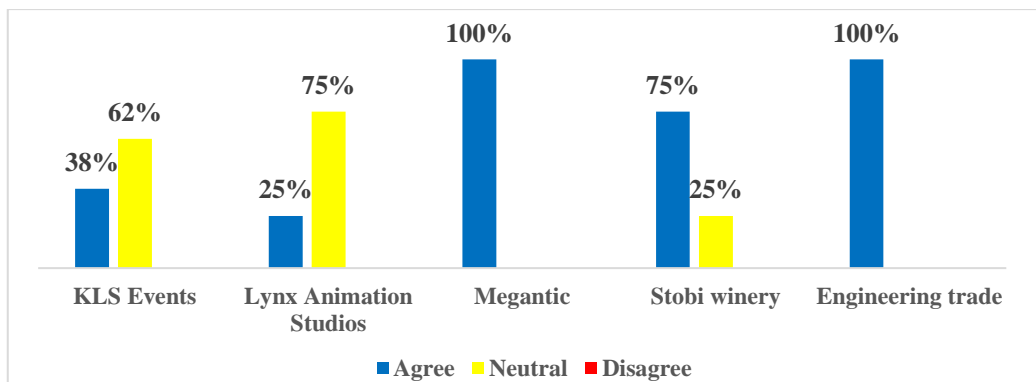
In three out of five enterprises, the majority of answers derive from 100% of understanding of what job responsibilities they have and what their working tasks are, prior to clearly defined job responsibilities. Some respondents from KLS Events and Lynx Animation Studios are new employees, so their responds are adequate with the length of time they have spent within these enterprises. Only 12% of the employees at KLS Events do not have clearly defined job responsibilities. Sixteen percent of the employees at Lynx Animation Studios also do not have clearly defined job responsibilities and the other 9% were neutral. This proves that we have the right survey representatives from small and medium sized enterprises that need significant support, knowledge and expertise, in the field of strategic performance management. According to Figure 7, all five small and medium sized enterprises define the adequacy of the current performance management system.

Figure 7. Do the Employees Working in the Small and Medium Sized Enterprises Consider that the Current Performance Management System Within Their Enterprise is Adequate?Q4



In this question, there is an extreme answer. An enterprise such as Megantic has full control over their performance management, including performance measurement metrics, productivity rates, incentives for the best employees and full supervision of the processes within the enterprise. This is a reflection from a 100% digital service work, in which this medium sized enterprise operates. The processes and individual contribution of each employee is easy to measure and recognize not only from the higher-level management, but from its supervisors and superiors as well. Figure 8 explains how much the participative environment is present in the selected small and medium sized enterprises as part of this thesis that is something extremely important for their sustainable growth and development.

Figure 8. Does the Performance Management System within their Enterprise Create a Participative Environment?Q5

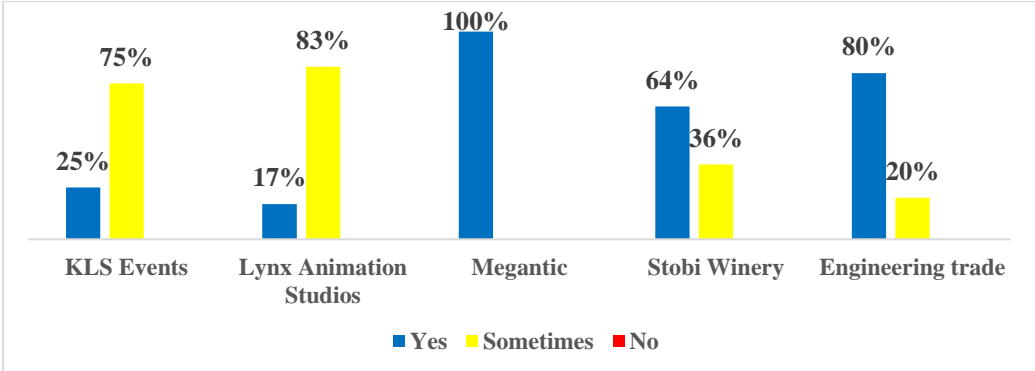


The other three enterprises Engineering Trade, KLS Events and Lynx Animation Studios are the opposite of Megantic; they need significant changes and development in the field of performance management system. Stobi Winery also needs to make improvements. According to the assistant of the general manager, Mister Damjan Georgievski, knowledge and expertise for performance management is crucial and required for Stobi Winery. In addition, the development of adequate performance management system requires significant improvement. Participative environment is extremely important and serves as evidence, in which the small and medium sized enterprises implement the strategic performance management, shown in Figure 8.

The enterprises, in this case Engineering Trade, Megantic and Stobi, that have established performance management systems within their processes for a longer period of time have felt the benefit of performance management and over all created participative environment. Most of the new enterprises, such as Lynx Animation Studios, do not have appropriate participative environment created by the direct support of the performance management system, and the problem arises due to the lack of knowledge and expertise. Only 38% of the respondents from KLS Events agreed that the performance management system within the enterprise creates a participative environment and 62% were neutral, which is also an

indicator that something needs to change, improved in this regards. Figure 9 explains the well-established current relation and collaboration between employees and superiors; and how much the superiors recognize and support the ideas and proposals.

Figure 9. Do the Employees from the Five Small and Medium Sized Enterprises Consider that their New Performance Ideas are Recognized and Encouraged by their Superior?Q6

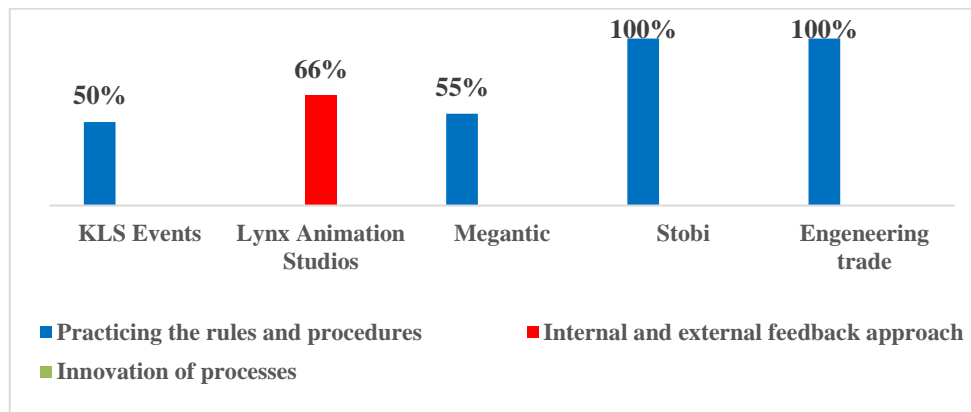


This question opens the common discussion of the hierarchical communication among employees individually. Majority of the respondents from Engineering trade, Megantic and Stobi Winery answered that their enterprises have implemented this aspect. The situation is not better in Lynx Animation Studios, because 83% of the respondents answered sometimes and only 17% with yes. In this case, there is a significant demand for improvement in KLS Events and Lynx Animation Studios, but also improvement is required in Stobi and Engineering Trade.

Enterprises that face such challenge should develop a structural way of communication, as well as internal feedback approach. By empowerment of individuals (employees) that can personally contribute to improve slow processes, bottlenecks small and medium sized enterprises require significant support and understanding from their superiors. Superiors need to motivate and support their employees, also create a feedback approach, in order to reach higher productivity, achieve better corporate culture and establish well-defined goals and objectives that will be in line with the small and medium sized enterprises` strategy, by practicing the rules and procedures, innovation of processes or internal and external feedback approach.

The following Figure 10 explains the position of each small and medium sized enterprise as part of this thesis important for empowerment of the employees.

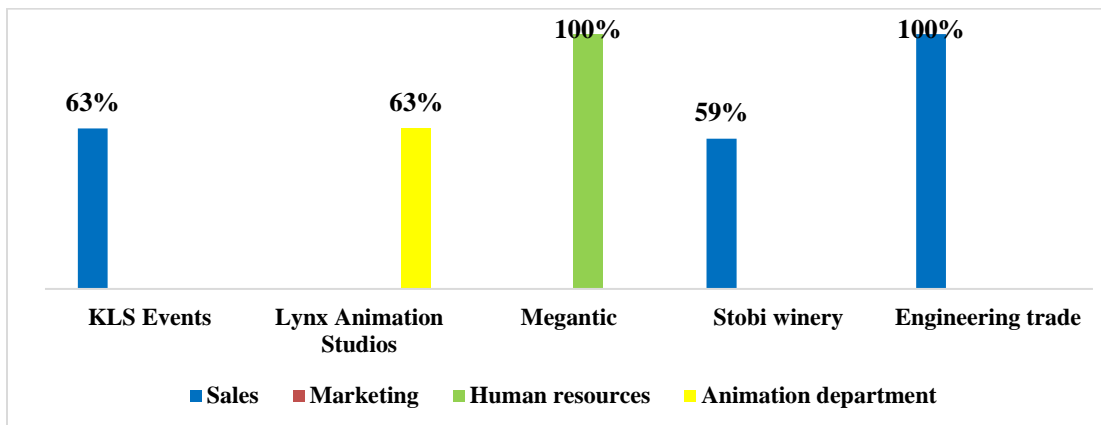
Figure 10. How Can Employees Personally Contribute in Order to Improve the Performance within their Enterprise?Q7



Due to the size of this enterprise, the decision-making power in KLS Events belongs to the general manager. Most of the employees that work for a longer period of time, in this small enterprise, support the fact that rules and procedures established by the general manager are the only way to improve the performance, even though some of the respondents consider their individual contribution as an action that can improve the performance of the enterprise and will change something in a positive way by their own initiative, if they do have that possibility. Also, 12,5% of the respondents consider that frequent feedback from their superiors is the way in which they can contribute towards better performance. The last 12,5% of the respondents from KLS Events believe that the innovation of processes is the major key to improve the performance within the enterprise. The majority of the employees, 66%, at Lynx Animation Studios believe that the internal and external feedback approach is one of the most important aspects. On the other hand, an innovation of the processes within the departments is a top priority for the executives. It requires innovation of already existing processes, as well as implementation of new practices.

Megantic is an enterprise that already has well-established processes; hereby employees believe that practice of rules and procedures is the best way to improve the performance within the enterprise. Additional reason for respecting the rules and procedures within the enterprise are clearly defined goals and objectives, also constant trainings and education of the employees. This enterprise uses this excellent practice as a role model of performance management. The more the employees use these practices and follow the procedure, the more they improve their personal performance, consequently improving the general performance of this medium sized enterprise. The people working in small and medium sized enterprises, commonly mistake that strategic performance management should have the highest influence in certain department, which is proved in Figure 11 and shows the different opinions of the respondents in these regards.

Figure 11. In Which Department Strategic Performance Management has the Highest Level of Influence within the Small and Medium Sized Enterprises?Q8

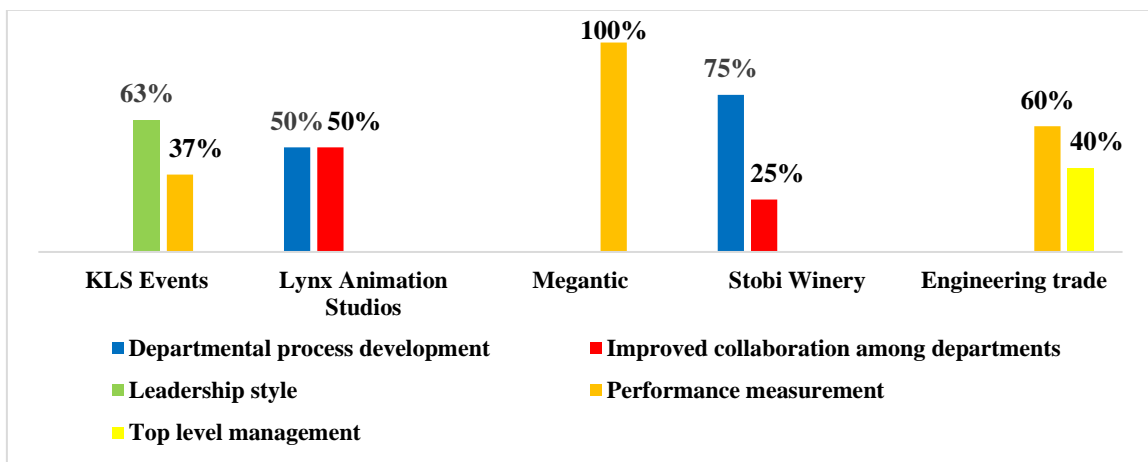


According to the strategic decision-making, the enterprise Engineering Trade finds Sales as the most important department influenced by strategic performance management. According to the interview with the general manager, we can see that the decision-making is mostly sales oriented but it also considers ordering, procurement and delivery as important aspects for decision-making. Hereby, the strategic performance management directly influences and affects the strategic decisions in regards of sales. Competition is the main reason why this enterprise considers sales as the most important department in which the influence of strategic performance management is present. KLS Events operates in a creative industry in which strategic performance management has a direct impact over the sales and marketing. In order to survive and compete in highly competitive environment, it is crucial that the sales operations have proper strategy, processes and performance metrics. The competition in this industry is enormously high, which gives an indication of why most of the respondents currently consider that the highest influence of strategic performance management is taking part in the sales department. According to the general opinion of Lynx Animation Studios, the highest influence of strategic performance management, within this enterprise, has the animation department. Due to the length of the project development, phase of pre-production and production of featured movies might take several years for a completion of a project; hereby the performance management in the animation department is crucial for successful and timely project accomplishment. Strategic planning in this regards might help the enterprise to improve its effectiveness and efficiency by high quality and high performing animators that need specific guidelines and pipelines, followed and respected by each individual and team in terms of deadlines. Due to the trainings that each employee undergoes during the recruitment process within Megantic, most of the respondents consider that the HR department directly associates and influences the strategic performance management that affects all other aspects.

The reason why every employee within the enterprise has a clear understanding of the processes, objectives and their implementation is because highly trained HR professionals

and superiors from different departments are able to make sure that every new employee is introduced with the strategy, goals and objectives of the enterprise. The respondents from Stobi Winery believe that Sales and Marketing are the most important departments in which strategic performance management is established. Wine industry as part of the Macedonian market is extremely competitive. The influence of strategic performance management in Sales and Marketing is mostly present due to the fact that the market share of this medium sized enterprise has an increasing tendency in the local and regional markets. Specified selling targets and creative ways in promotion of wines is an effort that needs to be done by these two departments in which strategic performance management has the highest influence. Figure 12 shows that due to the different structure of the management and decision-making power, the priority of the factors for establishment of successful performance management differ.

Figure 12. Which Factor has the Highest Priority in Establishing Successful Performance Management within the Enterprise?Q9

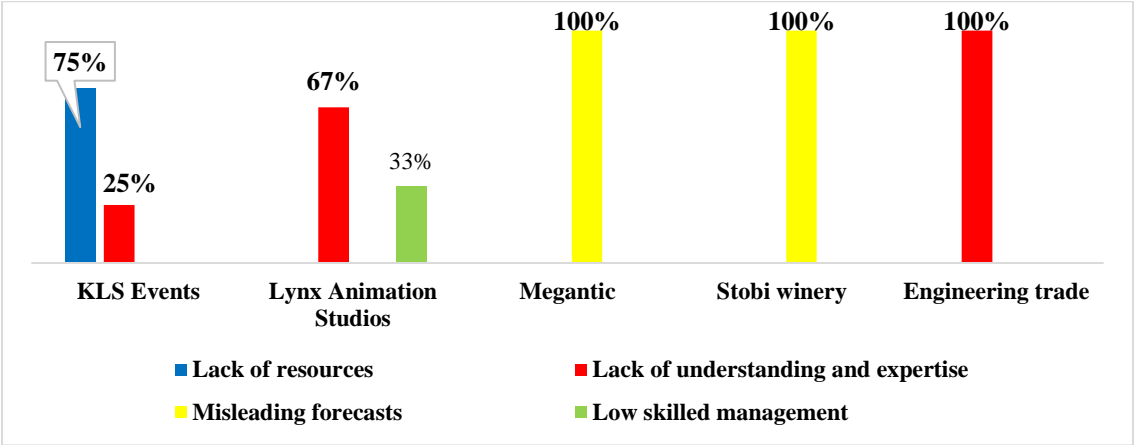


The development of the performance measurement is a crucial factor for the establishment of excellent performance management at Engineering Trade. From the previous answers, all respondents believe that sales have the highest influence in strategic performance management, so the easiest way for them is to measure the sales figures without taking into consideration other aspects that may have caused good or bad sales. Sixty percent of the respondents support this answer. The other respondents, 40%, believe that the top-level management is the highest priority in the establishment of the successful performance management. In KLS Events, due to the size of the enterprise (small), one person makes the decisions, the general manager and owner of this enterprise. Majority of the respondents, 63% of them consider leadership style of their superior (general manager) as a way to establish a successful performance management and the rest 37% think that performance measurement is required for establishing a successful performance management. Fifty percent of the respondents from Lynx Animation Studios answered that the improved collaboration among departments is crucial for establishing a proper

performance management due to the difficulty and requirements that each project demand in this industry. Lack of feedback from the superiors, (top-level management) consequently gives a high priority of improved collaboration among departments. Also, it supports the other 50% of the respondents that believe that the departmental process development is equally important for all individuals from all departments, in order to align the goals and objectives with the daily work of everyone involved, including individual artists from background and animation department, creative teams, writers, director, the team of programmers, producers, sales and marketing departments important for successful project accomplishment.

Due to the well-established processes and performance management metrics in the medium sized enterprise Megantic, employees find performance measurement as a top priority for the establishment of successful performance management, in order to confirm and make sure that everything goes in accordance with the estimated time, resources and effort dedicated to serve as an individual or a department for the benefit of a certain project.

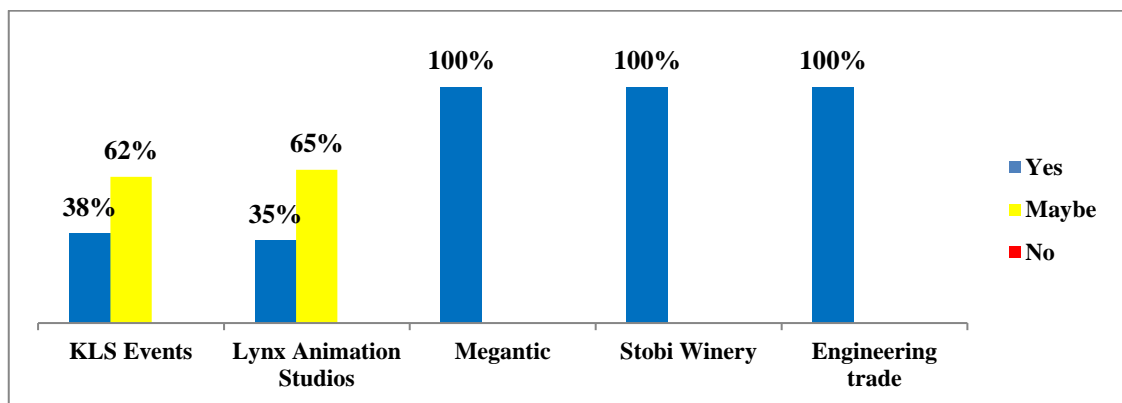
Figure 13. What are the Barriers to Effective Performance Management?Q10



In the wine industry, the departmental process development has the highest priority due to the difficulties of certain procedures and processes in wine production that requires constant development and upgrade, in order to get higher quality wines and faster process production. Besides sales and marketing, other departments of Stobi such as production and procurement are also important, in order to create a well-established process metrics, quality control and overcome bottlenecks that will substantially help the medium sized enterprise Stobi Winery to continuously grow and to sustainably develop. According to Figure 13, small and medium sized enterprises face different challenges and barriers to implement strategic performance management to its full potential. When asked about the barriers, 75% of the respondents from KLS Events answered that the main barrier is the lack of resources and 25% answered that the main barrier is the lack of understanding and expertise. The respondents from Stobi Winery fully agreed that the misleading forecasts

are the main barrier, due to the uncertain industry in which they operate. In the case of Stobi, weather conditions are very important, in order to produce the estimated quantities and reach the expected quality of the wine. It is very hard to measure and forecast the weather conditions; hereby it is possible that the threat of wrong estimates and misleading forecasts will consequently affect the establishment of effective performance management within this medium sized enterprise.

Figure 14. Does the Performance Management Positively Affects the Internal Communication among Departments within the Enterprise?Q11



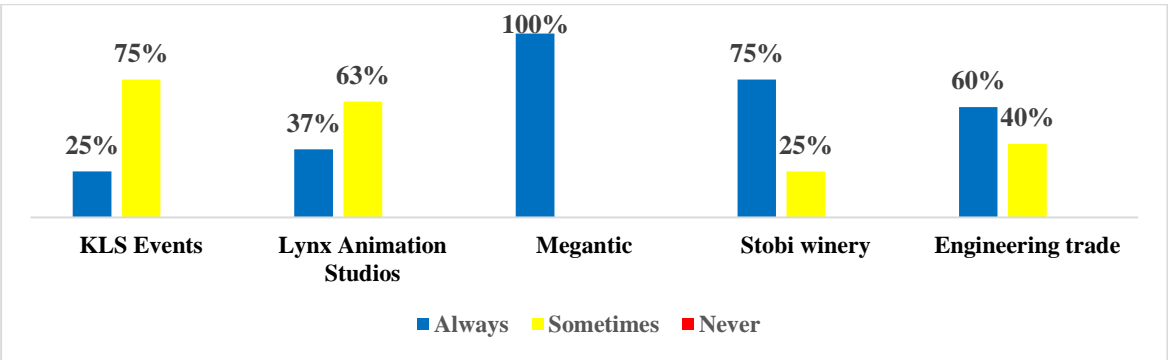
In the enterprise Megantic, there are frequent changes of the search engine and social media platforms. The main threat and barrier of effective performance management might be the wrong estimation of the future outcomes that might consequently become a misleading forecast. In the newly established enterprise Lynx Animation Studios, 65% of the respondents answered that the barrier to effective performance management is the lack of understanding and expertise and the other 35% answered that the low skilled management is the main barrier. Lack of understanding and expertise was the answer from Engineering Trade with 100% that corresponds with the interview of the general manager Mister Aleksandar Kostovski, which mentioned that the main drawback of his enterprise is the lack of understanding and expertise in the field of strategic performance management. The performance management directly supports the communication and interaction among individuals, teams and departments. This opinion varies in all five small and medium sized enterprises shown in Figure 14.

Both enterprises, KLS Events and Lynx Animation Studios do not have a clear understanding of the performance management affecting the internal communication among departments. Lack of understanding and expertise, low skilled management and additional resources are required, in order to understand and prove how positively the performance management can affect the internal communication among departments. Most of the employees at KLS Events and Lynx Animation Studios are not aware of how

performance management can help the enterprise in the improvement of internal communications.

In order to keep high productivity level within the small and medium sized enterprises, the proper know-how needs to be transferred from superior to employees and their interaction needs to be smooth and friendly. The following Figure 15 presents the outcome from each of the five small and medium sized enterprises in terms of guidance and support provided by the superiors, which is extremely important for proper implementation and practice of strategic performance management.

Figure 15. Does the Superior Provide Guidance for the Employees?Q12



In the case of Engineering Trade, we can see that the majority of answers support that the top-level management precisely delivers guidance for the following plans, but there is still place for improvement. In KLS Events, 75%, the majority of the respondents answered that their superior sometimes provides guidance. Mostly because of the work overload and lost focus of the general manager towards the operational part of the enterprise. In Lynx Animation Studios, 63% of the respondents are animators that not always, but sometimes have a clear guidance from their superiors, also there is a significant place for improvement in this regard. This is definitely a weak point for Lynx Animation Studios, because the animation department requires significant support from the superiors, in order to create high performing action and an environment in which the employees transfer the knowledge and experience from one to another. This is crucial for the animation and gaming department within Lynx Animation Studios, because these two departments are the engine of this medium sized enterprise. Megantic is an example of a well-established strategic performance management, in which superiors must provide guidance for their employees and establish a frequent formal feedback approach, from the bottom to the top and from the top to the bottom, in regards of the management hierarchy. In Stobi Winery, 75%, the majority of the respondents, answered that they always get proper guidance from their superiors and only 25% answered that their superior sometimes provides them with guidance, which is excellent compared to Lynx Animation Studios and KLS Events, where the majority of respondents are neutral. In this industry, it is extremely important to

consider that new employees are well accepted and all the knowledge and practices in terms of production and procedures are well explained and elaborated by the superiors in this enterprise.

The next question, posed to the respondents from the five small and medium sized enterprises, was about the most important aspect for successful implementation of strategic performance management and answered the question number thirteen agreed, that the most important aspect is the planning. Even though there are certain differences between these enterprises, all of them consider planning as one of the most important aspects for successful implementation for strategic performance management. In conclusion, beside the different opinions about the factors that can influence the performance management, all of the respondents are aware of the significant influence of planning as an important aspect for successful implementation of strategic performance management. This is the expected answer from KLS Events and Engineering Trade as oldest enterprises, from the sample, that are successful due to the rational and adequate planning. On the other hand, the youngest enterprise Lynx Animation Studios has not implemented the performance management system yet, but they are aware of the importance of planning and they consider it as a crucial aspect for the successful implementation of strategic performance management.

Figure 16. Do the Small and Medium Sized Enterprises Consider Short or Long Term Planning as one of the Most Important Aspect for Successful Implementation of Strategic Performance Management or Mix of Both?Q14

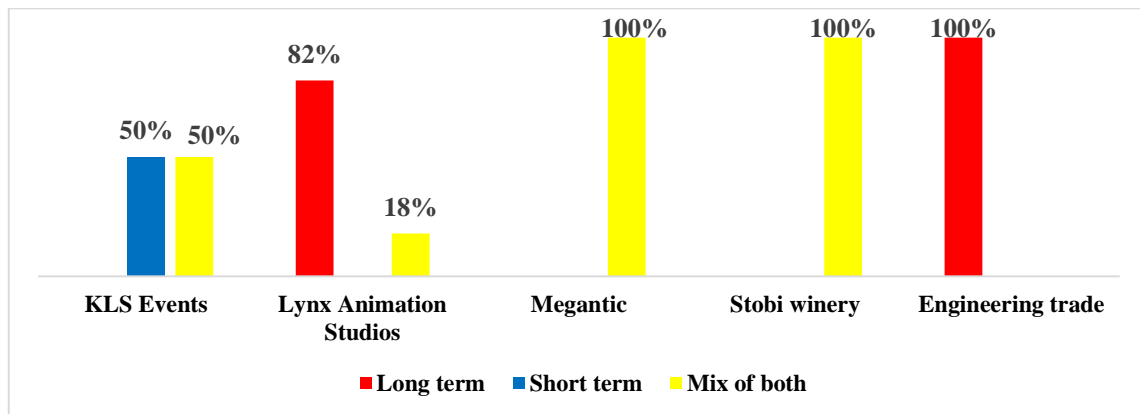
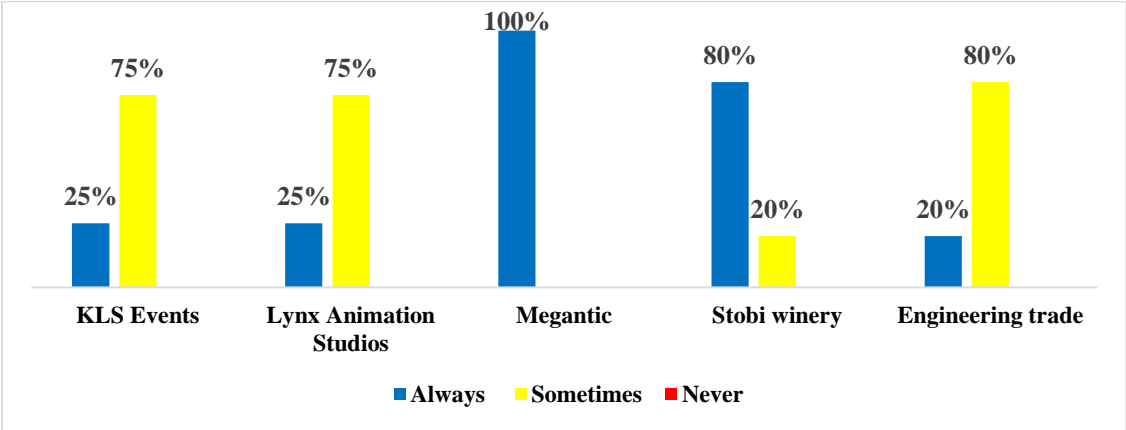


Figure 16 shows that it is a mistake to solely consider long or short-term planning. Within the planning structure of the decision-makers, it is equally important that they incorporate both long-term and short-term planning.

The importance of the long-term planning in Engineering Trade is crucial. If the enterprise makes a good order of material, it will satisfy the customers' needs and preferences. In addition, the right decision about the currency rates plays a very important aspect in the

purchasing process of steel coil in which the enterprise wins or loses significant amount of money, depending on the currency criteria. Hereby, the estimation and prediction of the long-term planning and projections of ordering time and delivery (shipping) of the steel coil to the end destination are one of the most important factors for low cost effective strategy. However, in the case of Engineering Trade, we can conclude that there is a significant need for short-term planning, that the management does not currently consider it in this small enterprise. Eighty-two percent of the answers from Lynx Animation Studios consider that decision-making should rely on long-term planning and 18% of them consider that the planning is adequate, if it relies on mix of both long and short-term planning. Half of the respondents from KLS Events answered that the decision-making should rely on short-term planning. Most of these respondents are regular employees working on daily operations within the enterprise. Most of the managers, 50%, believe that there should be a mix of both short and long-term planning and that they should not rely only on long term planning, something that the general managers consider as the most important. The enterprises Megantic and Stobi Winery`s respondents answered with majority that the decision-making should rely only on the mix of both, short and long-term planning. In order to track high performance and detect low performance, it is crucial to establish constant formal feedback approach. In addition, it is important to reward the high performers and penalize the performers. In the following Figure 17, the results by each of the enterprises differ and need significant improvements and support.

Figure 17. Do the Employees Get Any Formal Feedback Regarding their Performance?Q15

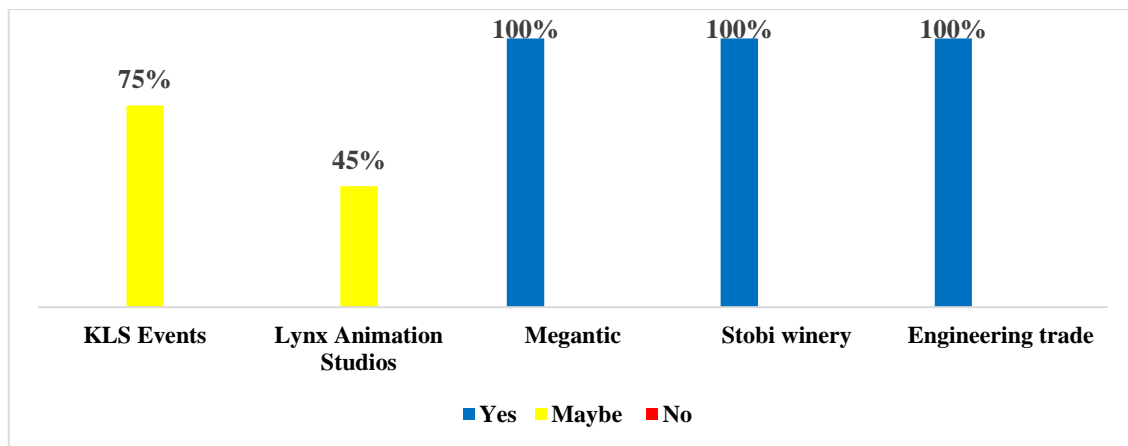


Formal feedback approach is one of the most important aspects, especially in the formulation and the definition of strategic performance management. Without formal feedback, the management will not be able to measure progress or detect a problem within the process. Figure 17 presents that Megantic and Stobi have developed a formal feedback approach in which their employees are aware of their individual productivity, quality delivery and goal accomplishments important to understand the progress and further

performance measurement. The other three enterprises, KLS Events, Engineering Trade and Lynx Animation Studios have a significant drawback in this regard; their processes and corporate culture doesn't incorporate the formal feedback to its full extent, something that shows significant disadvantage and limitation when it comes to higher performance and motivation of employees to achieve better results. The lack of formal feedback indicates that the performance measurement is not properly established because the superiors and the higher management do not recognize the extra work or high quality delivery from its employees, consequently the employees do not get a reward. The lack of formal feedback is a drawback for the management, due to lack of information of which employee is high or low performer.

Figure 18 presents that the majority of the small and medium sized enterprises believe that strategic performance management significantly supports employees to achieve their results and targets. Nowadays, it is very important to work in a supportive environment that will recognize individual and team effort and will award accomplishments. In both enterprises, KLS Events and Lynx Animation Studios, the performance management does not directly support the results and targets of the employees, only the top-level management in Lynx Animation Studios and the middle level management in KLS Events are aware that performance management can support the targets and the results that they have.

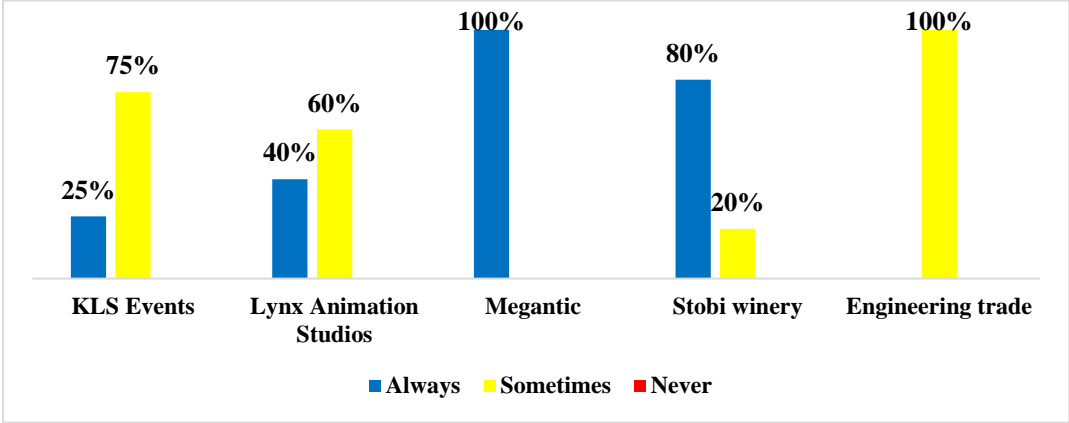
Figure 18. Does the Performance Management Support the Employees to Achieve their Results and Targets?Q16



Due to the lack of knowledge and expertise in strategic performance management, many respondents from both enterprises KLS Events and Lynx Animation Studios consider that performance management might help, however they are not sure. The other employees from the other three enterprises, Engineering Trade, Megantic and Stobi Winery are fully aware and recognize the benefit and the positive impact that the performance management has on their daily operations. By not rewarding high performing individuals and teams, the

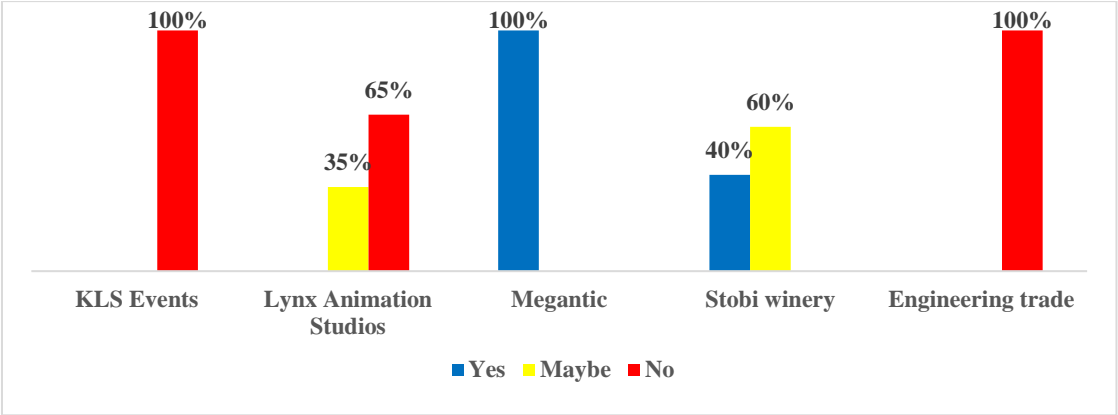
motivation of the high performing individuals and consequently teams will significantly drop and lose the high performance on the long run. KLS Events, Lynx Animation Studios and Engineering Trade have significant threat of such occurrence, shown in Figure 19.

Figure 19. Is the individual and teams' Performance Success Rewarded?Q17



The motivation of employees directly depends on the incentives and the rewards delivered to them. Without measurement of the work from the employees, it is hard to establish a reward system and without the reward system, employees are not willing to give their best effort. The rewards and incentives do not always need to be financial, there are many other options such as flexible working hours and more holidays, which can significantly motivate employees and give them a chance to prove their worth. By establishing formal feedback approach, employees will be aware that their work and personal contribution is measured, they will always take into consideration the rewards and penalties, if they do not deliver their work effectively, efficiently, properly and on time. Megantic has excellent form of feedback approach and rewarding system due to the high importance of rules and procedures established within their enterprise, especially present in their HR department.

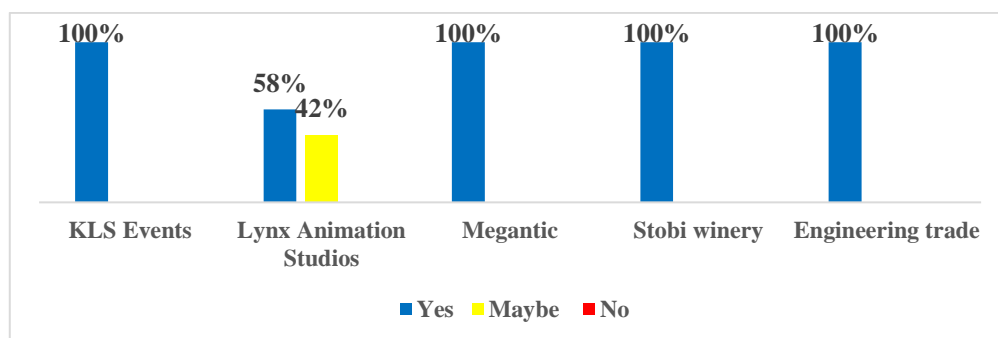
Figure 20. Does the High Performance Represent the Main Competitive Advantage of the Enterprise?Q18



The respondents from Megantic were positive about the recognition of their performance success. The implementation of the rewards is not sufficient in the other four enterprises, Engineering Trade, Stobi Winery, KLS Events and Lynx Animation Studios and need significant improvements, in order to support higher performing culture within their enterprises and develop sustainable rewarding systems. The majority of small and medium sized enterprises consider high performance as a support of already existing competitive advantage and not as a main competitive advantage, except in the enterprise Megantic presented in the Figure 20, in which high performance is the main competitive advantage.

The management at Engineering Trade believes that current high performance can support their processes, but it is not a main competitive advantage. Their competitive advantage is the differentiation of product quality of pre galvanized steel coil and roof assembly as an additional value delivered to the customers. From the interview with Mister Kostovski, the general manager of Engineering Trade we can conclude that they need significant expertise in the field of strategic performance management that will support high performance. Respondents from KLS Events fully disagree that the high performance is their main competitive advantage. They believe that they should not measure the unique event experience that they offer to their clients in terms of performance, but it should mostly rely on the service quality differentiation and the value they deliver to each of their clients, which is more important, than the high performance as a main competitive advantage. Lynx animation studios believe that their main competitive advantage is the unique and creative content of cartoons and games they produce. Only 40% of the respondents from Stobi Winery consider high performance as their main competitive advantage and the other 60% answered with maybe, because they believe that their real competitive advantage is the low price. Rather than the other four enterprises, Megantic is fully aware of the importance, effects and the influence of strategic performance management, in which high performance is top priority and main competitive advantage of this medium sized enterprise. Figure 21 proves that strategic performance management serves as a support of already existing competitive advantage of the small and medium sized enterprises crucial for further growth prospects.

Figure 21. Does the Strategic Performance Management Support the Existing Competitive Advantage of the Small and Medium Sized Enterprises?Q19



The majority of answers here are yes, the performance management can support the already existing competitive advantages of all five small and medium sized enterprises. Engineering Trade, Megantic, KLS Events and Stobi Winery fully agree that the strategic performance management supports their competitive advantage through well-developed, structured and organized performance system, due to the positive impact on the higher productivity rate, lower costs, shorter delivery time and profit maximization. Those respondents that do not fully understand and are not aware of the enterprise’s competitive advantage, answered maybe, in this case those were the representatives from the medium sized enterprise Lynx Animation Studios. The maybe answer is a consequence of lack of knowledge and expertise, as well as an unclear strategy that brought them to neutral answers.

The respondents from all five small and medium sized enterprises answered that they have heard of models for performance measurement (question 20). Most of the respondents are aware of the performance models, which is a good indication to continue with the survey and answer questions that are more specific.

Figure 22. Which of the Following Models (balanced scorecard, performance pyramid, performance prism) are Introduced within your Enterprise?Q21

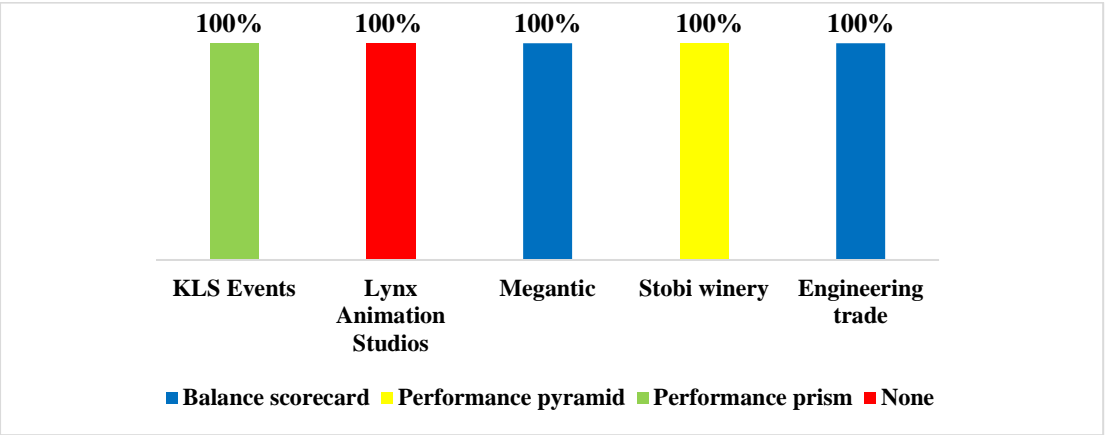
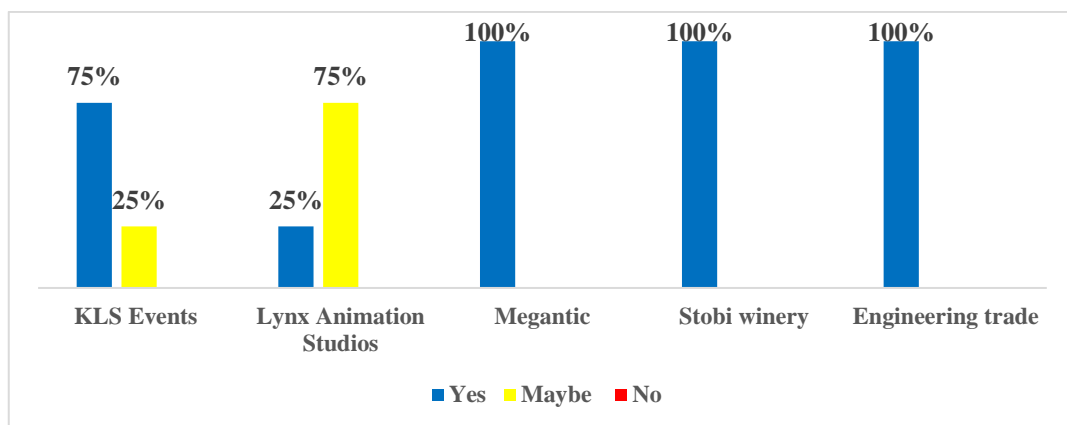


Figure 22 shows that small and medium sized enterprises are practicing the following models in which some enterprise such Megantic has fully implemented the balanced scorecard model. The other three enterprises KLS Events performance prism model, Engineering Trade balanced scorecard model and Stobi Winery performance pyramid model, have partially implemented their performance models but the newest enterprise from this group Lynx Animation Studios is willing to introduce balanced scorecard model for the first time in their medium sized enterprise.

From the survey results, two enterprises already use the balanced scorecard, which is the most common model, used by the small sized enterprise Engineering Trade and medium

sized enterprise Megantic. According to the interview with the top-level management of both enterprises, the balanced scorecard is the most resourceful model, it is easy to apply and easy to incorporate into the enterprise's strategy. This model has significant advantages, because it uses four perspectives that strengthen small and medium sized enterprises in every aspect. The success of the financial perspectives directly associates and is in relation with the other three non-financial aspects influenced by the customer perspective, internal process perspective and learning and growth perspective. The customer perspective takes into consideration the preference of product or services delivered from the medium sized enterprise, the goal is to create innovative tailored products with unique selling proposition that add value to the end customers. The internal process perspective is important, in order to efficiently and effectively deliver products and services to the customers, by introducing new designs and creating value added services that will support the main product or the main service of the enterprise.

Figure 23. Is Strategic Performance Management Useful for Further Growth and Prospective of Small and Medium Sized Enterprises?Q22



The learning culture helps the enterprises create long-term growth and achieve significant results in proper practice of performance management. Balanced scorecard provides an internal agreement on strategic priorities, which helps small and medium sized enterprises communicate strategy and agree on the strategy. It also helps them to align the objectives with the goals of their enterprise. It is important that the small and medium sized enterprises have senior level commitment that will take the initiative to develop a certain strategy in the form of balanced scorecard. Depending on the business priorities, the balanced scorecard might be very different even for the enterprises that work in the same industry. Obviously, from the small and medium sized enterprises that are part of this thesis` research, strategic performance management has a significant contribution for further growth and development, answer supported by the majority of the respondents, presented in Figure 23.

Newly established small and medium sized enterprises are not fully aware of the benefits delivered from strategic performance management. This is also the case with the medium sized enterprise Lynx Animation Studios, mostly because it is a new enterprise, which operates less than two years. The reason why the majority of employees, 75%, are not certain about the benefits and usefulness of strategic performance management, except for the decision makers, is due to the lack of knowledge, expertise and communication among individuals and departments within this medium sized enterprise. Certainly, there is room for improvements and introduction of a proper performance management model that will support the goals and objectives of Lynx Animation Studios. The majority of employees at KLS Events, including the managers with the exception of the general manager, understand the importance and the potential that the strategic performance management has over the growth of their enterprise in which by practicing a specific knowledge and expertise in the field of strategic performance management will significantly support the competitiveness and growth of the enterprise.

4.3 Discussion and Implications

Strategic performance management has a significantly positive impact over the small and medium sized enterprises. The difference of the industry in which the small and medium sized enterprises operate does not limit the need for strategic performance management; it may only require different types of performance measurement models suitable for the small and medium sized enterprises. Strategic performance management has a direct impact over the level of performance:

- Motivated employees
- Exponentially improved management
- Fostered better communication
- Created culture of excellence.

Before coming to any conclusions, executives and managers need to be certain of the clear definition about the strategic performance management. Macedonian small and medium sized enterprises that solely operate domestically require expertise, knowledge and skills, in order to define strategic performance management. The unclear job responsibilities consequently make the job uncertain for the employees, hard to be measured and almost impossible to align it with the objectives and goals of the small and medium sized enterprises. Strategic performance management detects problems and serves as a solution to small and medium sized enterprises. Management expertise in all levels of the small and medium sized enterprises is crucial for successful implementation of the strategic performance management. If the top-level management properly sets the long-term strategy, but it does not have a lower level, operational support, the strategy will be good only on paper. For this reason, it is important to incorporate the measurement in all departments and hierarchical levels of the small and medium sized enterprise, in order to

measure the processes and individual contribution of every team and individual working in the small or medium sized enterprise.

Following the progress and detection of possible drawbacks makes the small and medium sized enterprises stronger and closer to succeed and grow sustainably. Most of the small and medium sized enterprises in Republic of Macedonia spent insignificant effort and small amount of time in the short-term planning, due to the lack of resources, overload of the current capabilities and lack of human capital that makes small and medium sized enterprises vulnerable to fast changes imposed by the competition. Due to such occurrence, small and medium sized enterprises produce lower quality products or offer lower quality services. The planning depends on the industry in which the small and medium sized enterprises operate. Industries such as animation, construction, events, internet marketing and wine production mostly require long-term planning, but the short-term planning is equally important, in order to accomplish the animation pipeline, online sales, plan and execution of events, wine production and coil steel production. Good results in all of the operational fields need to be suitable to support all those processes in order to create the final output in the most effective and efficient way.

The main issue arises when owners, executives or managers rely on their personal instincts and knowledge of business without taking into consideration strategic performance management tools such as performance management models. The main obstacle of KLS Events is that only one person, the general manager, makes the decisions. The performance prism model helps and supports KLS Events in order to detect who are the key stakeholders and what do they expect, it also detects the required strategies, in order to satisfy the preferences of the key stakeholders. In order to fully implement the performance prism, KLS Events needs significant effort in the detection of its critical processes in order to find out what capabilities are required to improve those processes. Lack of resources (time), mentioned above, is the main obstacle for providing the guidance to the lower level management and alignment of their working tasks with the long-term objectives and further action plans within KLS Events.

Lynx Animation Studios has great potential to improve its processes and become extremely high performing enterprise in the following years. This new medium sized enterprise operates in highly competitive environment and it is ready to introduce the new performance model, the second generation of balanced scorecard. The creation of collaborative culture within this medium sized enterprise will bring significant communication among individuals and teams that will further foster synergy and learning culture that will consequently improve the processes, focus on the clients' preferences and achieve significant financial results. The main issue is that this communication is one way from the bottom to the top and lacks formal feedback from the superiors. By proper introduction of the balanced scorecard model, sufficient support by superiors is crucial for

acknowledging all of the four aspects contained in the balanced scorecard model. Currently, there is significant misunderstanding because most employees at Lynx Animation Studios have never worked under the circumstances where strategic performance management was fully established in terms of higher productivity measurements, formal feedback approach, alignment of goals, objectives etc. Megantic is a perfect example of a properly introduced, implemented and established strategic performance management by fully utilizing the balanced scorecard model.

The main role of the successful formulation and creation of strategic performance management belongs to the HR department in the medium sized enterprises and to the HR manager in small enterprises. Training and education of employees in the area of strategic performance management is crucial for well-coordinated and highly competitive enterprises such as Megantic. Internet Marketing is a fast changing industry due to the daily online updates by the search engines and social media platforms. Keeping track of such daily changes is an essential part for long-term growth and prospective of this enterprise. Planning the resources such as experts and technology that are able to support this system is also essential.

The measurement of performance in Megantic is reliable due to the online presence of the employees. Megantic believes that the existing performance management system is adequate due to the creation of participative environment, rewarding system, well-developed rules and procedures that are specific and measurable, also action plans incorporated for each team and individual within the enterprise. Megantic has an excellent HR department ready and prepared to create a learning culture, educate and train employees from every level, hereby the majority of employees agree that the performance management is the most important in the HR department, due to the personal experience that they have had on the individual level.

Every employee at Megantic has an initial introduction and explanation of the further tasks and processes, especially during the starting phase, in which new employees meet the rules, procedures and tasks important to achieve the objectives and goals of this medium sized enterprise, where the HR department has the highest influence over the successful establishment, measurement and control of the performance management including all departments and hierarchical levels within this medium sized enterprise. Megantic creates a learning culture, precise procedures, training and education delivered from the HR department. It is essential to have high performance and excellent collaboration among employees in which the objectives and goals are in line with the strategy of each individual regardless of his/her position, department or the amount of time that he/she has been working there. All employees function as a team and achieve a common goal, follow the guidelines of the objectives given from their superiors through interactive communication in which there is a small place for misleading information, due to the formal feedback

approach established in the procedures of operation. All of the respondents from Megantic believe that the currently used performance model is the balanced scorecard model that has an enormous positive impact due to the involvement of all four criteria within their strategic performance management process such as learning and growth (employee training and education) that make the internal processes of the enterprise more efficient and effective, something that directly impacts and creates positive customer satisfaction and further positively affects the financial aspect of the enterprise such as profit maximization and higher ROI. In the sublimation of many important information for the selected small and medium sized enterprises, an overview in Table 4 shows that it will further support the decision makers to rely on better information and make better decisions by including the similarities and differences in the following table.

Table 4. Similarities and Differences of the Small and Medium Sized Enterprises

| Enterprise | Type of Planning | Participative Environment | Formal Feedback | Competitive advantage | Type of Models | Decision Making |
|-------------------------------|-------------------------|----------------------------------|------------------------|------------------------------|-----------------------|------------------------|
| KLS Events | Mix | Sometimes | Sometimes | Support existing comp. adv. | Perform. Prism | Individual |
| Lynx Animation Studios | Long Term | Sometimes | Sometimes | Support existing comp. adv. | Balanced Scorecard | Group |
| Megantic | Mix | Always | Always | Create new comp. adv. | Balanced Scorecard | Group |
| Stobi Winery | Long Term | Always | Always | Support existing comp. adv. | Perform. Pyramid | Group |
| Engineering Trade | Long Term | Always | Sometimes | Support existing comp. adv. | Balanced Scorecard | Group |

Direct the focus to the analysis of relevant data and information flow that will help the management predict the future events easily and support the decision-making process. The research results show that different industries (event, animation, wine production, construction and internet marketing), departments, and management levels can use the strategic performance management and can positively affect both the internal and the external factors. We can make a distinction between the financial and non-financial performance models and their purpose. We can also see the positive effects and limitations from each of the non-financial models introduced in this thesis, compare and find a use in a real life practice. The three non-financial models (balanced scorecard, performance prism and performance pyramid) are suitable for small and medium sized enterprises.

CONCLUSION

Small and medium sized enterprises need to direct significant resources and effort in proper establishment of strategic performance management. Lack of knowledge and expertise in the field of strategic performance management encouraged me to choose this topic, in order to help and assist small and medium sized enterprises in Republic of Macedonia, to find their way and overcome their strategic, planning and performance issues through the solution called strategic performance management. The corporate culture in every small and medium sized enterprise differs and there is not one of a kind strategic performance management model suitable for all small and medium sized enterprises. Every small and medium sized enterprise has its own goals, objectives and targets that significantly differ even though some of them operate in the same industry. Before introducing the strategic performance management, it is important to clearly define, the mission, vision, goals and objectives of small and medium sized enterprises. SWOT analysis and competitive five forces need to assist small and medium sized enterprises to detect their market position that will serve as an initial point for strategy creation. Once the strategy is properly established, small and medium sized enterprises require proper measurement and control of that strategy, in order to help executives and managers to detect the weak points from the implementation of the strategy and take corrective actions, find solutions in this regard and also support the high performing activities of well-established processes that bring the small and medium sized enterprises closer to their goal achievements.

Strategic performance management models such as balanced scorecard, performance prism and performance pyramid are good enough to support executives, managers and employees within their daily operations, strategic and operative planning, decision making as well as an execution of their working tasks in a highly proficient, effective and efficient manner. Such strategic performance models help small and medium sized enterprises to overcome and resolve their performance gap that will significantly support the competitive advantage and strategy orientation (differentiation, cost leadership, cost focus or differentiation focus strategy) that the small and medium sized enterprises have decided to compete with and achieve their goals. The executives set the planning of the resources and select the most suitable performance management model, depending on the business model, type of industry, management goals and targets. The lack of knowledge and expertise in the field of strategic performance management mostly derives from the absence of the HR department and HR managers in the small and medium sized enterprises. Many small and medium sized enterprises do not fully implement the strategic performance management model even though they use it, which is why the benefit is not that obvious. High quality decisions supported by the relevant information directly in line with the goals and objectives of the small and medium sized enterprises significantly support the entire stakeholders of the small and medium sized enterprises, proved by the small enterprise

KLS Events. However, if KLS Events does not take a step forward and starts to invest in new people (HR manager) and more technicians, that will be able to support the short-term daily event activities, there will be no growth, consequently lower quality services delivered to clients that will significantly worsen the reputation of this small sized enterprise, that will cause lower profits on the long run.

The performance prism model has helped KLS Events to become the leading enterprise in the event industry in Macedonia. However, there are still many parts of this model, which need to be improved and fully implemented. Lynx Animation Studios is aware that the improvements in strategic performance management are significant and crucial for their further sustainable growth, development and success, because this medium sized enterprise does not have established any performance management model yet, but the management of Lynx Animation Studios is significantly interested in introducing the balanced scorecard model in order to align its plans with the strategic and operational goals and objectives that will further help this medium sized enterprise to become even more efficient and competitive. The learning environment will guide and assist employees to achieve higher productivity and support the executives and managers to make better decisions. The learning environment will enhance satisfied customers and better financial results.

The medium sized enterprise Megantic introduced an excellent example of well-established non-financial strategic performance model, balanced scorecard, which shows the fully implemented and accomplished strategic performance management, by the introduction of proper human resource practices as a guideline for strategic performance management. The HR department takes an active role in the process of strategy introduction to all employees, goal measurement set by the executives and managers, also an information flow and quality control that are further used in decision-making purposes. By having a clear understanding and direction of the strategy and performance management model used, employees will have an opportunity to operate and sufficiently accomplish enterprise's goals and objectives in a very professional and highly productive way. Small and medium sized enterprises require significant amount of resources, knowledge and expertise, in order to introduce and implement the strategic performance management as a holistic approach. In the case of the small enterprise Engineering Trade, lack of feedback and uncontrolled environment is a consequence of operational work from the executives and the general manager.

The lack of expertise and proper resource allocation keep the executives from Engineering Trade overbooked and busy, with lack of focus in improvement of existing processes, lack of time for process measurement and formal feedback. In the case of Stobi, the need for strategic performance management is significantly present, because this medium sized enterprise operates and has chosen the low cost strategy in which every dollar saved in terms of production might be valuable for the large quantities of wine that this enterprise

produces by following the low cost strategy. Savings in production but investments in sales and marketing have shown great results in the case of Stobi Winery. By detecting process bottlenecks through the performance pyramid, Stobi Winery is able to support its strategy and support its competitive advantage.

The comfort zone of managers and executives in small and medium sized enterprises in Republic of Macedonia is evident due to the lack of flexibility to change and improve their processes. Even though small and medium sized enterprises are willing to grow sustainably and substantially, the lack of capability occurs due to the lack of knowledge and expertise, that leads them to the narrow perspective of the daily activities instead of well-balanced long-term and short-term planning that will support such growth. All of the small and medium sized enterprises included in this thesis are striving for excellence and are ready to invest significant time, effort and resources, in order to become more competitive and prepare for the global challenges that are significantly present on the market. Those that recognize the importance of strategic performance management will be able to improve their processes, performance and relation with their stakeholder and attract new customers in a much more efficient and effective way.

By the proper implementation of strategic performance management models, the operative costs will significantly drop, the rewards will motivate and inspire employees to give their best and feel valued by their superiors that will additionally create a collaborative working environment (rewarding high performers and eliminating low performers), all because of the well-established and properly implemented performance management models that equally support the long term strategic perspective but also support the short term operational perspective of the small and medium sized enterprises.

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APPENDICES

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Appendix A: Survey for Employees

Enterprise:

Job title:

1. How long have you been working in the enterprise?
 - 0-5 years
 - 6-10 years
 - More than 10 years
2. Do you know the meaning of strategic performance management?
 - Yes
 - No
3. Does the enterprise you work for clearly define the performance management?
 - Agree
 - Neutral
 - Disagree
4. Do you have clearly defined job responsibilities?
 - Agree
 - Neutral
 - Disagree
5. Do you think that the current performance management system, within your enterprise, is adequate?
 - Yes
 - Maybe
 - No, it should be changed
6. Does the performance management system within your enterprise create a participative environment?
 - Agree
 - Neutral
 - Disagree
7. Does your superior recognize and encourage your new performance ideas?
 - Yes
 - Sometimes
 - Never
8. How can you personally contribute in order to improve the performance within your enterprise?
 - Internal and external feedback approach
 - Individual contribution
 - Innovation of processes
 - Practicing the rules and procedures
 - Incorporation of enterprise`s goals and objectives

9. According to your opinion, which department strategic performance management has the highest level of influence within your enterprise?
- Marketing
 - Sales
 - Human resources
 - Animation department
10. Which factor has the highest priority in establishing successful performance management within your enterprise?
- Leadership style
 - Performance measurement
 - Improved collaboration among departments
 - Top level management
 - Departmental process development
11. What are the barriers to an effective performance management?
- Lack of resources
 - Lack of understanding and expertise
 - Low skilled management
 - Misleading forecasts
12. Do you think that the performance management positively affects the internal communication among departments within the enterprise?
- Yes
 - Maybe
 - No
13. Does your superior provide guidance for you and your colleagues?
- Always
 - Sometimes
 - Never
14. Do you consider planning as one of the most important aspect for successful implementation of strategic performance management?
- Yes
 - Maybe
 - No
15. Do you consider that decision-making should rely only on:
- Short-term
 - Long-term
 - Mix of both
16. Do you get any formal feedback regarding your performance?
- Always
 - Sometimes
 - Never

17. Do you consider that performance management supports the employees to achieve their results and targets?
- Yes
 - Maybe
 - No
18. Do you get rewards for your performance success?
- Always
 - Sometimes
 - Never
19. Do you consider high performance as a main competitive advantage of your enterprise?
- Yes
 - Maybe
 - No
20. Do you think that strategic performance management can support the competitive advantage of your enterprise?
- Yes
 - Maybe
 - No
21. Have you heard of models for performance measurement?
- Yes
 - No
22. According to your opinion, is one of the following models introduced within your enterprise?
- Balanced scorecard
 - Performance prism
 - Performance pyramid
 - None
23. Do you find strategic performance management useful for further growth and prospective for your enterprise?
- Yes
 - Maybe
 - No

Appendix B: Guideline for Interview

Name / Surname and Job position:

Enterprise:

1. How long have you been working in this enterprise?
2. How long has this enterprise been present on the market, since which year?
3. How many employees work for this enterprise?
4. Does your enterprise operate in highly competitive environment?
5. Do you use strategic performance management in your enterprise?
6. Do you find strategic performance management as a direct support of the competitiveness of your enterprise, if yes please describe how and why?
7. Do you and your management develop plans for the long term (yearly bases) or short-term (monthly bases)?
8. How do you find strategic performance management useful for yourself?
9. Do you consider the strategic performance management important for planning, process development and decision making within your enterprise?
10. Please write the advantages and disadvantages of strategic performance management you consider important for your enterprise, from the following please describe some of them and explain how they apply within your enterprise.
11. What kind of performance management models do you prefer within your enterprise, financial or non-financial?
12. Please name some of the performance management models, financial or non-financial that you find important to consider.
13. Do you see any improvements from performance management on a departmental level of your enterprise, please describe?
14. In which departments within your enterprise do you consider that performance management has the best effect (Marketing, Sales, Human Resources, PR, other)?
15. Do you consider that strategic performance management directly contributes to more reliable, accurate and adequate decision making for you, if yes, please describe?
16. Do you think that performance management is equally important for executives, managers and other employees?
17. Do you consider that strategic performance management has a direct impact over the internal and external communication of your enterprise, if yes please explain?
18. Do you think that strategic performance management has a direct impact over the profitability of your enterprise? Please explain.

Appendix C: Survey Results

| 1. Enterprise: | 2. Job title: | 3. For how long: | 4. Do you work full time? | 5. Do you work overtime? | 6. Do you work from home? | 7. Do you work in a team? | 8. Does your work involve a lot of travel? | 9. Does your work involve a lot of stress? | 10. How do you feel about your work? | 11. According to you, what is the most important factor for success in your industry? | 12. Which factor has the most influence on your work? | 13. What are the biggest challenges in your industry? | 14. Do you think your industry is growing? | 15. Does your industry have a lot of competition? | 16. Do you think your industry is becoming more competitive? | 17. Do you think your industry is becoming more saturated? | 18. Do you think your industry is becoming more regulated? | 19. Do you think your industry is becoming more globalized? | 20. Do you think your industry is becoming more digitalized? | 21. Do you think your industry is becoming more innovative? | 22. Do you think your industry is becoming more sustainable? | 23. Have you ever worked for a company in your industry? | 24. According to you, what is the most important factor for success in your industry? | 25. Do you think your industry is becoming more competitive? |
|------------------------|----------------------|------------------|---------------------------|--------------------------|---------------------------|---------------------------|--|--|--------------------------------------|---|---|---|--|---|--|--|--|---|--|---|--|--|---|--|
| KLS Events | Event manager | 6-10 years | Yes | Neutral | Agree | Maybe | Agree | Yes | Internal and external marketing | Leadership style | Lack of resources | Yes | Always | Yes | Mix of both | Always | Yes | Always | No | Yes | Yes | Performances | Yes | |
| KLS Events | Marketing manager | 6-10 years | Yes | Disagree | Agree | Maybe | Agree | Yes | Individual contribution | Marketing | Lack of resources | Maybe | Sometimes | Yes | Mix of both | Sometimes | Maybe | Sometimes | No | Yes | Yes | Performances | Yes | |
| KLS Events | Sales manager | 6-10 years | Yes | Neutral | Agree | Maybe | Agree | Sometimes | Individual contribution | Sales | Performance measures | Lack of resources | Yes | Always | Yes | Mix of both | Always | Yes | Always | No | Yes | Yes | Performances | Yes |
| KLS Events | Designer | 6-10 years | Yes | Disagree | Agree | No, it's hard to say | Neutral | Sometimes | Innovation of process | Marketing | Leadership style | Lack of resources | Yes | Sometimes | Yes | Mix of both | Sometimes | Maybe | Sometimes | No | Yes | Yes | Performances | Maybe |
| KLS Events | Technician | 15 years | Yes | Disagree | Agree | No, it's hard to say | Neutral | Sometimes | Practicing the rule | Sales | Performance measures | Lack of resources | Maybe | Sometimes | Yes | Short term | Sometimes | Maybe | Sometimes | No | Yes | Yes | Performances | Yes |
| KLS Events | Technician | 6-10 years | Yes | Disagree | Agree | No, it's hard to say | Neutral | Sometimes | Practicing the rule | Sales | Leadership style | Lack of resources | Maybe | Sometimes | Yes | Short term | Sometimes | Maybe | Sometimes | No | Yes | Yes | Performances | Yes |
| KLS Events | Technician | 15 years | Yes | Disagree | Agree | No, it's hard to say | Neutral | Sometimes | Practicing the rule | Sales | Performance measures | Lack of resources | Maybe | Sometimes | Yes | Short term | Sometimes | Maybe | Sometimes | No | Yes | Yes | Performances | Yes |
| KLS Events | Technician | 6-10 years | Yes | Disagree | Disagree | No, it's hard to say | Neutral | Sometimes | Practicing the rule | Sales | Leadership style | Lack of resources | Maybe | Sometimes | Yes | Short term | Sometimes | Maybe | Sometimes | No | Yes | Yes | Performances | Maybe |
| Lynx Animation Studio: | General manager | 0-5 years | Yes | Neutral | Agree | Yes | Agree | Yes | Practicing the rule | Human resources | Departmental processes | Lack of resources | Yes | Always | Yes | Mix of both | Always | Yes | Always | No | Yes | Yes | None | Yes |
| Lynx Animation Studio: | Creative director | 0-5 years | Yes | Neutral | Agree | Yes | Agree | Yes | Practicing the rule | Animation | Departmental processes | Lack of resources | Yes | Always | Yes | Mix of both | Always | Yes | Always | Maybe | Yes | Yes | None | Yes |
| Lynx Animation Studio: | Art director | 0-5 years | Yes | Neutral | Agree | Yes | Agree | Yes | Innovation of process | Animation | Improved collaboration | Lack of resources | Yes | Always | Yes | Mix of both | Always | Yes | Always | No | Yes | No | None | Yes |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Yes | Agree | Yes | Innovation of process | Animation | Improved collaboration | Lack of resources | Yes | Sometimes | Yes | Mix of both | Always | Yes | Always | No | Yes | Yes | None | Yes |
| Lynx Animation Studio: | Management assistant | 0-5 years | Yes | Neutral | Agree | Yes | Neutral | Sometimes | Innovation of process | Human resources | Improved collaboration | Lack of resources | Maybe | Always | Yes | Long term | Always | Yes | Sometimes | No | Yes | Yes | None | Yes |
| Lynx Animation Studio: | Production assistant | 0-5 years | Yes | Disagree | Agree | Yes | Neutral | Sometimes | Innovation of process | Animation | Departmental processes | Lack of resources | Maybe | Always | Yes | Long term | Always | Yes | Sometimes | No | Maybe | Yes | None | Yes |
| Lynx Animation Studio: | Programmer | 0-5 years | Yes | Neutral | Neutral | Maybe | Neutral | Sometimes | Practicing the rule | Human resources | Improved collaboration | Lack of resources | Maybe | Always | Yes | Long term | Sometimes | Maybe | Always | Maybe | Maybe | Yes | None | Maybe |
| Lynx Animation Studio: | Programmer | 0-5 years | Yes | Disagree | Neutral | Yes | Neutral | Sometimes | Practicing the rule | Human resources | Improved collaboration | Low skilled people | Maybe | Sometimes | Yes | Long term | Sometimes | Maybe | Always | No | Yes | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Improved collaboration | Lack of resources | Maybe | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | No | Yes | No | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Improved collaboration | Low skilled people | Yes | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | Maybe | Yes | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Neutral | Agree | Maybe | Agree | Sometimes | Internal and external marketing | Animation | Improved collaboration | Lack of resources | Maybe | Always | Yes | Long term | Sometimes | No | Always | Maybe | Maybe | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Human resources | Departmental processes | Low skilled people | Maybe | Sometimes | Yes | Long term | Sometimes | No | Sometimes | No | Yes | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Improved collaboration | Low skilled people | Maybe | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | No | Maybe | No | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Disagree | Maybe | Neutral | Sometimes | Internal and external marketing | Human resources | Departmental processes | Low skilled people | Maybe | Sometimes | Yes | Long term | Sometimes | No | Sometimes | No | Yes | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Disagree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Improved collaboration | Low skilled people | Maybe | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | Maybe | Yes | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Human resources | Departmental processes | Lack of resources | Yes | Sometimes | Yes | Long term | Sometimes | No | Sometimes | No | Maybe | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Departmental processes | Lack of resources | Maybe | Always | Yes | Long term | Sometimes | Maybe | Always | Maybe | Maybe | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Neutral | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Departmental processes | Lack of resources | Maybe | Sometimes | Yes | Long term | Sometimes | No | Sometimes | No | Yes | No | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Human resources | Departmental processes | Lack of resources | Maybe | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | Maybe | Yes | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Disagree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Departmental processes | Low skilled people | Yes | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | No | Yes | No | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Agree | Maybe | Neutral | Sometimes | Internal and external marketing | Animation | Departmental processes | Lack of resources | Maybe | Sometimes | Yes | Long term | Sometimes | Maybe | Sometimes | No | Maybe | Yes | None | Maybe |
| Lynx Animation Studio: | Animator | 0-5 years | Yes | Disagree | Disagree | Yes | Neutral | Sometimes | Internal and external marketing | Animation | Departmental processes | Low skilled people | Maybe | Sometimes | Yes | Long term | Sometimes | No | Sometimes | No | Maybe | Yes | None | Maybe |

| | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------|-----------------------|--------------|-----|----------|-------|------------|---------|-----------|---------------------|-----------|--------------------|---------------|-----|---------|-----|-------------|---------|-----|-----------|-------|-----|-----|-------------|-----------|-----|
| Stobi | General manager | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Visitor center direct | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Sales | Improved collabori | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Assistant visitor cer | 6-10 years | Yes | Neutral | Agree | Yes | Neutral | Sometimes | Practicing the rule | Marketing | Departmental proc | Misleading fc | Yes | Sometim | Yes | Mix of both | Sometim | Yes | Sometimes | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Customer Relations | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Marketing | Improved collabori | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Administrative dire | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Communications dli | 6-10 years | Yes | Agree | Agree | Yes | Agree | Sometimes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Sometim | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Sales director | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Marketing | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Filed Sales director | 6-10 years | Yes | Neutral | Agree | Yes | Neutral | Sometimes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Sometim | Yes | Sometimes | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Marketing director | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Marketing | Improved collabori | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Strategic director | 6-10 years | Yes | Agree | Agree | Yes | Agree | Yes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Wine club director | 6-10 years | Yes | Neutral | Agree | Yes | Neutral | Sometimes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Sometim | Yes | Mix of both | Always | Yes | Sometimes | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Retail wine director | 6-10 years | Yes | Agree | Agree | Maybe | Agree | Yes | Practicing the rule | Marketing | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Wine laboratory dir | 6-10 years | Yes | Agree | Agree | Maybe | Agree | Sometimes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Sometim | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Wine guide director | 6-10 years | Yes | Agree | Agree | Maybe | Agree | Yes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Quality control dire | 6-10 years | Yes | Neutral | Agree | Maybe | Neutral | Sometimes | Practicing the rule | Marketing | Improved collabori | Misleading fc | Yes | Sometim | Yes | Mix of both | Always | Yes | Sometimes | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Bottling maintainan | 6-10 years | Yes | Agree | Agree | Maybe | Agree | Yes | Practicing the rule | Marketing | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Stobi | Wine tasting superv | 0-5 years | Yes | Agree | Agree | Maybe | Agree | Yes | Practicing the rule | Sales | Departmental proc | Misleading fc | Yes | Always | Yes | Mix of both | Always | Yes | Always | Yes | Yes | Yes | Yes | Performan | Yes |
| Engineering trade | Operative director | 11- 15 years | Yes | Disagree | Agree | No, it shc | Agree | Yes | Practicing the rule | Sales | Performance meas | Lack of under | Yes | Always | Yes | Long term | Always | Yes | Sometimes | Maybe | Yes | Yes | Balance scc | Yes | |
| Engineering trade | Sales manager | 6-10 years | Yes | Neutral | Agree | Maybe | Agree | Yes | Practicing the rule | Sales | Performance meas | Lack of under | Yes | Always | Yes | Long term | Always | Yes | Sometimes | Maybe | Yes | Yes | Balance scc | Yes | |
| Engineering trade | Marketing manager | 6-10 years | Yes | Neutral | Agree | No, it shc | Agree | Sometimes | Practicing the rule | Sales | Top level managen | Lack of under | Yes | Sometim | Yes | Long term | Sometim | Yes | Sometimes | Maybe | Yes | Yes | Balance scc | Yes | |
| Engineering trade | Quality control man | 6-10 years | Yes | Disagree | Agree | No, it shc | Agree | Yes | Practicing the rule | Sales | Performance meas | Lack of under | Yes | Always | Yes | Long term | Sometim | Yes | Sometimes | Maybe | Yes | Yes | Balance scc | Yes | |
| Engineering trade | Delivery manager | 6-10 years | Yes | Disagree | Agree | No, it shc | Agree | Yes | Practicing the rule | Sales | Top level managen | Lack of under | Yes | Sometim | Yes | Long term | Sometim | Yes | Sometimes | Maybe | Yes | Yes | Balance scc | Yes | |