



## Chapter VII

# The Organisation of Performance Measurement in an Extended Enterprise

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### Abstract

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*This chapter discusses the administrative requirements for business integration between partnering companies in the extended enterprise who operate a performance measurement (PM) system. It argues that, while on the one hand, interorganisational performance measurement is expected to become increasingly significant in the research literature, it is currently difficult to legislate and coordinate the various PM activities that must be taken into account so as to overcome the disparity in geographical location and culture of extended enterprise nodes. Furthermore, while Extended enterprise performance measurement concepts are increasingly being promulgated, the complex nature of these models has made business integration of the firms involved a difficult task: There are problems with regulating the policies and behaviour of those who participate in the system, as well as assessing their understanding of the process itself. These problems are tackled here by the development of a series of questionnaires and assessment checklists, and by their application in an empirical study in an extended enterprise of the automotive industry.*

## Introduction

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Performance measurement (PM) is undergoing a transformation in today's business environment. Analysis is currently being performed to bring PM into line with interorganisational concepts, such as the virtual enterprise (Chalmeta & Grangel, 2005), the extended enterprise (EE) (Bititci, Mendibil, Martinez, & Albores, 2005; Folan & Browne, 2005a; Folan, Higgins, & Browne, in press), and supply chain management (Basu, 2001; Beamon, 1999; Brewer & Speh, 2000; Chan & Qi, 2003; Dreyer, 2000; Gunasekaran, Patel, & Tirtiroglu, 2001; van Hoek, 1998). In these attempts, however, a crucial circumstance that is assumed to already exist is that of efficient business integration between enterprise nodes; that is, that legislative and contractual agreements have been discussed and considered, and subsequently been signed-up to by all participating partners. Nothing could be further from the truth, however: Efforts to align the concept of PM under the umbrella of interorganisational paradigms are suffering from a lack of groundwork in areas that emphasise the need for efficient PM administration and management *between* nodal partners; there is a current lack of literature analysing the requirements of business integration that allows for clear and efficient guidelines towards PM legislation and administration in the supply chain, EE, and virtual enterprise paradigms.

In the coming years, there is expected to be a significant increase in interorganisational PM, with the resulting requirement that peripheral interorganisational PM initiatives will increasingly have to be coordinated, integrated and, generally, legislated for. With the development of new concepts in the arena of PM—such as those in the interorganisational arena—comes the requirement that the associated and larger arena of *performance management* is updated to reflect these developments; management both precedes and follows measurement, and in doing so creates the context for its existence (Lebas, 1995). Internally, performance management is set at the company-wide level; externally, however, issues are more difficult: For example, legislation and coordination of PM activities must take into account the disparity in geographical location and culture of supply chain or EE nodes. There is a need for research into ways to efficiently solve this interorganisational performance management dilemma.

This chapter analyses the problem of business integration with regard to interorganisational PM, by using an EE viewpoint to develop a number of administrative assessments and questionnaires. The developed assessments and questionnaires may be seen as a complementary approach to that found in the research of Folan and Browne (2005a), who attempt to formulate an EE PM system via the use of an EE node leader, termed the *EE host*, the EE node that controls the administrative and legislative features of the interorganisational PM system for the EE partners. In the next section, the background research examines both EE and PM concepts individually and in conjunction with each other; this is followed by new proposals towards increased EE PM integration and collaboration via a set of administrative questionnaires and assessment checklists. These are subsequently tested in an empirical study of the automotive industry; and finally, the chapter is rounded off by conclusions.

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