



A performance measurement system for small enterprises – a case study

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Abstract

The performance measurement system is one of the determinants which creates an enterprise's value, and is supposed to leading to an enterprise maintaining or improving its performance in the long-term perspective. Small enterprises do not understand the need to measure their performance or the potential benefits that come from this measurement. The aim of the article is to present a framework of a performance measurement system for small enterprises with a practical verification of its assumptions. The basis of the study was an analysis of existing proposals of models and frameworks for small and medium enterprises and the results of a study into the performance measurement solutions applied in practice by Polish small enterprises. As a result of the research conducted, a 4-step process of continuous performance measurement for small enterprises is presented, and practical verification is conducted on the example of a small legal firm, considering the strategy map and the measures of the set of aims. The construction of a performance measurement system is unique to every enterprise due to its condition, the business sector, the environment, and other factors, so a featured case study provides only a specific example of model usage in practice. The study provides an original contribution of the author. There has been no such research in this field so far in the Polish literature.

Keywords: performance measurement, performance measurement system, small and medium enterprises.

Streszczenie

System pomiaru dokonań dla małych przedsiębiorstw – studium przypadku

System pomiaru dokonań jest jedną z determinant tworzenia wartości przedsiębiorstw, ma prowadzić do utrzymania lub poprawy dokonań przedsiębiorstwa w dłuższej perspektywie czasowej. Małe przedsiębiorstwa nie rozumieją potrzeby pomiaru swoich dokonań, ani potencjalnych korzyści płynących z tego pomiaru. Celem artykułu jest prezentacja modelu systemu pomiaru dokonań dla małych przedsiębiorstw wraz z praktyczną weryfikacją założeń. Podstawę opracowania stanowiły analiza istniejących propozycji w zakresie modeli oraz ram koncepcyjnych dla małych i średnich przedsiębiorstw oraz wyniki diagnozy stosowanych w praktyce rozwiązań w zakresie pomiaru dokonań przez polskie małe przedsiębiorstwa. W wyniku przeprowadzonych badań zaproponowano czteroetapową koncepcję ciągłego pomiaru dokonań małych firm oraz dokonano praktycznej weryfikacji założeń modelu na wybranym przykładzie małej firmy prawniczej, uwzględniając mapę strategii oraz zestaw przykładowych mierników celów przedsiębiorstwa. Budowa systemu pomiaru dokonań jest specyficzna dla każdego przedsiębiorstwa ze względu na jego kondycję, sektor działalności, otoczenie i inne czynniki, więc przedstawione studia przypadku stanowią jedynie przykład specyficznego zastosowania modelu w praktyce. Opracowanie stanowi oryginalny wkład autora, dotychczas w literaturze polskiej brakowało opracowań dotyczących tych zagadnień.

Słowa kluczowe: pomiar dokonań, system pomiaru dokonań, małe i średnie przedsiębiorstwa.

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Introduction

The aim of the article is to present a model of a performance measurement system for small enterprises with a practical verification of its assumptions based on an analysis of existing models and frameworks for SMEs.

Contemporary organisations compete in a complex environment, therefore, a clear understanding of their goals and ways of achieving them has special importance (Kaplan and Norton 2001). Performance measurement systems affect communication processes by requiring and providing relevant information, which influences the way people think, act, and cooperate (Franco-Santos et al., 2012). A performance measurement system is one of the determinants which creates an enterprise's value, and is often indicated as an important supporting tool for an SMEs' managerial development (Garengo et al., 2007). It is supposed to lead to an enterprise maintaining or improving its performance in the long-term perspective. Performance measurement systems are specific to each entity they are implemented in, due to unique set of subsystems and unrepeatable conditions of existence. They should reflect the internal and external changes in the company's environment and allow for the business goals to be reviewed and updated.

Performance measurement systems are widely used by large companies, but they have not yet gained much recognition among small and medium enterprises (Chalmeta et al. 2012). It is pointed out that despite their limitations, small enterprises in the information era should link strategy with performance measurement and use a performance measurement system in decision-making processes (Chalmeta et al., 2012). Research has shown that performance measurement systems could play an important and essential role in supporting the improvement of management efficiency in small and medium enterprises (cf. Garengo et al., 2005; Taticchi et al., 2010).

The model of performance measurement for small enterprises was based on the results of an analysis and an evaluation of the assumptions regarding the construction of performance measurement systems for SME presented in the literature, and the results of the study into the scope of implementing performance measurement systems in Polish small enterprises. The model assumptions were verified in a case study of a small legal company (with application of strategic analysis tools). The construction of a performance measurement system is unique for every enterprise due to its condition, the business sector, the environment, and other factors, so the featured case study provides only a specific example of the model's use in practice.

As a result of the research conducted, an innovative tool was developed to support efficient and effective management, and to improve the competitiveness of small enterprises in the information era. The limitations of the model result from the system's lack of practical implementation and the fact that every entity needs a specific performance measurement system to be constructed.

1. Performance measurement systems in enterprises

Performance measurement systems (PMSs) are essential for making right and rational decisions. They are a source of information necessary for companies to calculate the efficiency and effectiveness of their operations, as well as helping to assess the correctness of strategy execution and the ability to achieve their planned goals (cf. Garengo et al., 2005; Ukko et al., 2007; Suwingjo et al., 2000). These systems support decision-making processes by collecting, evolving, and analysing quantitatively determined performance information and presenting it in a concise summary (Bisbe and Malagueño, 2012; Koufteros et al., 2014). The quality of the system depends on relevant information resources to effectively manage the enterprise (cf. Kowalak, 2009).

The current literature in the field of performance measurement systems clearly emphasizes the need to identify and measure performance drivers, and the need to go beyond commonly used financial measures (Perera and Baker, 2007). To summarize the changes in PMSs that have taken place in the last 20 years, it should be noted that, as a result of the critique of traditional PMSs, strategic PMSs provide an evaluation based on the processes of going from a set of financial measures to a set of balanced and integrated measures, going from an operational perspective to a strategic perspective, as well as including all stakeholders instead of a selected groups of stakeholders (cf. Yadav et al., 2012; Srimai et al., 2011). Strategic PMSs link performance with enterprise vision, its aims, and strategy. They have been developed to support organizational development and improve the management of enterprises, especially large ones (Hudson et al., 2001, Garengo et al., 2005).

Performance measurement models should include logical causal relationships between activities and results. They should also allow for the identification of relationships between processes the business is based on (Taticchi et al., 2012; cf. Bourne et al., 2000).

Performance measurement is most efficient when it is adjusted to elements such as business strategy, organisational culture, and the external environment (Melnyk et al., 2014). It is pointed out that an effective PMS, apart from arranging key performance indicators (KPIs), should also identify relationships between them, as well as the level of their influence on the company (cf. Taticchi et al., 2009, Taticchi et al., 2012). The importance of performance measurement systems has been well documented in the literature (i.a. Perera and Baker, 2007). Franco-Santos et al. (2012) conducted extensive research into the assessment of the consequences of contemporary performance measurement systems (people's behaviour, organizational capabilities, and performance) based on a review of 76 selected articles published in high quality science journals in the fields of accounting, operations and strategy. They found that performance measurement systems had a significant influence on human behaviour, organizational capabilities, and performance, and that these systems are crucial for strategy, communication, and managerial processes, generating organizational capacity which enables an improvement of the organization (Franco-Santos et al., 2012). On the other hand, the

implementation and use of performance measurement in enterprises can cause ineffectiveness of the company's operation, and those processes can be painful or even destructive for the enterprise, so it is crucial to understand the specific conditions of the use of a performance measurement system that allows for performance improvement (Micheli and Mari, 2014).

2. Performance measurement models and frameworks for small and medium enterprises

Small and medium enterprises, which at first were underestimated, now represent the strength of every economy, and the SME sector plays a key role in building the growth and development of the country. SMEs are defined in various ways in the professional literature. It is generally accepted that a small business has an independent owner and management and has little influence on its environment (Piocha and Gabryszak (eds.), 2008). The management system in small enterprises is characterized by the large influence of the owners on direct business management, especially in the decision-making processes.

Small and medium enterprises do not understand the need to measure their performance or the potential benefits coming from this measurement, and they rarely implement integrated, strategic performance measurement systems (Buhovac and Groff, 2012). In the literature, numerous models and frameworks of company performance measurement systems are presented. They differ not only in scope, intensity, complexity, and construction, but also in many other characteristics. These models are also divided into universal and specific, implementable only in a specific sector or a characteristic environment, for example, a particular region or even a group of firms. There is therefore a need to determine the importance of existing performance measurement approaches in SMEs and to identify the appropriate design and implementation processes for strategic performance measurement systems (Hudson et al., 2001; Taticchi et al., 2010a).

Taticchi, Tonelli, and Cagnazzo (2010, p. 11) pointed out that, on the basis of a broad review of scientific publications in the field of performance measurement, the first models of performance measurement and management for big companies were implemented in the 1980s, but proposals of models for SMEs appeared in the mid-1990s. At the beginning of the 21st century, research on performance measurement in relation to SMEs was conducted in two directions: adapting models developed for large companies, and developing specific models for SMEs (Taticchi, Tonelli, and Cagnazzo, 2010).

There is a fundamental gap between the theory, which emphasizes the importance of performance measurement systems in supporting managerial systems development, and practice, in which there is a lack of models and tools which take into account the specific characteristics of SMEs (cf. Garengo, Biazzo, and Bititci, 2005; Cocca and

Alberti, 2010; Ates et al., 2013). This is due to the fundamental differences in the environment of individual companies, which profoundly differ from each other, significantly hampering the construction of models and generalized systems for these entities. Most of the research on performance measurement systems for SMEs, despite its theoretical correctness, does not take into account the fundamental differences between SMEs and large companies, resulting in low efficiency of performance measurement practices in SMEs (i.a. Nudurupati et al., 2011; Ates et al., 2013). In Table 1, select models and frameworks of performance measurement systems for small and medium enterprises are presented.

Table 1. Models and frameworks of performance measurement systems for SMEs

Model	Authors
Models that do not take the size of the organisation into account	
Performance Measurement Matrix	Keegan et al. 1989
Performance Measurement Questionnaire	Dixon et al. 1990
Performance Pyramid System	Lynch, Cross 1991
Performance Measurement System for Service Industry	Fitzgerald et al. 1991, Fitzgerald, Moon 1996
Balanced Scorecard (BSC)	Kaplan, Norton 1996
Integrated Dynamic Performance Measurement System	Ghalayini et al. 1997
Integrated Performance Measurement System	Bititci et al. 1997
Integrated Performance Measurement System	Medori 1998
Quantitative model for performance measurement system	Suwignjo et al. 2000
Performance measurement for product development	Driva et al. 2000
Performance Prism	Neely et al. 2002
ECONGRAI	Ducq et al. 2001
SCOR	Supply Chain Council 2006
Specific models for SMEs	
Organisational Performance Measurement	Chennell et al. 2000
Improving control through effective performance measurement	Hudson et al. 2001
Theory and practise in SME performance measurement systems	Hudson et al. 2001
Integrated Performance Measurement for Small Firms	Laitinen 1996, 2002
Adaptation of Balanced Scorecard for SMEs	Davig et al. 2004
Balanced Scorecard in non-profit SMEs	Manville 2007
Measuring Performance of SMEs	Chong 2008
Performance Measurement System IRIS	Chalmeta et al. 2012

Source: author's own elaboration based on Chalmeta et al. (2012, pp. 720–721

These models and frameworks do not fully satisfy the companies which implement them, indicating the numerous drawbacks both in terms of the implementation processes and subsequent application. The main objections are: a model or framework needs to be created for specific type of companies, there is a failure to confirm their effectiveness in practice, and they require intensive labour or material resources at their implementation (cf. Chalmeta et al., 2010). Performance measurement systems for SMEs should be dynamic and flexible so as to be able to respond to the needs of these companies, but at the same time they must be structured to some degree, which promotes active planning (Garengo et al., 2005; cf. Hudson et al., 2001). Performance measurement is a continuous and cyclical process that influences the continuous evolution of the performance measurement system over time as a result of adapting it to the changing needs of the business, and it supports the company in adapting to the changing conditions of its competitive environment (cf. Ates et al., 2013; Garengo et al., 2005; Bititci et al. 2000). Micheli and Mari (2014, p. 147) indicate that there is a lack of conclusive evidence which testifies to the advantages and disadvantages of implementing a performance measurement system, either in the private sector or in the public sector (cf. Griffith, Neely 2009; Malina et al., 2007; Power 2004; Townley et al., 2003). Existing methodologies are focused on the problems faced by large companies and therefore do not adequately represent appropriate solutions to meet the needs of SMEs.

In conclusion, the biggest problem is the low applicability of these models to the business reality. They require the dissemination of assumptions as well as confirmation of their effectiveness in practice. On the other hand, these systems are adapted to the characteristics stemming from the size of these entities, which is their strength and what makes them superior to universal models. Despite the elaboration of specific models and frameworks for SMEs, they are still small in number in relation to the number of companies. There was also no confirmation that the users were totally satisfied, which results in the need to search for approaches that are even better and more suited to the conditions of SMEs in the future (cf. Chalmeta et al., 2012; Garengo et al., 2007; Sousa, and Aspinwall, 2010).

Garengo, Biazzo, and Bititci (2005, p. 30–36) have specified the following main dimensions that characterize contemporary performance measurement system models (mostly introduced after the mid-1980s) with specific reference to SMEs:

1. Strategy alignment – a PMS must be designed and implemented in accordance with an enterprise's business strategy in order to link the strategy to the aims of functions, groups of people, and individuals, as well as to operational aspects.
2. Strategy development – performance measures are helpful at assessing whether the strategy is appropriate (topical) and aligned to the changing environment and the enterprise itself. They indicate the right track to reach planned goals and the effectiveness of actions and processes carried out.
3. Focus on stakeholders – PMSs take into account the needs of different groups of stakeholders, as expressed in the concept of sustainable development.

4. Balance – traditional PMSs were focused on financial results, but this approach was complemented by a balanced view of the company's performance, which requires the inclusion of non-financial perspectives in the measurement.
5. Dynamic adaptability – a PMS should include systems for reviewing the measures and aims that make it possible to both adapt the PMS quickly to changes in the internal and external contexts, and provide a systematic assessment of the company's strategy in order to support continuous improvement.
6. Process orientation – the performance of business processes has to be monitored, because they have a direct impact on stakeholders' satisfaction. Process-oriented performance measurement allows for a deep analysis of the impact of these processes on the enterprise's added value, and promote the use of performance measurement as an important support in decision making processes.
7. Depth and breadth – the depth of a PMS is the level of detail of applied performance measures; the breadth of the system refers to the scope of activities included in the PMS. It is claimed that SMEs should not use deep PMSs, because they hinders focus on just a few aims and prolong the implementation of the system. SMEs should use systems focused on breadth, so that they could develop a simple model and an integrated approach to corporate governance.
8. Causal relationship – performance is affected by a large number of multidimensional factors characterising how dynamic behaviour changes the environment. Understanding the relationship between results and determinants makes it possible to have periodic feedback on the measures used and incremental changes.
9. Clarity and simplicity – these features are crucial for successful PMS implementation and use in the enterprise. They include such elements as: clear definition and communication of the fixed goals, careful selection of the measures to be used, clear definition of measures, clear definition of how to gather and elaborate data, use of relative instead of absolute measures, and a definition of how the processed information has to be presented.

In Table 2, an overview of select characteristics describing performance measurement models for small and medium enterprises is presented.

The most common feature of the chosen performance measurement systems for small and medium enterprises was the balance dimension. This aspect has become crucial since the creation of Kaplan and Norton's „Balanced Scorecard” concept. All models, although in varying dimensions, reflected the strategic focus of performance measurement, with only some of them considering the influence of performance measurement on the strategy development. The next feature included in all concepts was clarity and simplicity, related to the need to communicate principles and necessity of performance measurement to company members in an understandable and transparent way. It is also worth noting that almost all models described the causal relationships between performance and their determinants, which allows the applied performance measures to fit the enterprise's requirements better. Although in most models this problem was raised, but was insufficiently described and resolved.

Table 2. Select dimensions of performance measurement systems for SMEs

Model	Authors	Dimensions									
		Strategy alignment	Strategy development	Focus on stakeholders	Balance	Dynamic adaptability	Process orientation	Depth	Breadth	Causal relationship	Clarity and simplicity
Organisational Performance Measurement	Chennell et al., 2000	○		●	●		●	●	●		○
Improving control through effective performance measurement	Hudson, Smart, Bourne, 2001	●	●		○	○			●	○	○
Contemporary performance measurement system in SME	Hudson, 2003	●	●	●	●	●		○	●	○	●
Adaptation of Balanced Scorecard for SMEs	Davig, Elbert, Brown 2004	●	○		●			○	○	○	●
Balanced Scorecard in non-profit SMEs	Manville, 2007	○		○	●				●	○	○
Measuring Performance of SMEs – grounded theory	Chong, 2008	○		○	●					○	●
Integrated Approach to Performance Measurement System in SME	Taticchi et al. 2008	○	○		●	●	○		○	○	○
Performance measurement framework for SMEs	Cocca, Alberti, 2010	●	●	●	●	●	●	○	●	●	●
Circular methodology of balanced scorecard for SMES	Garengo, Biazzo, 2012	●	●		○	●			●	●	●
Performance measurement system – IRIS	Chalmeta, Palomero, Matila 2012	●	●	○	●	●	●	●	●	●	○

● fully present;

○ partially present.

Source: author's own elaboration based on the mentioned literature

The presented concepts also had noticeable deficiencies in some key characteristics. One of the most noticeable, and at the same time apparent, effects of concepts' practical implementation are: not taking into account the perspectives of all main stakeholders of the company when implementing and applying the performance measurement system, too low awareness of the need for continuous improvement of the system by taking

into account the results of its application. Performance review and control allow companies to adapt the performance measurement system to changing environment conditions and the company's strategy revisions.

3. A model of a continuous performance measurement system for small enterprises

In the literature, there is still a view that little empirical and theoretical research has been done in the field of performance measurement, and its efficiency, in SMEs (cf. Garengo et al., 2005; Perera and Baker, 2007; Garengo et al., 2007; Taticchi et al., 2010a; Taticchi et al., 2010b). On the other hand, there are publications showing the results of empirical research on practical solutions in the field of performance measurement and management in small and medium enterprises using questionnaires (Sousa et al., 2006; Wiesner et al., 2007; Taticchi et al., 2010), as well as using one or few case studies (Hudson et al., 2001; Garengo and Bititci, 2007; Sharma and Bhagwat 2007; Maraghini 2010; Ates et al., 2013).

A performance measurement system should be simple, economical, clear, and harmonized (Goliszewski, 2015). Expanded systems prolong decision-making processes and information flow. This is particularly important in small entities, whose existence often depends on making quick and appropriate decisions, so access to information is crucial. Small enterprises usually measure their performance, but in a casual and informal way, not based on an earlier plan or a model. The intuition, experience, and competencies of the owners and managers play an important role in decision making processes.

The model of performance measurement for small enterprises was based on the results of the analysis presented in point 2 and an evaluation of the assumptions regarding the construction of performance measurement systems for SME presented in the literature. Adapting to Polish conditions required the results of the conducted study into the scope of: use, systematization, and forms of performance measurement in Polish small enterprises and their current effectiveness (cf. Waśniewski, 2014, 2015a, b).

The basis for the assessment was two CATI surveys conducted on 100 Polish small enterprises (employing 10–50 people) in 2012 and 2014, each in the area of solutions used in performance measurement, and their relationships with the achieved financial performance. As a result of the study, it was found that Polish small enterprises generally do not take into account the strategic perspective in the management and decision making processes (Waśniewski, 2014; Waśniewski, 2015a). Only one-third of the researched small firms have a development strategy, although less than a half of the strategies include performance measures. The measurement is usually conducted at the level of the enterprise as a whole, mainly through accounting. The measures form an unrelated set of financial and non-financial measures (with the dominance of the financial measures), with the clients' perspective being the most popular among the non-financial perspectives of performance. The performance measurement is also associated with a motivation system for all employees.

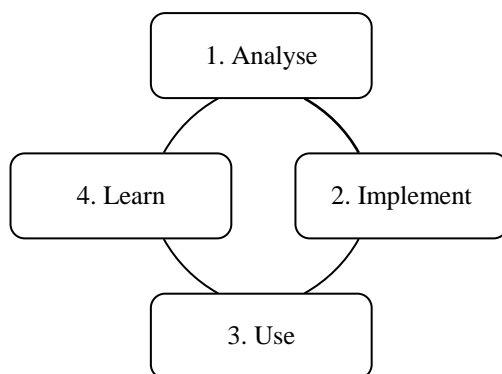
The relevance of the dependency between solutions in the area of performance measurement and financial results achieved by small enterprises was additionally verified. The association between variables was evaluated with Pearson's chi-squared test for independence and Tschuprow's T coefficient. As a result, the study found a low or no statistically significant relationship between selected performance measurement system features and small enterprises' financial results (Waśniewski, 2015b).

The conducted research confirmed the need to design and implement performance measurement systems that support the effective and efficient management of small enterprises.

It is worth emphasizing that the fundamental determinant of performance measurement systems' construction is the dominance of the benefits of its implementation over costs, therefore it is important to ensure that the costs of implementing and applying selected solutions do not exceed a set level. In addition, the transparency and generality of the information flow should be ensured. The appropriate communication of performance results is one of the key factors influencing the effectiveness of the system used. Currently, small firms are characterised by insufficient communication (in non-sole entities) and the lack of custom measures used in performance measurement.

Due to the specifics of small firms, the author proposes a model of a four-stage continuous performance measurement system for small enterprises. A circular approach helps to stimulate continuous strategic improvement in an enterprise that is relevant to the value creation processes. A crucial part of the model is linking the business strategy (including business model) with rational goals and their measures in order to map the enterprise's value generating processes in the best possible way. It is also important to ensure that the achieved results are considered when evaluating the realisation of the strategy in a continuous and repeatable way, and that they provide a basis to correct them. The performance measurement system should reflect the company's competitive position. The structure of the author's model of a performance measurement system for small enterprises is presented in Figure 1.

Figure 1. Continuous performance measurement for small enterprises



Source: own work based on Hudson (2003, pp. 7–8)

The first stage is based on an enterprise's environmental analysis, strategy, key success factors, and goals. A business model should also be developed that demonstrates how the enterprise is generating value for the stakeholders. The aim of the second stage is to define the tasks that are necessary to achieve the goals of the measures, and to develop the measures system. The third stage consists of the practical application of the results of the previous stages. In effect, improvements are implemented and an appropriate system of collecting data and information is selected. The last stage of the process consists of regular performance data reviews conducted to identify potential problems.

4. Case study of the model's assumptions on the example of legal firm „XYZ and Partners”

Case studies are one of the most important research methods, particularly in the development of a theory and the construction of models (cf. Voss, Tsiriktsis & Frohlich, 2002). They provide an explanatory study that allows for observation and a better understanding of the phenomena which occur. The case study used in the article is consistent with qualitative research, leading to the creation of the individual description of a more general phenomenon. The study is descriptive and illustrative, and is based on an analysis of published materials¹ and in-depth interviews, a qualitative method which gathers information during individual conversations with business representatives². The case study focused on the conditions of the practical application of the performance measurement system model for small enterprises, and was used to verify the main assumptions of the model and its applicability in practice. However, the model has not been implemented yet in practice, therefore, some of the considerations concerning the implementation and application of the systems are presented as limitations.

The author's model of performance measurement for small enterprises is presented on the example of legal firm „XYZ and Partners”. The enterprise is in Poznań, one of the largest cities in Poland, and has been operating in the legal services market since 2004. It is one of biggest law firms in the city and the region, and it employs around 20 people. It is comprised of a team of highly qualified specialists whose fundamental goal is to meet the needs of their customers. Annual revenue is in the 5-10 million PLN range and the enterprise has been profitable in the last three reporting years. The subject of the business is professional services in the field of commercial law. The mission of the firm is: „Law requires solutions. We find them”. The aim of their activity is, according to the company's materials „to ensure the legal safety of [their] customers”. Their values are: „dynamism, flexibility, experience, and efficiency”.

¹ Materials such as the company's website, official strategy, enterprise folder, and information published by the Central Statistical Office of Poland, among others.

² The interview was conducted 08.07.2016 with a board member, lasting about 4 hours. It concerned the strategic analysis of the enterprise – the aims, environment, actual performance, etc., and actual solutions used in the area of performance measurement.

Following the model, the first step is to conduct a strategic analysis of the company. „XYZ and Partners” recognizes its stakeholders among the groups of clients, employees, and partners. The enterprise’s environment has been characterised using a PEST analysis and Porter’s (2008) five forces analysis, deriving determinants of the competitive intensity and attractiveness of the industry. This framework was also widely described by Gierszewska and Romanowska (2009, pp. 75–91). A summary of the simplified PEST analysis is presented in Table 3.

Table 3. PEST analysis of the chosen enterprise

Factors	Impact on surveyed company
Political	<ul style="list-style-type: none"> – further opening of the legal services market, allowing for increased competition – entering of foreign and specialised legal firms to the Polish market, encouraged by the market prospects – frequent changes in the law – high risk of introducing unfavourable legal solutions that might hinder the conducting of legal and advisory services
Economic	<ul style="list-style-type: none"> – economic growth, affecting the enterprise’s development – increased importance of international economic exchange processes, resulting in an increased need for professional consulting services by firms with knowledge of specific market characteristics – development of the legal services market – increasing level of wealth among the population
Socio – cultural	<ul style="list-style-type: none"> – increasing customer awareness of the need for access to professional legal services – increase in the level of education – development of long-term (intergenerational) planning
Technological	<ul style="list-style-type: none"> – development of computer technology supporting business – facilitating access to databases (knowledge)

Source: author’s own elaboration based on information from the board member

The next action conducted as part of the strategic analysis was Porter’s (2008) five forces analysis. The results are presented in Table 4.

The analysed forces are quite significant for the researched company in the context of current and future profitability. The professional legal and advisory services sector is attractive and growing, due to the predicted growth of potential customers as well as to the increasingly rapid environmental changes, which require companies to continuously adapt to the new operating conditions. On the other hand, there are potential threats from new competitors offering low prices for their services that might affect the potential revenue of „XYZ and Partners”.

Table 4. Porter's five forces analysis of the researched company

Force	Impact on the researched company
Threat of new entrants	This threat is very important for the analysed company as a result of the opening up of the legal professions and the large annual increase in the number of lawyers entering the legal market. The entry barriers are: completing law school and performing the appropriate legal apprenticeship. On the other hand, the company provides highly specialised advisory and legal services, which narrows the market and strongly reduces the threat of a new competitor appearing. The high specialisation and high complexity of the processes (for example, restructuring) result in a high cost of potential supplier change for the customer.
Bargaining power of suppliers	The company is not highly dependent on its suppliers, including providers of media, on-line databases etc.
Bargaining power of customers	This power is weak, customers have a low negotiating power due to the large number of legal firms potentially interested in specialised legal and advisory services with low local competition. The company's services are highly specialised and tailored to the needs of its customers; a change of the supplier would involve high costs for the customer. There is little risk that the customers will be able to handle their legal problems on their own.
Threats of substitutes	There is no real threat of substitution of legal services, except for abandoning the services altogether.
Industry rivalry	Intensity is growing due to the increase in the number of lawyers on the market, but due to the specialisation of services and high professionalism, the local competition for the researched company is not so significant.

Source: author's own elaboration based on information from the board member and the company's materials.

In the next phase of the strategic analysis, based on the information obtained from the company, a simplified strategic balance was conducted. The aim was to determine the company's strengths and weaknesses. The results of this analysis are presented in Table 5.

Table 5. Simplified enterprise strategic balance

Strengths	Weaknesses
<ul style="list-style-type: none"> – very good financial results, high liquidity – high level of knowledge and competences of employees and managers – management system supporting knowledge sharing 	<ul style="list-style-type: none"> – lack of clearly defined strategy, which is the basis for decision-making in the enterprise – high value of individual contracts (high importance of lost customers)

Table 5. Simplified enterprise strategic balance (*cont.*)

Strengths	Weaknesses
<ul style="list-style-type: none"> – experience and knowledge acquired through the business activities – calm and friendly atmosphere in the workplace – professional employees with high ethical standards and personal culture – the flexibility of proposed legal and advisory services in fitting in with the customer's needs – wide range of services for entrepreneurs and companies – high level of customer satisfaction resulting from quality of services and support – the reputation as solid and trustworthy partner – management style used in the organization inspires employees in the development and achievement of ambitious goals, increasing effectiveness – one of the biggest legal firms in Poznań and the region with a recognized brand – innovation that determines market position – high efficiency 	<ul style="list-style-type: none"> – high dependence of the company and its results on the partners, including mainly the managing partner – relatively low nationwide market share (despite significant local market share) – lack of own building that makes it difficult to fit the office space to the company's needs, lack of enough space to work in comfortable conditions and provide excellent customer service – the time span between costs borne and revenues earned

Source: own study based on information from board member and from company's website (access: 11.07.2016)

Noteworthy are the specifics of the company's activities, in which some parts of the revenues are distant in time from the costs incurred, due to the length of court proceedings, which could have a negative impact on the current liquidity.

In order to summarise the strategic analysis, a SWOT analysis was used as a comprehensive method for assessing the organisational environment and analysing its internal structure (cf. Gierszewska and Romanowska, 2009, pp. 189–198). The conclusions from that analysis are presented in Table 6.

Table 6. SWOT analysis of firm „XYZ and Partners”

Strengths	Weaknesses
<ul style="list-style-type: none"> – significant position in local market – recognized brand and very good reputation – a group of experienced employees and co-workers with very high competencies – high profitability of the business 	<ul style="list-style-type: none"> – lack of clearly defined strategy – the high value of individual contracts, affecting revenue opportunities – dependence on the owner and managing partner of the company

Table 6. SWOT analysis of firm „XYZ and Partners” (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> – development of the legal services market – development of the international exchange, resulting in increased demand for professional consulting services – economic growth, affecting the development of the enterprises – increased customer awareness of the need for access to professional legal services – frequent changes in the law 	<ul style="list-style-type: none"> – further opening of the legal services market, allowing for increased competition – entering the Polish market by foreign, specialised legal companies – unfavourable legal solutions, hindering the operation of legal and advisory services

Source: author’s own elaboration based on based on information from a board member and company materials

The business model of the enterprise was also built, describing the way in which the organisation creates value and provides and earns benefits from that value (cf. Duczkowska-Piasecka (ed.), 2012; Hejduk (ed.), 2013), using the methodology of Osterwalder and Pigneur (2012). Figure 2 presents the result of the study, which summarises the strategic analysis.

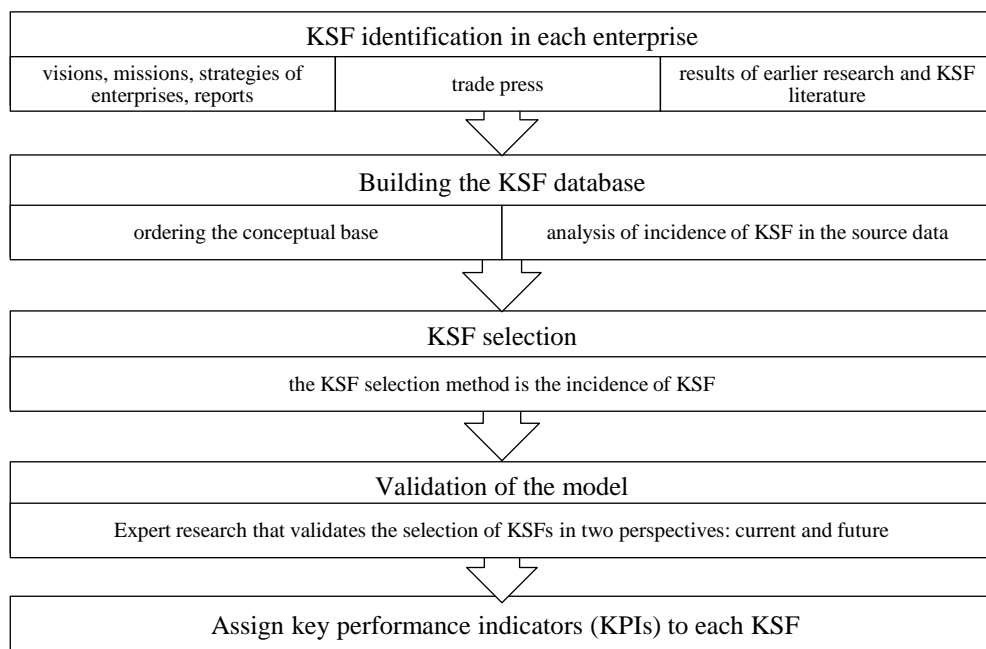
Figure 2. „XYZ and Partners” business model

Key partners Company partners, employees and co-workers	Key activities Professional legal and advisory services	Value propositions Ensuring legal security for clients	Customer relationships Very good, based on trust and co-operation	Customer segments Businesses (self-employed and companies)
	Key resources Employees with specialized knowledge and experience, organizational knowledge resulting from past cases, access to legal knowledge bases Brand of the company		Channels Standard distribution channels of legal services, the importance of commands from satisfied customers	
Cost structure Significant share of personnel costs, including salaries		Revenues streams Long-standing business services Conducted projects, including restructuring projects		

Source: author’s own elaboration based on Osterwalder and Pigneur (2012)

The business model shapes the strategy, because to be real, the strategy must be based on the abilities, resources, and current position of the enterprise, and the long-term goals have to be achievable (Duczowska-Piasecka et al., 2013). The next step was to analyse the key success factors which were identified using a method described by Niemiec (2016), presented in Figure 3.

Figure 3. Key success factor (KSF) identification procedure



Source: Niemiec (2016, p. 244)

The key success factors for the „Legal, accounting and tax consulting” sector were identified using the results of the research conducted as part of the „Key performance indicators in the company’s performance management”³ grant, and after taking into account the comments of the board member of the company, they are expressed as follows:

- revenue growth,
- providing liquidity,
- customer satisfaction,
- developing effective customer relationships (excellent service, partnership, building relationships based on trust, enthusiasm),

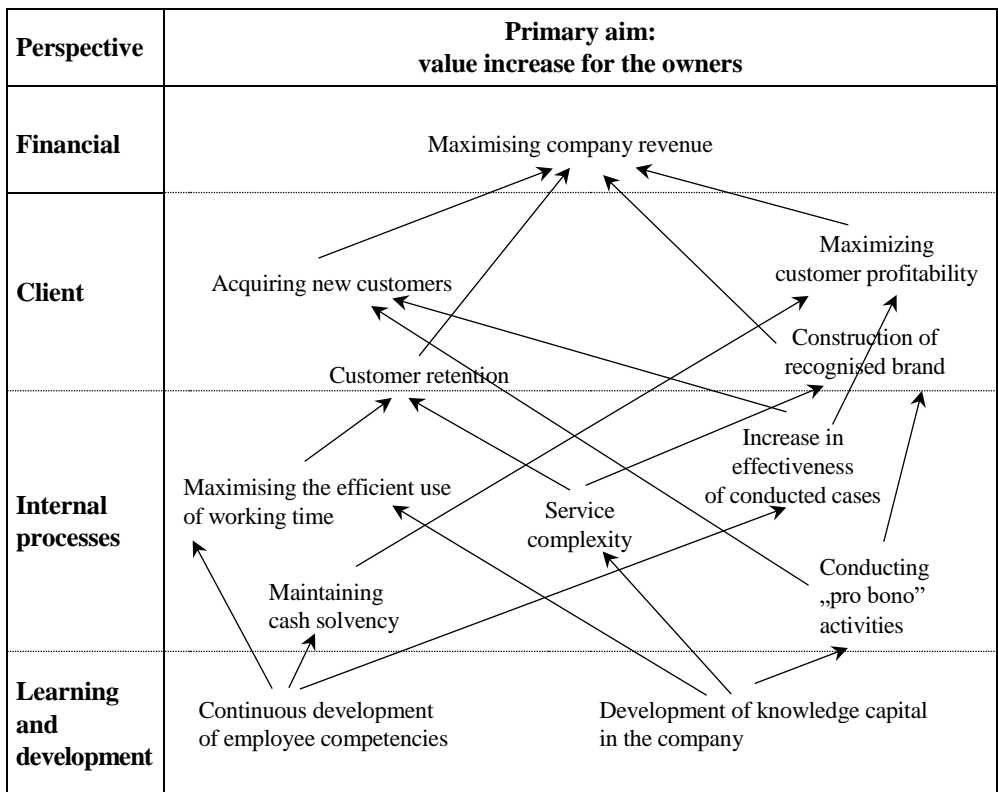
³ A grant realised by the University of Szczecin on behalf of contract no. 4366/B/H03/2011/40 with National Science Centre (see: ed. Niemiec 2016, pp. 231–329).

- providing high quality of service (high substantive level, providing services according to best practices, broad specialization),
- maintaining existing customers,
- construction of a recognized brand,
- knowledge, skills, values, and behaviours of employees and management required for a given position to implement the strategy,
- acquiring new customers (establishing direct and quick contact).

The company is a supporter of the sustainable development concept, which is reflected in „pro bono” activities.

The primary aim of the company is to increase the company’s revenue. The proposed set of aims, divided into measurement perspectives with the relationships between them marked, is shown in Figure 4.

Figure 4. „XYZ and Partners” strategy map



Source: author’s own elaboration based on Kaplan and Norton (2011)

The purpose of the second phase of the model is to create a set of measures that will allow for the current strategy to be controlled and the strategic goals to be realised. The

developed goals are described using measures which are simple, and easy to understand and use, as broadly described by Kaplan and Norton (2001). The set of measures, which results from the implemented strategy, and taking into account the results of the strategic analysis and key success factors analysis, is presented in Table 7⁴.

Table 7. Performance measures of aims to use at company „XYZ and Partners”

Aim	Measure	Description
Maximizing company revenue	$\frac{\text{sales in period } t - \text{sales in period } t_{-1}}{\text{sales in period } t}$	Revenue dynamics reflect the level of the company's development. It can also be analysed, broken down by (1) regular and new customers, (2) existing and new services.
Acquiring new customers	$\frac{\text{number of new customers}}{\text{total number of customers}}$	The company's permanent development requires the acquisition of new customers, which results in increased revenue opportunities.
Maximizing customer profitability	$\frac{\text{sales} - \text{customer cost}}{\text{sales from customer}}$	Business development requires ensuring that all customers services are profitable. This profitability can also be examined when divided into cases (projects), but what is most important is the aggregated level.
Customer retention	$\frac{\text{number of regular customers}}{\text{total number of customers}}$	Having regular customers results from their satisfaction with the level of service; it also influences the level of fixed cash inflows.
Construction of recognized brand	$\frac{\text{number of satisfied customers, which recommend the company}}{\text{total number of customers}}$	A leading measure comes from customers' satisfaction, which results in their recommendations and their loyalty.
Maximizing the efficient use of working time	$\frac{\text{real time of tasks execution} \times 100}{\text{planned time of tasks execution}}$	The number of cases and the multiplicity of tasks require proper work-time management from employees. In the legal services sector, promptness in conducting cases is particularly important, which requires highly efficient work-time usage.

⁴ The methodology is widely described in Niemiec (ed.) (2016) and Skoczylas and Niemiec (ed.) (2016)

Table 7. Performance measures of aims to use at company „XYZ and Partners” (*cont.*)

Aim	Measure	Description
Increase in effectiveness of conducted cases	$\frac{\text{number of cases completed successfully}}{\text{number of cases completed in given period of time}}$	Effectiveness in the area of the conducted cases influences the company's image and is meaningful in the context of customer satisfaction. The measure is also related to the profitability of the business and affects the sales revenue potential.
Service complexity	$\frac{\text{sales from new services for existing customers}}{\text{total sales}}$	This measure assesses the relationship between sales from new consulting services offered to existing customers to total sales. Satisfied customers are increasingly interested in expanding their use of services, and the cost is lower compared to work for new customers.
Maintaining cash solvency	$\frac{\text{cash inflows in the period}}{\text{cash expenses in the period}}$	An important measure in the context of maintaining financial liquidity, the margin of inflows over expenses can be directed to business development, which includes investing in employees.
Conducting „pro bono” activities	amount legal advice provided for free or time spent on social activities	Activities for the needy and for non-governmental sector affects the development of the local society. It also influences the company brand and the number of new clients.
Continuous development of employee competencies	$\frac{\text{training duration in hours}}{\text{number of employees}}$	A leading measure, employees and their competencies are one of the most important key success factors and key resources.
Development of knowledge capital in the company	$\frac{\text{expenditures on the access to knowledge}}{\text{sales revenues}}$	A measure resulting from taking into account the progressive technological development and high importance of knowledge capital, especially in service sectors requiring high competencies in this area.

Source: author's own elaboration

The set of measures was identified based on the earlier stages of the model, and it should be implemented in the enterprise management system in third stage. The measures are used to report to what extent established goals have been achieved and to evaluate the success of the company.

It is worth noting that the company should be aware of the need to measure their performance. Measures control, included in the fourth stage of model, should take place within the regular assessment of the achieved results, in which the level of measures and their causes are discussed. This allows changes to be made in the company's strategic documents based on the experience gained and the conclusions of the evaluation.

5. Limitations

The limitations of the research result mainly from the lack of practical implementation of the model. It is worth emphasising that every enterprise is different and operates in individual environmental conditions and therefore requires a unique approach. There is technically no possibility to unify the system in the areas of goals or measures, but on the other hand there are no sectoral restrictions of the system's implementation. The construction of a performance measurement system is unique for every enterprise due to its financial condition, life stage, business sector (production/services, traditional/hi-tech), its environment (macro and micro, including clients, suppliers, employees, and others) and other factors (such as behavioural, depending on the competencies and knowledge of the owners and managers), so the case study presented in the article provides only a specific example of the model's use in practice.

The appropriate implementation of the system requires the proper selection of the project team (with relevant expertise), as well as the conviction of all members of the organization about the benefits of performance measurement. One of the most important aspects of implementation is ensuring cost and time rationality, so that the benefits of applying the performance measurement system outweigh the cost of the proposed solutions.

The complexity of performance measurement systems for small enterprises determines the need for future research on the presented issues, particularly in the areas of practical implementation of the model and the evaluation of its effectiveness. The study should also cover the relationships between the competencies and skills of the owners, managers, and employees, and the financial performance achieved by the enterprises. It is also worth verifying the correlation between financial results and performance measurement systems over the long term, as the application of these systems could translate into delayed value creation of the enterprises.

Conclusions

In summary, the performance measurement system for small enterprises is a response to the need to support those entities in the area of tools which enable effective and efficient management. The subject of the article was to establish the assumptions regarding a performance measure system model for small enterprises. The starting point

for that proposal was an analysis of the existing models and frameworks of performance measurement systems for SMEs. This analysis was complemented by the results of a study of actual performance measurement practices in a Polish small enterprise. The methodology takes into account the continuity of the measurement and requires permanent development of the applied performance measurement systems. The assumptions of the model were verified by the practical example of a small company from the legal services sector. A strategic analysis of the enterprise was conducted (including an environmental analysis) and a business model was generated that allowed for the construction of a strategy map which covered the main goals of the company, as well as a proposal of measures set for those goals.

The model and its implementation will help to bridge the gap between theory and practice as well as to spread the model of performance measurement among small enterprises. There have been no studies in this field in Poland so far. The model's assumptions require further analysis, including a study of its impact on the efficiency and financial results of enterprises using the model.

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