

Performance management systems in a shared service centre: an exploration of organisational injustice

Performance management systems in an SSC

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Abstract

Purpose – This study aims to explain how negative workplace interactions are formed by the application of a performance management system (PMS).

Design/methodology/approach – The study draws from unique in-depth interviews with service workers who resigned from an accounting shared service centre (SSC), discussing the reasons behind the resignations. Following an abductive approach, organisational justice theory is used to analyse the service workers' perceptions of negative interactions and to link the negative interactions to the use of the PMS.

Findings – The findings suggest that negative workplace interactions are characterised by cost consciousness, inequality and competitiveness. These interactions are attributed to the use of a PMS in the centre and are related to perceptions of distributive, procedural and interactional injustice.

Practical implications – Managers and leaders of shared service-type organisations should not rely on PMSs as an all-encompassing solution; instead, they should acknowledge the fairness of the use of PMSs. Moreover, HR professionals should choose and train employees to apply PMSs fairly. Fairness is important in work allocation, resourcing, monitoring, giving feedback, recognising good performance, promotion and interaction between peers.

Originality/value – This study contributes to the literature by taking an overall perspective on PMSs to analyse and explain the unintended negative consequences of a PMS in a highly scripted and monitored work environment that is usually considered appropriate for such a system's use. Through the analysis, the study highlights pitfalls in the use of a PMS and the importance of interactional injustice not only between but also within organisational levels.

Keywords Negative workplace interactions, Performance management systems, Service work, Shared service centres, Organizational justice

Paper type Research paper

1. Introduction

The management and accounting literature states that firms using performance management systems (PMSs), which comprise target setting, performance measurement, reviews and rewards, should outperform those that do not employ such practices (Franco-Santos *et al.*, 2012).

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These observations at the organisational level are evidenced at the individual level in goal-setting theory, which shows that specific and challenging goals lead to higher levels of task performance (Locke and Latham, 2006). While PMSs are seen as a useful means of guiding and controlling human behaviours, they may also have negative, unintended consequences, which can lead to undesirable or dysfunctional outcomes (Franco-Santos and Otley, 2018) at the individual and organisational levels. Accordingly, PMSs may trigger gaming and suboptimisation in various forms when individuals change their behaviours to deal with performance measures and associated targets (Franco-Santos and Otley, 2018; Graf *et al.*, 2019).

The unintended consequences of PMSs may be characterised as negative interactions that can be harmful in the workplace and eventually affect employee well-being (Franco-Santos and Otley, 2018). Negative workplace interactions refer to, for example, disrespect, conflict, concealment and animosity occurring amongst employees (Morrison and Nolan, 2007). While Van der Kolk (2022) regarded negative interactions as the costs of PMSs, such lists of negative consequences remain anecdotes lacking the in-depth analysis necessary for their proactive prevention. Research has also focussed on certain parts of PMSs, such as target setting (e.g. Ordóñez *et al.*, 2009) and environments in which PMSs are considered less suitable (e.g. Kallio *et al.*, 2016). However, how PMSs actually cause negative workplace interactions, even in an environment theoretically suitable for such a system, has not been sufficiently explained, as research has largely focussed on the positive and intended consequences of PMSs (for a review, see Franco-Santos *et al.*, 2012). Thus, there have been requests to better understand the occurrence of negative workplace interactions as a consequence of PMSs because negative interactions are harmful on both the personal and organisational levels (Morrison and Nolan, 2007; Franco-Santos and Otley, 2018).

To analyse the formation of negative workplace interactions due to PMSs, this study poses the following research question: “How may the use of PMSs create negative consequences for workplace interactions?” In doing so, the study focusses on the subjective experiences of service workers in shared service centres (SSCs), which represent a variant of service work enabled by information technology (IT). SSCs are semi-autonomous organisational units with the primary function of delivering previously dispersed support services, such as accounting, finance or human resources, to the internal clients of the organisation to save costs (Knol *et al.*, 2014). The work in SSCs is about applying procedural knowledge to perform scripted processes, making it tightly coordinated, controlled and surveyed (Howcroft and Richardson, 2012). Thus, such service work is theoretically a suitable environment for PMS use (Seal and Herbert, 2013).

The data for the study were collected through in-depth interviews with employees who had voluntarily resigned from an Asian accounting SSC owned by a European company. The analysis followed an abductive approach (Sætre and Van de Ven, 2021; Pfister *et al.*, 2023), employing the concept of organisational justice, which is considered a basic requirement for a well-functioning organisation and for maintaining satisfaction amongst employees (Greenberg, 1990). In other words, PMSs should be designed, implemented and used while taking organisational justice into account (Franco-Santos *et al.*, 2012, p. 98). We investigate the attributions individuals give to their resignations, which include perceptions regarding PMSs and workplace interactions, and discuss their organisational consequences. We contribute to the earlier literature in two main respects. First, our findings vary from the traditional view of the positive effects of PMSs. More specifically, we aim to analyse the negative consequences of PMSs with the help of the notion of organisational justice to better understand their occurrences (Franco-Santos and Otley, 2018). While earlier research has studied organisational justice and some negative consequences related to PMS, it has focussed on specific parts of PMS, such as performance appraisal or target setting, which inherently focus on the relationship between superiors and subordinates (e.g. Ordóñez *et al.*, 2009; Al-Sharif, 2021). In contrast, our abductive approach reveals a perspective in which the

overall PMS affects interactions and perceived justice in the organisation at large (Bourguignon and Chiapello, 2005) between peers and different organisational levels (cf. Perkins, 2018). Second, the current study represents one of the first attempts to examine the perceptions of SSC employees involved in the provision of services, where target compliance is the priority (Howcroft and Richardson, 2012). Earlier accounts of IT-enabled service work have largely focussed on the call-centre sector (Brannan, 2015).

2. Theoretical background

2.1 *The problem with performance management*

PMSs form a control mechanism for the management of an organisation (Saunila *et al.*, 2015). Generally, they comprise target setting, performance measurement (including financial and non-financial measures), reviews (including evaluation and feedback) and rewards (both material and intangible) linked to performance. PMSs are especially suitable for decentralised organisations that aim to steer the behaviours of managers who maintain autonomy as they make decisions about how to achieve their targets (Franco-Santos and Otley, 2018). Research has shown that performance measurement changes managers' behaviour and that companies incorporating PMSs outperform companies without PMSs (Franco-Santos *et al.*, 2012). The significance of these systems is confirmed at the individual level by goal-setting theory, which states that specific goals with challenging targets lead to the highest performance when compared to vague and easy goals (Locke and Latham, 2006). While PMSs can provide various benefits, such as improved performance, decision-making, transparency and cohesion (see Franco-Santos *et al.*, 2012), their use may also have unintended and counterproductive consequences (Graf *et al.*, 2019).

Generally, inappropriate target setting can narrow employees' focus, motivate risk-taking, encourage unethical behaviour, restrict learning, increase competition and lower intrinsic motivation (Ordóñez *et al.*, 2009, p. 12). Moreover, PMSs can give rise to gaming and strategic behaviour, information manipulation, illusion of control and alterations of social interactions (Franco-Santos and Otley, 2018, p. 718). It has been observed that these possible negative effects are most often related to performance management that uses financial performance measures (Goebel and Weißenberger, 2016). However, non-financial measures may also have negative effects if used too rigidly (Marginson *et al.*, 2010). Unintended consequences are likely to occur when managerial aspirations and employees' realities differ, implying that the applied PMSs do not fit the working environment in question (cf. Kallio *et al.*, 2016). However, even when they fit the working environment, human responses can make it difficult to predict the consequences and their formation (Franco-Santos and Otley, 2018).

In all, the existing literature suggests that the problem may not lie in PMSs as such but in how they are applied. However, the unintended consequences of PMSs are an under-investigated area in academia, as researchers have tended to focus on these systems' intended positive consequences (Franco-Santos *et al.*, 2012). The negative and unintended consequences are often listed but not analysed, or the entire focus is on certain parts of PMSs, such as target setting at a certain organisational level (e.g. Ordóñez *et al.*, 2009; Van der Kolk, 2022). Analysis may also be performed in environments that are less suitable for PMS use (e.g. Kallio *et al.*, 2016). Therefore, an overall view of how the consequences emerge in the application of PMS is important, and qualitative research is especially seen as suitable for this purpose (Franco-Santos and Otley, 2018, p. 725).

2.2 *The aspect of organisational justice*

As PMSs deal with target setting, performance measurement, reviews and rewards, they are inherently implicated in perceptions regarding fairness in the workplace (Franco-Santos *et al.*,

2012). Perceptions of fairness are related to attribution theory, as (not) receiving a reward, for example, creates an affect (Birnberg *et al.*, 1977). This again requires an attribution, figuring out a perceived reason for the occurrence, which may be further related to perceived (un) fairness (Colquitt *et al.*, 2013; Al-Sharif, 2021). To be able to analyse the emergence of the unintended negative consequences of PMSs by contrast to their positive effects—analysed in earlier research—the current study adopts a view according to which workplace interactions can be approached in terms of perceived fairness, which influences all social interactions and organisational activities (Ghosh *et al.*, 2014; Perkins, 2018). Research shows that the consideration of aspects of fairness benefits both employers and employees (Cropanzano *et al.*, 2007). Fairness has been theorised using the concept of organisational justice, which refers to the fair treatment of people in the workplace and draws on individuals' perceptions of fairness (Ghosh *et al.*, 2014). Organisational justice is commonly divided into procedural, distributive and interactional justice, which, however, are not mutually exclusive (Colquitt *et al.*, 2001).

Procedural justice involves individuals' perceptions of the fairness of the procedures and rules implemented in their organisations (Greenberg, 1986). Fair procedures and rules should create consistent ways of determining outcomes and rewards across people and time (Leventhal, 1980; see also Colquitt *et al.*, 2013). Thus, procedural justice deals with formal allocation and decision-making processes (Ghosh *et al.*, 2014). This is important because it determines how employees perceive the organisation as a whole (Cropanzano *et al.*, 2007), moreover, these perceptions are formed independently of the outcomes at play (Birnberg *et al.*, 2006). Distributive justice refers to the perceived fairness in the equal or equitable distribution and allocation of outcomes (Birnberg *et al.*, 2006; also see Colquitt *et al.*, 2013). Equal distribution means even allocations of outcomes amongst peers (Leventhal, 1980), whereas equitable allocation refers to the ratio of the outcome and effort between oneself and other employees (Birnberg *et al.*, 2006). Distributive justice is important because employees often perceive themselves as a group or community in an organisation (Cropanzano *et al.*, 2007). The distribution of outcomes, such as rewards, should meet employees' expectations (Ghosh *et al.*, 2014). Attributions are specifically related to perceptions of distributive justice, as positive or fair outcome is often attributed to one's own stable and controllable characteristics and negative or unfair outcome is attributed to some external factors that may change towards and are uncontrollable to an individual (Ployhart and Ryan, 1997; Al-Sharif, 2021). The PMS is an external factor in such attributions, but it could provide stability and controllability as the basis for perceptions of fairness when a person can intentionally work towards set targets (Birnberg *et al.*, 1977).

While procedural and distributive justices originate from the perception towards formal organisational processes, interactional justice focusses on the perceptions regarding informal managerial action (Cugueró-Escofet and Rosanas, 2017), it is, thus, related to aspects of interaction and communication – that is, the application of PMSs (Ghosh *et al.*, 2014). Interactional justice has been further divided into interpersonal and informational justice. Interpersonal justice refers to the degree to which employees perceive that they are being treated with politeness, dignity and respect by their supervisors and colleagues (Colquitt *et al.*, 2001). In contrast, informational justice deals with the explanations provided by managers about why procedures are used in a certain way or why outcomes are distributed in a certain manner (Colquitt *et al.*, 2001). Accordingly, perceived fairness is affected not only by formal organisational processes but also by how supervisors use and explain them (Greenberg, 1990). Informational justice calls for the provision of adequate and truthful explanations to the employees of an organisation (Cropanzano *et al.*, 2007). Accordingly, if PMSs are applied in an insensitive manner, their use may eventually lead to the originally fair system becoming unfair (Cugueró-Escofet and Rosanas, 2017).

Organisational justice related to PMSs has been studied widely but mostly focussing on certain aspects of PMSs, such as performance appraisal (e.g. [Perkins, 2018](#)) and using quantitative methods. Social interactions in this type of research are reduced to the superior–subordinate relationship and the characteristics of the PMS, concealing the possible negative consequences in the organisation at large ([Bourguignon and Chiapello, 2005](#)).

2.3 Performance management in IT-enabled service work

Our setting for studying PMS-related interactions with regard to perceived fairness is IT-enabled service work, which refers to back office-like work performed in call centres and SSCs. IT-enabled service work is typically considered an environment in which restrictive PMSs exist. Centres must constantly balance between two contradictory imperatives in service outputs: quantity and quality. Service workers are expected to work as efficiently as possible while the quality of their interactions with clients is continuously assessed. Service workers typically process transactions following predetermined and mostly quantitative targets that are systematically monitored and appraised by their team leaders, whose bonuses are often connected to the performance of their subordinates ([Bain et al., 2002](#)). Furthermore, service workers are pushed to compete against each other with respect to reaching performance targets, and their delivered performance counts towards permanency, career progression and recognition ([Brannan, 2015](#)).

In light of these considerations, SSCs can be seen as an ideal environment for the application of PMSs. Service workers do not suffer from goal- and role-related ambiguity (see [Franco-Santos et al., 2012](#)), as SSCs are process- and customer-oriented ([Rothwell et al., 2011](#)). Control and coordination are executed through standardisation ([Howcroft and Richardson, 2012](#)), which spans processes, IT and personnel ([Knol et al., 2014](#)). The work performed in SSCs represents “complex process work” ([Rothwell et al., 2011](#), p. 248), and employees face continuous pressures with regard to the rationalisation and reconfiguration of processes. As a consequence of efficiency-related aims, roles are prone to becoming increasingly technical, with interpersonal skills no longer being a necessity ([Seal and Herbert, 2013](#)). However, there is a paucity of research investigating service workers’ perceptions of the application of PMSs. While there are critical analyses of workplace interactions in the call-centre sector, studies on SSCs are virtually non-existent (see [Howcroft and Richardson, 2012](#)).

3. Research design

Organisational justice and attribution theory have typically been used deductively in positivist research, in which theory determines the research. In contrast, we adopt a qualitative case study method similar to that used in [Al-Sharif’s \(2021\)](#) interpretive research and apply an abductive line of reasoning. The abductive process starts by identifying and confirming an anomaly in the empirical data and/or literature and then turns to conceiving ideas that help explain the anomaly ([Sætre and Van de Ven, 2021](#)). Below, the abductive research process implemented in this paper is described with the help of the framework developed by [Pfister et al. \(2023\)](#), who modelled the abductive research process by including and moving between three theoretical abstraction levels: descriptive, analytical and explanatory. The descriptive level concerns the pragmatic description of PMS practices, while at the analytical level, some of the described practices are analysed using concepts and perspectives pertaining to a PMS framework. The explanatory level focusses on the theoretical motivation of the study to find explanations for PMS-related phenomena.

The research project started with the case organisation wanting to find ways to mitigate high employee turnover. The case organisation is an accounting SSC in an Asian country that is perceived to be a key destination to which standardised and routinised services migrate. It

is a medium-sized SSC supporting a European basic-industry company and employing approximately 700 professionals in 10 major teams. Each team has an operational director (OD) and subgroups with team managers (TMs) and assistant team managers (ATMs), along with several accountants and senior accountants.

The data were collected through in-depth interviews with 12 employees who voluntarily resigned from the SSC. Employees who had resigned were able to openly discuss the issues they faced in their former workplace, as they did not have to fear any negative consequences for themselves. The interviews were independent of the exit interviews systematically conducted in the SSC. One or two interviewees from each major team were chosen with the help of the centre's general management. As it was the management's incentive to mitigate employee turnover, they were trusted to help find a group of interviewees who would provide appropriate and representative information. The sample described in [Appendix](#) included six women (four accountants, one senior accountant and one ATM) and six men (one accountant, three senior accountants, one ATM, and one TM).

Because the interviewees resided in different parts of the world after changing their employers, the interviews were conducted through video calls in 2016. Each interview was conducted using a combination of English and the interviewees' local languages. The interviewer, who wished to remain anonymous owing to the sensitive nature of the research topic, had a relatively long employment history in the sector, thus creating an informal atmosphere for the interviews, which included small talk and discussion of personal issues unrelated to the study. This further facilitated openness and made it easier for the participants to talk about negative experiences. In fact, many interviewees admitted that the reasons they had provided for their resignation during their exit interviews were not entirely congruent with the actual circumstances (cf. [Bhatnagar, 2007](#)).

The data collection started inductively by asking interviewees for the reason behind their decision to resign. In-depth answers were obtained because the interviewer repeatedly applied the "five whys" method to discover the root cause of a particular problem ([Serrat, 2009](#)). This was done by repeating the question "why?" five times based on the preceding answer to peel away the symptoms and obtain the ultimate cause. Thus, while the first question asked for the reason for their resignation, the second question dug deeper into why that circumstance occurred and so on. Moreover, follow-up questions were asked throughout the interviews to better understand and analyse the workplace interactions being revealed.

When the data were collected, the research moved to an analytical level in line with the abductive approach. First, fishbone diagrams were drawn to plot the responses. NVivo was also used for open coding to identify the most important reasons cited for resignation. This brought the analysis back to the descriptive level, as coding revealed an anomaly needing an explanation: negative interactions related to the use of the PMS at the centre. Accordingly, the focus of the analysis shifted from the reasons for resignation to these negative interactions. While the number of interviews is relatively small, even for a single case study ([Marshall *et al.*, 2013](#)), the saturation of the findings connecting negative interactions to the PMS can be illustrated in the following way: in total, 11 of the 12 interviewees spontaneously attributed their resignation to some PMS-related interactions related to their own work. Six of them mentioned the PMS-related interactions in their answers to the first "why" question, two mentioned it during the second round, and the rest arrived at PMS issues during later rounds. Furthermore, even the one interviewee who did not attribute their resignation to PMS-related issues could vividly describe the associated negative interactions when asked about them. Accordingly, none of the issues discussed and analysed in the following sections are based solely on one person mentioning them.

At the analytical level, negative workplace interactions as consequences of the PMS were thus analysed and categorised into cost consciousness, inequality and competitiveness.

Finally, theoretical explanations for these findings were sought. The generation and evaluation of the reasons for these consequences are described in [Table 1](#).

As many of the excerpts related to the PMS were found to describe unfairness in the interactions, the literature on organisational justice was found to offer a possible explanation for the preliminary observations. Moreover, the data may potentially contribute to existing knowledge of organisational justice, since it covered interactions within and between organisational levels. As the explanatory level includes iterating and sharpening the research design, the theoretical explanations through which the findings are explained have been constantly amended and sharpened. This process included considering and specifying the role of goal-setting theory and attribution theory in the explanation in order to create a consistent whole. This series of abductive reasoning has finally resulted in this research report (see [Pfister et al., 2023](#)).

Characteristics of negative interactions	Outcomes	Perceived origin	Link to PMS
Cost consciousness	Work allocation leading to excess workload without adding extra employees Hiring unqualified employees	Relationship between superior and subordinates Selfish management style Superiors seeking their own benefits	Superiors' performance evaluation and rewards
Inequality	Unfair allocation of promotion opportunities and lack of explanations thereof Harsh feedback focussing on faults	Relationship between superior and subordinates Favouritism	Rewards and recognition programme of employees
Competitiveness	Hoarding knowledge Snitching Disparaging others' ideas Unfair allocation of work between teams Unfair processes of decision-making	Relationships between superiors and their teams Relationships between individuals at different organisational levels Seeking recognition	Performance metrics and intangible rewards, such as recognition

Source(s): Authors' own creation/work

Table 1.
Negative workplace interactions

4. Findings

4.1 *Cost consciousness*

The interviewees perceived that excessive cost consciousness on the part of TMs and the subsequent intensification of work caused stress amongst employees at the centre. For example, TMs remained reluctant to add more employees to their teams, even if their subordinates worked considerably overtime:

[T]he workload and overtime were already overbearing at that time, and they [the TMs] were still using cost savings as an excuse to have higher incentives. (Mr J, senior accountant)

Ms E (accountant): She [the TM] did not want to add extra FTEs [full-time employees] anymore, even if the current capacity of our team already exceeded its limit due to the new accounts brought here.

Interviewer: Ah, okay . . . Why's that?

Ms E: We were speculating that it's probably because the higher the cost savings, the higher her performance rating will be. So, this is her incentive.

While the workload was previously perceived as acceptable, it had begun to increase due to a chain of factors that employees believed to be attributable to the cost consciousness of their superiors, which resulted in perceived injustice. Work allocation normally took place through negotiations between TMs, but such negotiations did not always occur:

Ms B (accountant): Because of too much workload due to unwise allocation. [...] Well, they should have double-checked the volume and difficulty of each account before allocating them to us. It was imposed [on our team], and my TM did not even have the chance to speak out about it before the allocation. [...]

Interviewer: Why did your TM not have the chance to speak out during the allocation?

Ms B: It's because my TM was not informed and included during the allocation meeting. It was just them who did it.

Accordingly, the procedures for work allocation were not applied consistently, and decisions were made without giving any explanations, which created the possibility of experiencing informational injustice. Moreover, as employees' workloads increased considerably, this subsequently accelerated their tendency to resign, resulting in the emergence of a "vicious cycle". Specifically, the tasks of the employees who resigned needed to be completed, which meant increasing the workload of those who remained at the centre:

Because there had been successive resignations during that time, the reallocation of tasks often occurred, and workloads became heavier and heavier. [...] That's why it's stressful. (Ms L, ATM)

Even if there were new hires to replace those who had resigned, these new employees required guidance. Ironically, guiding the new employees who were hired to ease the burden further increased the workload of the remaining employees:

Those [accounts] were undoubtedly enough. That was already a very heavy load for me, and those accountants assigned to me during that time were new hires, so they required a lot more assistance. (Mr K, senior accountant)

The service slowed down; everyone had too much workload. We were glued to our seats, working overtime. Moreover, whilst waiting for the other new hires to get on board, we had to allocate time for training and shadowing these [new hires], too, which affected [our] production times. (Ms L, ATM)

For the interviewees, the excessive workload and the resultant perceived injustices were attributable to TMs trying to reach their performance targets related to cost savings, regardless of the possible negative consequences for their team members or the longer-term performance of both the team and the centre. Accordingly, employees perceived that performance targets made their superiors extremely cost-conscious, leading them to think only of their own rewards and performance ratings. Again, this was believed to make some superiors not allocate work appropriately. Negative workplace interactions were thus perceived to originate from the use of a PMS, as superiors were perceived to seek benefits at the cost of their subordinates:

Because the ODs there are almost like-minded [...] Well, their management style [...] their actions are apparently self-seeking, always tailored [for] the incentives that they would get. [...] We were the ones 'working like dogs' during that time to reach or maintain their targets just because of the incentives they were aiming to get. (Mr J, senior accountant)

As the above excerpt suggests, interviewees attributed negative interactions, such as selfish behaviour, to excessive cost consciousness. Overall, the negative interactions seemed to create perceptions of distributive injustice in terms of the work allocated amongst peers and the between outcomes that superiors and subordinates met. Even as their subordinates faced excessive workloads, leading to even physical symptoms for some of them, some superiors refused to alter work allocations due to their own need to meet performance measurements and obtain rewards.

4.2 Inequality

While inequality was perceived to occur because of cost consciousness, as explained above, it also seemed to be present in other circumstances. Interviewees reported that superiors' favourites were perceived to enjoy easier portfolios of accounts, enabling them to perform better during performance evaluations:

The OD was biased. She [the OD] favoured the other TM. As a result, aside from the aggressive rationalisation of alibis by the other TM, her [the favoured TM's] suggestions easily got through just because she was favoured. (Ms B, accountant)

Alongside work allocation, daily interactions with superiors were observed to cause negative interactions in the workplace. The most obvious sign of such a perception was the superiors' feedback, which was considered unequal by the interviewees. Certain individuals' work was checked more often than that of others:

With me, he's okay, but with the other team members, he doesn't check on them so well. That's what I observed. (Mr A, senior accountant)

If ever he [would check someone's work, it is] not all in the team . . . and more often than not, [the superior] would check on the underperformers, not everyone. [. . .] He should realise that what he's doing demotivated them more and even made them lose confidence in doing their tasks. (Mr J, senior accountant)

Feedback, as an outcome, was thus distributed unequally, creating perceptions of distributive injustice. It was also related to interpersonal injustice, as those who underperformed sometimes suffered from decreased motivation owing to the demeaning monitoring and feedback they were subjected to:

What [the superior]'s doing is annoying and distracting, even demotivating, because of relentless feedback and demoralising criticisms. [. . . The TM] would literally sit beside the accountant and watch, especially if there's an escalation, he would watch every step taken. (Mr J, senior accountant)

It can be argued that the PMS was a determinant of many subsequent interactions, not only at the team level but also at the individual level. Individual performance determined who received promotions and benefits, such as valuable occasions to participate in transition projects, which included travel opportunities. The assignment of these promotions and benefits was a further cause of negative workplace interactions. The criteria for allocating promotions and benefits were perceived as somewhat arbitrary despite the official policy:

Yup, yup, there is an existing rewards and recognition programme established by the organisation, but some team managers failed to duly recognise the best performers. Sometimes, there is favouritism, or they prefer some members, such as their process specialists. (Mr J, senior accountant)

This was an important issue because employees considered efficiency in service provision as an "investment" that could yield positive outcomes for them. Amongst the employees, being passed over for recognition they felt they deserved caused disappointment:

Actually, I initially aimed for a promotion, but my TM was too blind to see my efforts. [. . .] She was biased and showed favouritism. I was demoralised by her decision to promote someone else who was less deserving. (Ms D, senior accountant)

In the case presented above, not receiving the benefit that would have been deemed commensurate to one's effort and performance was perceived as unfairness (distributive injustice). In some cases, this was also related to dissatisfaction with the failure to acknowledge individual achievements. For example, the PMS was applied in a way that was perceived to not accurately capture performance in relation to very heavy workloads and difficult accounts.

After the transition projects that gave employees travel opportunities, there was another one, the short-term assignment project. A few chosen employees per team would be assigned for at least six months to the global office. They would be trained and prepared for the next level. [...] I was expecting to be part of it. To my dismay, my TM assigned another colleague. I was hurt and disappointed. [...] For instance, I even agreed to handle that bloody account in [a specific country] after the transition, even if I already had a lot of current tasks and I knew I would find it very difficult, given its complexity, especially with taxes. [...] The point is, I did my very best to accomplish everything, especially the month-end accounts. All those arduous efforts should have been at least acknowledged. (Mr K, senior accountant)

The interviewees considered the possibility that certain explanations from supervisors would have been sufficient to comfort the disappointed employees despite their perceptions of unfairness.

I was aiming for a promotion and was expecting it, as my TM promised to promote me during the next calibration round. [...] I knew I deserved it. But when the time came, she didn't [promote me] and wasn't able to explain [her decision] well. [...] I got so disappointed that I finally decided to leave. (Mr F, ATM)

Accordingly, the perceived inability of middle managers to adequately explain to the employees their decision not to give them the recognition they thought they deserved corresponded to informational injustice, which further increased perceived unfairness.

4.3 Competitiveness

Overt competitiveness was explicitly reflected in many interviews and was related to work allocation in short-sighted terms. TMs competed to avoid the assignment of difficult tasks to their teams:

Well, as we can see, the other TM is pushing back because if some of those difficult accounts would be assigned to her team, it will be more difficult for them. Their KPIs may go down, and they may likely have more escalations, which would be shameful on their part. As you know, all of us seriously tried to avoid escalations. It affects the team's reputation, and that's what she is concerned about because she's very competitive and seems to always aim to outshine other subgroups for recognition. (Ms B, accountant)

The above excerpt illustrates that having difficult accounts would make a team's quantitative metrics look worse. However, as the term "escalation" refers to an issue requiring an expedited production process, often with the involvement of higher-level management, intangible rewards—such as reputation and recognition—would also be at stake.

When striving for performance-based rewards and recognition, some TMs encouraged their subordinates to work harder and compete against other teams, all of whom were pitted against one another as rivals. The following comment suggests that almost any means—including the suppression of knowledge concerning the usage of IT—seemed acceptable to some colleagues:

There was a subgroup whose TM and members did not share their knowledge of some SAP techniques that could help [others] in doing the tasks more efficiently. [...] Our team was indeed far better than them. Had all of us known those SAP techniques, then surely it would have been our subgroup that would have had the best KPI. (Ms G, accountant)

The negative interactions did not end there, as the interviewee continued:

[...] it's not only the suppression of knowledge; there were also some members from the other subgroup who started finding faults in another subgroup and then reported them directly to the OD without checking first. (Ms G, accountant)

These actions can be seen to relate to perceived interpersonal injustice, as people did not treat each other with dignity. However, not all negative interactions were directly related to regular service provision. For example, there was an episode described by two interviewees from different teams in which the composition of a project team was changed during the final stages before its implementation because a middle manager wanted to assign her own subordinates to the team. As a result, an experienced process specialist was superseded by a lower-ranked accountant, which caused frustration amongst the employees:

They never informed my TM about [the reassignment of the project]. [...] She [only] learned about it during another meeting together with the senior accountants, ATMs, other TMs and the OD. [...] Our senior accountant was confused about why that accountant was also assigned [to] the same project she would be handling. So, she asked our TM for clarification, and to her surprise, our TM didn't know why, either. Our TM immediately raised the question during that meeting, and that's how she learned about it. [...] I can still clearly remember that distressing afternoon meeting as I watched everyone whilst my TM furiously questioned the sudden change in project assignments. Her face was all red, and tears started to well up in her eyes. Our senior accountant kept her head down, trying her best to hide her frustration and tears at that time. I saw some people who pitied our senior accountant, whilst a few, including the other TM, were trying hard to show indifference. (Ms L, ATM)

While this incident was not directly related to any specific PMS metric, it was considered to be related to the competitive atmosphere, which affected some TMs more than others, as Ms L further described:

There are some in middle management who misuse their decision-making authority for their self-interest. That kind of leadership style taints the culture and environment. (Ms L, ATM)

Such incidents narrated by the interviewees can be understood as both unfair personal treatment and a failure to properly explain decisions (i.e. both sides of interactional injustice). Furthermore, other negative interactions described by the interviewees included trying to present other people in a bad light:

[...] for instance, we had a meeting with our OM whilst one team manager was on leave at that time [...]. Then, [another TM] suddenly showed a screenshot of her conversation with the team manager on leave to our OM and started to insinuate what's in the screenshot. Acts like that ... and it's plainly terrifying to watch [the other TM] do such things. (Mr C, TM)

Mr C actually saw this episode as an example of the competitive environment, which was seen to originate from seeking recognition as an intangible reward:

There's too much politics and competition in the team: the TM against another TM competing for recognition. It could have been healthy competition, but it's not. (Mr C, TM)

In a similar manner, some employees were seen trying to steal others' ideas or to disparage their good ideas to outshine them and receive recognition:

But then, what happened when a project was a very good idea was that a TM from another subgroup would push back, even if it's so good for the process just to prevent other teams from outshining and overshadowing them. (Ms H, accountant)

As references to interpersonal injustice, the excerpts above describe several instances of negative workplace interactions related to competitiveness in which employees saw themselves or others being either compromised or humiliated in front of others.

5. Discussion

The study's findings suggest that cost consciousness, inequality and competitiveness were related to the use of the PMS and reflected in workplace interactions in the SSC. Furthermore,

the effects of the PMS on workplace interactions may be explained by the employees' perceptions regarding organisational injustice. The perceived unfairness originating from cost consciousness or inequality was usually represented by the outcomes related to oneself and was pertinent in the immediate superior–subordinate relationships.

Cost consciousness was related to distributive injustice, as the interviewees attributed excessive cost consciousness to self-seeking middle managers exploiting their subordinates to achieve their own performance-based rewards. As middle managers strived to achieve their targets, their employees faced work intensification and fatigue. Furthermore, visible signs of selfish behaviour occurring in middle management led to a chronic labour shortage to save costs. Favouritism was also seen to occur with respect to work allocation and the distribution of valued transition projects and travel opportunities within the workforce. This was related to inequality in terms of outcomes, as the employees felt that the benefits they should have obtained from the outcomes—to which they contributed—were not appropriately distributed, considering distributive justice. It can be argued that PMS use did not always enable the recognition of individual performances (e.g. under heavy workloads).

From the perspective of procedural injustice, the fairness of the applied procedures was not directly discussed, but superiors were perceived to fail to apply the procedures, leading to distributive injustice in the allocation of benefits (Cugueró-Escofet and Rosanas, 2017). This was particularly frustrating because individual efforts are seen as an investment in career advancement within IT-enabled service work (Rothwell *et al.*, 2011; Brannan, 2015). Perceptions regarding procedural and distributive injustice also showed links to informational injustice, as employees expressed disappointment with their superiors' inability to properly explain the decisions they made, regardless of whether they were about the allocation of work or benefits. Inequality was also related to distributive injustice, as the interviewees believed that middle managers gave feedback somewhat arbitrarily. In particular, the manner in which superiors provided feedback during daily encounters was sometimes considered inadequate and disrespectful: those who performed well did not always receive recognition and benefits, while those who underperformed received harsh feedback or were overlooked. This implies that distributive injustice was also related to interpersonal injustice.

Competitiveness extends the exploration of organisational justice beyond the superior–subordinate relationship (Bourguignon and Chiapello, 2005), as it was also perceived in the wider context of workplace interactions, reflected by the treatment of peers and colleagues who did not behave appropriately towards each other. Considering the results of Morrison and Nolan (2007), because superiors were considered self-serving, it is unsurprising that they seemed to participate instead of intervening in these negative workplace interactions between peers and colleagues. Competitiveness was specifically related to perceived interactional injustice, which included both interpersonal and informational components. This was specifically seen to emerge from the pursuit of target compliance and recognition, implying both tangible and intangible rewards in the PMS. Accordingly, the negative consequences seemed not to be related to the nature and methods of performance measurement or appraisal but to how they were applied (cf. Goebel and Weißenberger, 2016; Marginson *et al.*, 2010).

Competitiveness was also visible in negotiations over work allocation, in which one's avoidance of "difficult accounts" was considered a chief priority. In relation to interpersonal injustice, some employees were prone to acting inappropriately towards others to bolster their positions; hence, dignity was superseded by the demonstration of desired performance in service provision. At the same time, informational injustice occurred in competitions between teams due to one party's decision to withhold information about how to maximise the use of IT to complete the given tasks. In relation to an earlier study that recognised the prevalence of intra-organisational competition in IT-enabled service work (Bain *et al.*, 2002), our findings provide evidence regarding how competitiveness shapes social interactions in

the workplace negatively and links these interactions to how the PMS is used. The negative effects are notable, as communication and coordination are considered important for innovation in teamwork (Hülshager *et al.*, 2009; Hsu *et al.*, 2012). It seems that PMSs do not always ensure balance for employees to support one another while simultaneously monitoring and appraising one another (Hülshager *et al.*, 2009).

It can be interpreted that the interviewees attributed the complex web of negative workplace interactions to PMS use, and these attributions can be analysed using the notion of organisational injustice. Notably, the interviewees did not express their dissatisfaction with the PMS as such, nor did they blame themselves. They attributed the perceived unfairness to interactions with superiors and peers related to the use of the PMS. Accordingly, this is in line with the findings of attribution theory, in which negative occurrences are attributed to the behaviours of others—in this case, the negative interactions with peers and superiors—that one finds unstable and uncontrollable (Ployhart and Ryan, 1997; Al-Sharif, 2021). This means that the existence of a PMS, even if it is deemed suitable for the organisation, does not automatically provide stable procedures that enable employees to control outcomes through their own efforts (Birnberg *et al.*, 1977) if the PMS is applied unfairly. Perceived distributive (and procedural) injustice was reinforced by perceived interactional injustice in terms of the failure or unwillingness to explain outcomes or distribute knowledge and information and the disrespectful treatment of subordinates and peers. Informational justice may thus mitigate negative attributions related to distributive and procedural injustices.

6. Conclusion

To enhance the understanding of the occurrence of negative interactions as unintended consequences of PMSs, this study investigated the interactions in an SSC based on how its employees discussed the reasons behind their resignations. We attempted to answer the following research question: “How may the use of PMSs create negative consequences for workplace interactions?” The findings suggest that PMSs should be applied with caution in IT-enabled service work, as how the PMS is used may create excessive cost consciousness, inequality and competitiveness amongst employees (Bain *et al.*, 2002; also see Ordóñez *et al.*, 2009). This might appear somewhat surprising, as the SSC could be considered a suitable environment for the quantification of performance given its robust technical infrastructure that could provide stability to guide and monitor standardised work processes (Howcroft and Richardson, 2012, p. 118; see also Birnberg *et al.*, 1977; Franco-Santos *et al.*, 2012).

We contribute to the existing literature by analysing the associated negative interactions (Franco-Santos *et al.*, 2012) with the help of the notion of organisational (in)justice, which has not been previously studied extensively enough to cover the entire PMS and different organisational levels beyond the superior–subordinate relationship (Bourguignon and Chiapello, 2005). Cost consciousness and inequality were found to be related to perceptions of distributive injustice, which were attributed to the unequal allocation of work and the provision of feedback. Perceptions of injustice were further reinforced by informational injustice when allocations were not sufficiently explained and by interpersonal injustice when negative feedback was provided in disrespectful ways. Further inequality was attributed to the failure of PMS use to acknowledge employee performance under heavy workloads, leading to perceptions of unfair distribution of benefits, and to perceptions of informational injustice, when superiors failed to explain the lack of such acknowledgement. Competitiveness stemming from the pursuit of intangible rewards created perceived interactional injustice through failure or unwillingness to explain or share information (informational) and purely disrespectful behaviour in different situations (interpersonal).

The findings related to competitiveness in particular have theoretical implications. While the theory of organisational justice and previous findings regarding performance appraisal and

PMSs (see [Bourguignon and Chiapello, 2005](#)) focus on superior–subordinate relationships, the results of this study show that perceived interactional injustice related to competitiveness also occurred between peers. Interactional (informational and interpersonal) justice has sometimes been considered a part of procedural justice not worth studying separately ([Colquitt et al., 2001](#)), but the results of this study suggest that further research should specifically consider the relationships between peers when examining and modelling the relationship between PMSs and interactional (in)justice. The importance of informational justice is highlighted even further, as the results of this study suggest that informational justice may mitigate negative attributions related to perceived distributive and procedural injustice involving a superior. However, receiving a clear explanation from the superior may somewhat mitigate one's disappointment engendered by the superior's initial unsatisfactory behaviour. Otherwise, the results of this study are in line with attribution theory, as the injustices discussed are attributed to superiors' (or peers') unpredictable decisions and behaviours that are external to the person and cannot be controlled by one's own work effort (cf. [Ployhart and Ryan, 1997](#)). However, the results suggest that PMSs, even in a theoretically suitable environment, cannot provide a stable premise for the attributions of (not) obtaining rewards or recognition if they are applied unfairly (cf. [Birnberg et al., 1977](#)). An unfair application may actually be a source of negative attributions because of the instability it creates. In light of these results, informational injustice should be taken into account when combining organisational justice and attribution theory. The effects on information sharing and informational injustice are also notable, as such behaviour hinders efficient teamwork because communication and coordination are compromised ([Hülsheger et al., 2009](#); [Hsu et al., 2012](#)).

As we have studied an SSC, instead of the more commonly researched call centres, it can be argued that the work performed in SSCs tends to have similar attributes to that carried out in organisations within the call-centre sector ([Bain et al., 2002](#)), even if it is considered more “professional” ([Rothwell et al., 2011](#)). Since SSCs are often approached from a managerialist perspective ([Knol et al., 2014](#)), this study has given a voice to employees and revealed their perceptions regarding the unintended negative consequences of PMSs ([Franco-Santos and Otley, 2018](#)). While the data used in this study may provide an overly negative view of the organisation, future studies could explore both the positive and negative interactions related to PMSs in a more balanced way.

One practical implication of our study for HR professionals is that it is important to choose and educate PMS users to apply the system in such a way that subordinates feel informed and respected. Specifically, decisions related to who is promoted as a TM are crucial for ensuring efficient teamwork (see [Hsu et al., 2012](#)). Moreover, firm and line managers at different levels of an organisation should not rely on the PMS or on goal setting as all-encompassing solutions but should also acknowledge the fairness of the system's implementation to ensure that it provides stability. Fairness is important in the procedures of work allocation, adequate resourcing, reasonable monitoring, giving constructive feedback, recognising good performance, making decisions on promotion and ensuring proper interaction between peers. Although the dataset of this study is small for assessing the frequency of complaints about the use of the PMS, the analysis suggests that improving the fairness of PMS application might help with employee retention. This could be explored in further research using a more balanced dataset.

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Appendix

Performance
management
systems in an
SSC

Interviewee	Former position in the SSC	Interview duration (in minutes)
Mr A	Senior accountant	98
Ms B	Accountant	52
Mr C	Team manager	47
Ms D	Senior accountant	57
Ms E	Accountant	42
Mr F	Assistant team manager	58
Ms G	Accountant	49
Ms H	Accountant	54
Mr I	Accountant	43
Mr J	Senior accountant	48
Mr K	Senior accountant	37
Ms L	Assistant team manager	77

Source(s): Authors' own creation/work

Table A1.
Details of the
interviews

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