

Performance systems and social capital

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Abstract.

Performance systems and social capital are considered mutually exclusive. Contemporary studies show that social capital is essential in generating performance improvement. This raises an important question: “How do performance systems and social capital correspond?” This study draws on findings from a study on implementation of a performance system in Danish construction. The results show causalities between implementing the performance system and the emergence of social capital in construction projects. Results indicate that performance systems and social capital is not mutually exclusive, but that the effects of performance systems derive from motives for compliance, interpretations of common goals and strategic activities.

Key words. Performance systems, social capital, construction

1. Introduction

Performance systems (PS) are widely recognized as effective tools when seeking organizational performance improvements (e.g. Bourne et al., 2013), and appraised for their abilities to communicate strategy and direct employees’ behavior towards organizational goals. Not surprisingly, performance measurements are used extensively in both the private and public sector.

However, the long-running penetration of New Public Management and the concomitant perception on how to increase productivity through KPIs have prompted critical voices, and there is also evidence that many PS implementations are not successful (Bourne et al. 2003), and PS are criticized for affecting employees’ wellbeing negatively (Kamp et al., 2013). Accordingly, today private and public actors and scholars show growing interests in studies explaining the fundamental mechanisms and processes that make PS work. More than ever, there is a need for PS designs and implementations that both secure performance improvements and simultaneously recognize the human aspects of generating such improvements.

Contemporary studies suggest that the causal explanations for why some PS initiatives succeed in generating organizational performance improvements are to be found deeply embedded in organizational processes (Pavlov & Bourne, 2011; Bourne et al., 2013). As a consequence, sociological perspectives on how PS affect social mechanisms in performance improvement processes have entered the performance management domain. The overall goal of increased productivity has been supplemented with newly increased attention on how to include employees across hierarchical structures in collaborations to achieve common organizational goals.

The emerging requests for new detailed understandings of how PS unfold organizationally opens for an inclusion of social capital in the performance management literature. Social capital is grounded in sociology and provides a relevant process-based perspective on common goal achievements, wellbeing and performance improvements.

Further, social capital is considered to increase productivity through knowledge sharing, ongoing support, constructive feedback and mutual inspiration (Olesen et al., 2008). Accordingly, social capital theorists will argue that the successes of PS implementations rely on social and organizational aspects of performance improvement processes.

Performance management and social capital share in common the key idea that achievements of efficiency improvements require cultural adoption, observation, clarification and coordinated efforts on strategic management level (e.g. Neely, 2005; Olesen et al., 2008). This similarity prepares the ground for studies on how PS' effective clarifications of organizational objectives affect the social capital. However, the two perspectives on how to achieve organizational performance through PS also constitute a management issue, as the theory of social capital differs from classic rational choice theory commonly used in performance management literature. Where performance management considers organizational performance to be achieved by exploitation of employees' immanent needs to pursue personal interests, social capital places cooperation, trust and shared norms as the center of attention in achieving effective and high-performing organizations (Cohen & Prusak, 2001). The contradicting perspectives on organizational performance are central concerns for scholars and practitioners who acknowledge the effectiveness of PS in generating increased productivity, and also feel enlightened by the literature on how social capital appears to be positive related to the process-related preconditions for organizational effectiveness (e.g. Leana & Van Buren, 1999; Watson & Papamarcos, 2002).

This paper draws empirically on a case study on implementing a PS in Danish construction. Social capital was not treated explicitly during execution of the case study, however, the data established the foundation for and aim of this paper: To understand how PS affects social relations constituting a better foundation for performance improvements.

The case study of PS in Danish construction is suitable for this purpose, since the mobilization of social capital can be difficult in such project environment (Olesen et al., 2008; Bresnan et al, 2005). In more than 30 years, Danish construction has been criticized for poor collaboration and high degrees of mistrust between the participants and for being mainly driven by individual economic interests (e.g. Rasmussen, 2013). This is caused by the participants' different objectives and involvements in the projects. Such premises entail that social capital in projects is more difficult to develop, sustain and exploit than in other, more stable organizational environments (Bresnan et al., 2005).

2. Case description

The national benchmarking system for Danish construction (BNTS) is political initiated in order address productivity and quality issues of the sector, and is applied in Danish state and social housing building projects by law. BNTS is therefore widely used and well-known by Danish contractors, consulting engineering and client companies. Contractors are measured on the following KPIs: defects, compliance with time, work accidents and customer satisfaction. Consulting engineers are measured solely on customer satisfaction.

Today the main utilization of BNTS is to produce track records for contracting and consulting engineering companies. The track records consist of KPIs from accomplished construction projects, and are used by clients to assess companies' performance capabilities prior to contract formation. BNTS is mainly based on a "carrot and stick approach" and does not explicitly address social aspects of improving organizational processes (Rasmussen, 2013).

3. Research methods

The analysis draws on Leana and Van Buren's (1999), definition of social capital as "a resource reflecting the character of social relations within the organization, realized through members' level of collective goal orientation and shared trust" (Leana and Van Buren, 1999: 540). In this study, social capital reflects establishment of changes in generating collective goals and trust between the different actors in a construction project (contractors, consulting engineers and client). Accordingly, the study focuses on how BNTS affects the intra-social capital (the social relations between groups) of construction projects.

The data for this study derives from nine Danish companies subjected to BNTS (four contracting companies, two consulting engineering companies, one private client company, one social housing client company and one state construction client company).

Interviews were adopted as the main method of investigation because of its ability to comply with the complexity of explorative research and provide rich details which could not be captured by structured research methods. In each company, one interview was conducted with the person main-responsible for BNTS in the company's construction projects. The respondents were managing directors and division directors. The average length of the interviews was 1.25 hours and followed a pre-designed interview guide, including the social aspects of using BNTS. The respondents were asked open ended questions within the two following themes: Experiences with PS; actions and behavior affected by the PS. For this study, the data were analyzed for the purpose of identifying how the PS was interpreted and transformed into practices that supported or undermined social capital defined above by Leana and Van Buren (1999).

The interviews were anonymized in order to obtain highest sincerity from the respondents.

4. Research findings

4.1 Contractors

All four contractors reported that projects subjected to BNTS were carried out differently than other projects, and that BNTS had generated behavioral changes and new practices on their projects. Three of the four contractors had established fixed procedures for the purpose of achieving good KPIs, and used the KPIs to as process evaluation criteria on their projects. The fourth contractor already used an internal PS for this purpose. The BNTS was considered to 1) increase the communication and match of expectations with clients, 2) to cause a higher degree of knowledge sharing among project participants, 3) better insights into the priorities and requests of their customer's expectations and 4) result in more tolerance of other project participants and their interests in the project.

Ongoing matching of expectations was considered to provide the contractors better opportunities to avoid problems and conflicts of interests after handing over the end product. The contractors agreed that projects subjected to BNTS are more likely to result in a better process and end product, and two of them experienced that BNTS increases motivation for achieving a good end product.

All four contractors criticized the KPIs for misrepresent contractors performances on construction projects.

The contractors' motives for initiating changes were exclusively based on future prospects of being asses on their track records and risk the consequence of insufficient performance. In this way the contractors based their compliance with BNTS on a regulatory basis.

The interviews demonstrated that BNTS caused behavioral changes and practices positive related to Leana and Van Buren's (1999) definition of social capital between contractor and other project participants.

1.2 Consulting Engineers

The interviews with consulting engineers showed different process-related effects of BNTS. None of the two respondents experienced changes in behavior or activities on projects subjected to BNTS.

Both respondents were satisfied with the KPIs in BNTS as representation of their performances, as both companies already consider customer satisfaction to be an important competitive resource. In this way, BNTS was easily included in established norms for evaluation, process follow-up procedures and customer focus. The compliance with BNTS was accordingly on a normative basis.

Overall the interviews did not reflect any signs of BNTS increasing social capital on their construction projects.

1.3 Clients

Two of the three clients were obliged to demand track records from contractors and consulting engineers. The state construction client reported a utilization of the KPIs to assess the bidders in the prequalification. The social housing client did not ascribe much value to the KPIs reported in the track records. The private client, not subjected to BNTS initiative, was fundamentally against the idea of using track records as assessment criteria of contractors and consulting engineers in prequalification.

The clients did not report any utilization of the KPIs as organizational goals, and BNTS did not cause new activities with contractors and consulting engineers that could potentially increase the social capital on their construction projects. Accordingly, none of the three respondents experienced that BNTS was causing any changes according to Leana and Van Burens (1999) definition of social capital. Further, two of the clients suspected that the contractors and consulting engineers did not show any interests in the KPIs.

5. Concluding discussion

Interviews with three different participants in construction projects subjected to BNTS revealed differences of how it impacted the participants' behaviors and activities related to social capital. From a social capital perspective, BNTS seems ineffectual in including participants across the project. However, a significant finding is that BNTS and social capital are not mutually exclusive, but did in fact cause behavioral changes of contractors and prompt them to launch several activities positively related to the social capital on construction projects. These activities and changes occurred despite the fact that BNTS does not explicitly aim at improving organizational processes through social realtions. The BNTS provided contractors goals to pursue and strategic motives to establish closer collaborations with clients.

The study shows that BNTS did not seem to cause consulting engineers to increase social capital. The lacking interests for consulting engineers to launch activities positively related to social capital might be explained by the cultural embeddedness of the KPIs (customer satisfaction) in the consulting engineers' processes in construction projects. Their normative compliance and contractors regulative compliance to BNTS indicates interesting correlations between compliance motives and process-related effects.

The clients revealed no impacts of BNTS on social capital. The explanation is likely to be found in the clients' interpretation of BNTS as assessment tool of contractors and

consulting engineers, rather than a tool to influence social relations, common goal sharing and trust among project participants. The clients' lacking awareness of the potential process-related effects of BNTS obstructs a holistic implementation of BNTS in their construction projects. This indicates the importance of decision makers ability to strategic facilitate the multiple utilizations and interpretations of a PS in order to reach the full organizational performance potential on both outcomes and processes.

Concluding on this study, the effects of BNTS on social capital are limited to the contractors' regulative compliance to the KPIs. The study suggests that BNTS have most significant effects on social capital for participants coerced to reconsider their normal goals of the project, and consequently adapting to the KPIs through changed behavior and activities. This indicates that the effects of PS derive from the motives for compliance, interpretations of common goals and related strategic activities.

A concluding remark is on the limited empirical data included in this study. The accuracy and validity of the presented findings and conclusions must be put in relation to the number of respondents and the nature of the study. Further studies on the correlations between PS and social capital are needed. Likewise studies combining outcome-based effects (performance achievements) and process-based effects (e.g. social capital) of PS will be great contributions to the knowledge on contextual and processual factors which may account for the underexposed links between PS, social relations and performance improvements.

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