

American University Kyiv

MANAGERIAL PRACTICES IN PERFORMANCE MONITORING AND DEVELOPMENT

APPROACHES IN UKRAINIAN SMALL AND MEDIUM ENTERPRISES

(УПРАВЛІНСЬКІ ПРАКТИКИ ОЦІНКИ ЕФЕКТИВНОСТІ ТА ШЛЯХИ РОЗВИТКУ В

ДІЯЛЬНОСТІ МАЛИХ ТА СЕРЕДНІХ ПІДПРИЄМСТВ)

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ABSTRACT

This capstone project was dedicated to managerial practices in performance monitoring and development approaches in Ukrainian small and medium enterprises. It addressed the critical intersection of performance monitoring and managerial practices in the unique context of Ukrainian organizations, relying on diverse data sources, including reputable consulting firms, and surveys conducted by the World Bank. Drawing on the Goal Setting Theory and the Balanced Scorecard Framework, the project developed a tailored performance monitoring approach for Ukrainian organizations, considering business size nuances.

The main research methods applied were literature review and surveys. To support the conclusions, the specific data set was used, collected in the course of the World Bank Enterprise Survey (ES), conducted in 2013 and 2019. It has covered Ukrainian top managers and business owners, commenting on predefined questions.

The study resulted in tailored recommendations, emphasizing the importance of a customized solution, given the distinct cultural, legal, and economic backdrop of Ukraine, underscoring the pivotal role of team-centric performance management.

For SMEs, the research highlighted the need to define essential metrics composed in a balanced way. Collaboration, open communication, and collective responsibility emerged as key themes for enhancing team synergy and fostering a positive organizational culture. Blending traditional methods with technology-driven practices and urging SMEs to consider resource constraints, cultural shifts, and the evolving nature of performance monitoring were advised as game changers.

In conclusion, the research aspired to be a catalyst for positive change in the managerial practices of Ukrainian organizations. By providing context-specific recommendations, it aimed to elevate overall performance, foster transparency and accountability, and empower Ukrainian SMEs to navigate the evolving business environment successfully.

CHAPTER 1. INTRODUCTION

At the heart of organizational effectiveness and employee development lies the core concept of performance management. In the context of any organization, performance management serves as the linchpin connecting individual contributions to overarching business objectives. This comprehensive and continuous process involves a meticulous cycle of planning, monitoring, assessment, and development, ensuring that employees align their efforts with the strategic goals of the organization. The multifaceted nature of performance management encompasses diverse activities, ranging from goal setting and planning to monitoring and tracking, feedback and communication, performance appraisal, recognition, and rewards, as well as training and development initiatives. A well-executed performance management system not only maximizes the potential of individuals and teams but also serves as a driving force for organizational success.

In the dynamic landscape of Ukrainian business, the intersection of managerial practices, performance monitoring, and employee development emerges as a critical focal point. As organizations strive for sustainable success and operational excellence, the effectiveness of performance management strategies becomes paramount. This capstone project delved into a journey to unravel the intricacies of managerial practices in performance monitoring and development approaches within the unique context of Ukrainian organizations.

Performance management, a comprehensive and continuous process, lies at the heart of organizational success by aligning individual and team efforts with overarching goals. Yet, the nuances of Ukrainian culture, legal frameworks, and local economic dynamics created a distinct backdrop, necessitating a customized approach. The gap in the available literature, as well as the business reality, underscored the need for a tailored solution, prompting an exploration into the managerial practices that proved most beneficial for Ukrainian entities.

This research aimed to identify a critical gap in understanding the trends shaping performance management in Ukraine, including business size nuances. To address this gap, the project drew on two foundational models — the Goal Setting Theory and the Balanced Scorecard

Framework. These frameworks, when applied within the Ukrainian context, were anticipated to offer strategic insights into the development of performance management practices that aligned with the country's unique business landscape.

The overarching aim of this capstone project was to develop an advanced performance monitoring approach specifically crafted for Ukrainian organizations. This approach sought to enhance organizational efficiency, transparency, and accountability. By delving into the challenges faced by Ukrainian entities and considering varying organizational sizes, the project aspired to contribute practical, context-specific recommendations that elevate overall performance. The significance of this project rested in its dedication to bridging the gap between best practices in performance management and the practices applied by Ukrainian organizations.

To achieve this, a diverse set of data sources was leveraged, ranging from research by reputable consulting companies such as McKinsey, Bain, BCG, and BIG4 companies to surveys conducted by the World Bank. Case studies, personal experiences, and existing studies also enriched the analysis, providing a holistic understanding of the Ukrainian performance management landscape along with best practices.

The proposed solutions were expected to be envisioned not merely as theoretical constructs but as pragmatic tools for Ukrainian businesses to motivate employees, strike a harmonious balance in the workplace, and achieve heightened overall success. In essence, this research was positioned at the forefront of driving positive change in the managerial practices of Ukrainian organizations, ensuring they thrived in an ever-evolving business environment.

CHAPTER 2. REVIEW OF PERFORMANCE MANAGEMENT PRACTICES

In the dynamic landscape of the global economy, Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth and fostering innovation. The view of organizations as a complex web of interacting and evolving elements raises important questions about the notions of alignment and control (Pavlov & Micheli, 2023). So, understanding the managerial practices employed in performance monitoring and development is essential for enhancing organizational effectiveness, competitiveness, and sustainable growth.

At this stage, it is worth considering the main motives and value orientations of Ukrainian employees which are deemed to be the same, regardless of the entity size. Following Machtakova (2012), self-realization and the need for social recognition, esteem, and respect play a big role in the value orientations of managers, but the driving force is still a need for monetary reward for the satisfaction of basic needs. Hence, it becomes evident that the primary driving force behind work for most Ukrainians is financial compensation.

Strong performance management rests on the simple principle that “what gets measured gets done” (Capri et al., 2017).

Effective performance monitoring is not merely a procedural necessity but a strategic imperative for any entity. It remains crucial for entities to ensure agile and responsive to market changes. A robust performance monitoring system facilitates the identification of key strengths and weaknesses within the organization, enabling timely adjustments to business strategies. Still, SMEs face barriers to lack of exposure to some performance management practices because they are often isolated and insular, while it is no surprise therefore that they need external assistance in developing performance management capability (Jones et al., 2023).

In the context of Ukrainian SMEs, various studies emphasize the significance of tailored performance metrics that align with the unique challenges and opportunities within the local business environment. Following McKinsey's research (Darino et al., 2019), done well, performance management that is customized to the agile goals and context of an organization will enable full

capture and sustainability of the benefits promised by agility. It is beneficial for both business results and staff assessment and opens up many opportunities for enterprises, such as: increasing staff productivity, improving the overall manageability of the organization, increasing motivation and loyalty among employees, the expectations of employees about the organization are revealed, the need for development and training is determined, the responsibility of employees for implementing programs of professional and personal development, etc (Hryhorieva & Hrybova, 2018).

Performance monitoring in SMEs often diverges significantly from practices in larger entities, reflecting the distinct characteristics and challenges inherent to smaller organizations. One notable difference lies in the scale and complexity of operations. Unlike larger corporations with dedicated departments for every facet of business, SMEs typically operate with leaner structures.

Consequently, the performance monitoring systems in SMEs must be agile, adaptable, and tailored to the organization's specific needs. Moreover, the decision-making processes in SMEs are often more centralized, allowing quicker responses to performance data. However, resource constraints, both in terms of financial resources and skilled personnel, can pose challenges for SMEs in implementing sophisticated performance monitoring technologies. The emphasis on interpersonal relationships and a closer-knit organizational culture in SMEs also plays a significant role, with informal feedback mechanisms and direct communication channels being more prevalent.

The true value of performance monitoring lies in its ability to directly influence business outcomes. Research by BCG (2017) suggests that the senior executive team needs to identify the metrics that really matter for guiding the business and design an operating model for translating data into more effective decision-making. By doing so, performance monitoring becomes a strategic tool for driving organizational success, rather than a mere compliance exercise. As highlighted by McKinsey's research (Chowdhury et al., 2018), the key to reaping positive business outcomes from performance management is to establish a system that employees and managers perceive as fair.

An exemplary performance management system prioritizes selective metrics and key performance indicators (KPIs) essential for aligning with a company's business strategy. The initial

step in crafting a potent performance management system involves identifying these crucial indicators, determining what to incorporate, and equally important, what to exclude. Following McKinsey's research (Darino, et al., 2019), organizations that link employee goals to business priorities, invest in managers' capabilities, and differentiate rewards for the extremes of performance are 84 percent more likely to have performance management approaches that their employees perceive and recognize as being fair.

This alignment enables managers to identify high-impact areas for development, ensuring that resources are directed towards initiatives that contribute most significantly to the organization's growth. The value proposition of performance monitoring is thus not just in measuring performance but in actively shaping and steering the trajectory of the entity in the business landscape.

A focused approach is another aspect to be considered on the way to a better business outcome. Rather than having hundreds of KPIs, and the confusion and silos they generate, striving for streamlined metrics gets people moving in the same direction (Morgenshtern et al., 2022). By aiding employees in comprehending the significance of their contributions to the company's overarching success, this approach also promotes teamwork, collaboration, and continuous learning.

Various models of performance monitoring have been proposed, each offering unique insights into the organizational dynamics. The Balanced Scorecard, introduced by Kaplan and Norton, is a widely recognized model that emphasizes the importance of a balanced approach to performance metrics, encompassing financial and non-financial indicators.

The Goal Setting Theory holds significant relevance and has been widely recognized as a guiding framework for enhancing organizational performance. Developed by Locke and Latham, this theory posits that setting clear and challenging goals can significantly improve individual and organizational performance. Goal setting provides a structured approach to performance monitoring by establishing specific, measurable, achievable, relevant, and time-bound (SMART) objectives. This theory emphasizes that well-defined goals create a roadmap for employees and organizations,

fostering motivation and commitment. Specific goals inspire a higher level of performance than easy goals with a “do your best” approach (DeBara, 2022).

In the Ukrainian SME context, aligning performance metrics with established goals, whether they pertain to sales targets, customer satisfaction, or operational efficiency, can enhance clarity and purpose in day-to-day activities.

Furthermore, the Goal Setting Theory underscores the importance of regular feedback and performance reviews in the pursuit of these objectives. Entities can leverage this aspect of the theory to facilitate ongoing communication between managers and employees, ensuring that individuals are aware of their progress and can make necessary adjustments to achieve their goals. Organizationally, culturally, and operationally KPIs cannot be seen as black boxes, they should be designed and deployed to be trusted (MIT and BCG, 2023).

Ukrainian SMEs can leverage KPIs to track progress in areas such as sales, customer satisfaction, and operational efficiency, thereby facilitating targeted decision-making. Worth considering a unique approach to performance management. Also, following the conclusions made by Yakubiv and Poliuk (2019), considering the analysis of existing management models, it is not possible for Ukrainian enterprises to apply one of them, since there are significant differences in personnel management and employee values.

Ukrainian companies face a growing need for enhanced quality in response to the rising expectations of foreign markets. However, achieving this goal necessitates a comprehensive transformation of the management system and the adoption of a fresh motivation strategy. Western management literature highlights that effective quality management entails elevating employee motivation and productivity to higher levels. And that is where performance management best practices become crucial.

Internationally, the landscape of performance monitoring is witnessing a paradigm shift, characterized by a dynamic integration of traditional and cutting-edge approaches. Many leading organizations across various industries are increasingly leveraging advanced technologies for real-

time data analytics and performance tracking. Cloud-based solutions, artificial intelligence, and machine learning algorithms are being employed to provide deeper insights into key performance indicators (KPIs) and facilitate predictive analytics. Based on McKinsey's research (Chowdhury et al., 2018), 65 percent of the companies that have launched mobile technologies to support performance management, rate this change as positive for both employee and company performance.

A notable trend in international experience is the emphasis on a more holistic and employee-centric approach to performance monitoring. Employee engagement surveys, continuous feedback mechanisms, and personalized development plans are gaining prominence. Organizations are recognizing that the success of performance monitoring is closely tied to employee satisfaction, professional growth, and overall well-being.

The move towards a more agile and adaptable performance monitoring model is evident. Agile methodologies, borrowed from software development practices, are being applied to create more responsive and iterative performance monitoring systems. This enables organizations to quickly adjust their strategies based on real-time data and changing market conditions.

The integration of sustainability and environmental, social, and governance (ESG) metrics into performance monitoring is also gaining traction globally. Organizations are aligning their performance indicators with broader societal goals, reflecting a growing awareness of corporate responsibility and the impact of businesses on communities and the environment. As highlighted by Yanine and Campos (2023), both sustainability and innovation influence the firm's business performance management and its sustenance, aligned with the four most prevalent business perspectives of successful SMEs today.

Current practices often emphasize a balanced and strategic integration of financial and non-financial metrics. For instance, the Balanced Scorecard framework, widely acclaimed globally, encourages organizations to align performance indicators with overall strategic goals, fostering a comprehensive view of organizational success. Additionally, international best practices often involve leveraging advanced technologies, such as data analytics, artificial intelligence, and machine

learning, to enable real-time performance monitoring and predictive analytics. The adoption of continuous feedback loops and agile methodologies for development, as seen in progressive organizations worldwide, allows for a more responsive approach to challenges and opportunities.

Thus, adopting cutting-edge technologies and implementing proven best practices from successful companies is a more straightforward and efficient approach. And, indeed, most businesses especially small and medium enterprises do not have the opportunity to develop their own methods and provide high efficiency through internal capacity (Goncharuk et al., 2015).

Entities possess control over a significant amount of data. By combining it with an agile approach, a company can apply a tech platform that provides detailed insights. More than just a dashboard, this type of simple platform can serve as a single operating system that enables efficient resource usage. Consequently, by exploiting a technology that integrates multiple data feeds, entities can enable granular performance management (Benjamin et al., 2020).

Moreover, performance monitoring serves as a foundation for accountability and transparency, crucial elements for entities operating in a competitive and dynamic market. In this context, the advent of digital technologies has reshaped performance monitoring practices. I.e., organizations that create new KPIs using AI are more likely to see stronger alignment, increased collaboration, more accurate forecasts, and more efficiency than organizations that do not create new KPIs using AI (MIT and BCG, 2023).

Since IT tools can automate tasks, not only to liberate time currently spent inefficiently by managers and employees in collecting performance-related information but also to redefine the objectives of feedback. After companies automate activities and add machine learning and artificial intelligence to the mix, the quality of the data improves exponentially and is being collected much more efficiently (Ewenstein et al., 2016).

In this context, technological advancements facilitate the automation of routine monitoring tasks, allowing SMEs to optimize resource allocation and focus on strategic initiatives. However, it is

crucial for Ukrainian SMEs to navigate potential challenges related to the adoption of technology, including issues of data privacy, cybersecurity, and workforce digital literacy.

Current practices in performance monitoring and development within Ukrainian entities reflect a combination of traditional methods and an increasing embrace of modern approaches. Traditional practices often involve the periodic review of financial statements, sales reports, and employee productivity metrics. However, the evolving business landscape has prompted a shift toward more dynamic and technology-driven practices. Many Ukrainian entities are incorporating cloud-based software solutions, such as enterprise resource planning (ERP) systems and performance management tools, to streamline data collection and analysis. These systems not only facilitate real-time monitoring of key performance indicators but also allow for a more holistic view of organizational performance. Additionally, some entities are adopting employee engagement surveys, 360-degree feedback mechanisms, and competency assessments as part of their development practices. These initiatives signal a growing recognition of the importance of aligning individual and organizational goals for sustained growth. Despite these advancements, challenges persist, including resource constraints, the need for digital upskilling, and the cultural shift required to fully integrate modern practices into the fabric of Ukrainian SMEs.

Overall, practices applied by SMEs in Ukraine remain undisclosed in the existing research covering performance management topics.

In designing a robust performance monitoring system for Ukrainian SMEs, several crucial considerations should be taken into account. Firstly, the selection of key performance indicators (KPIs) should align closely with the organization's strategic objectives, reflecting the unique challenges and opportunities present in the Ukrainian business environment. These indicators should cover both financial and non-financial aspects, providing a holistic view of organizational performance.

Additionally, the chosen metrics should be measurable, relevant, and timely, allowing for accurate tracking and evaluation. The integration of technology, such as data analytics tools and

performance management software, should be approached judiciously, considering the organization's technological maturity, data security, and the digital literacy of the workforce. A balance between quantitative and qualitative measures is essential, ensuring that performance monitoring not only captures numerical outcomes but also qualitative factors that contribute to organizational success. Thus, in order to be useful, the performance monitoring approach has to be accord in with the characteristics of the organization and its surroundings (Kadak & Laitinen, 2023). Moreover, fostering a culture of transparency, accountability, and continuous improvement is paramount, as these cultural elements can significantly impact the effectiveness of performance monitoring efforts. Regular reviews and adjustments to the performance monitoring system are necessary to keep it responsive to the evolving needs of the organization and the dynamic business landscape in Ukraine. By considering these factors, Ukrainian SMEs can establish a comprehensive and tailored performance monitoring framework that aligns with their unique characteristics and goals.

Considering the above, this research aims to investigate and propose a tailored and integrated performance monitoring framework for Small and Medium Enterprises (SMEs) in Ukraine. This will cover: (a) investigating current international practices in performance monitoring, with a focus on technological advancements, holistic approaches, and the integration of sustainability and environmental, social, and governance (ESG) metrics, (b) examining the role of employee-centric approaches in driving organizational success, (c) providing insights into the current performance monitoring practices in Ukrainian SMEs, combining traditional methods with modern approaches and addressing challenges related to resource constraints and cultural shifts, (d) analyzing dynamics of existing performance monitoring approaches and proposing a model tailored to the specific needs of Ukrainian SMEs, (e) proposing a comprehensive and tailored performance monitoring framework that aligns with the unique characteristics and goals of Ukrainian SMEs, considering the evolving needs of the organization and the dynamic business landscape.

Overall, this research is aimed to contribute valuable insights that empower Ukrainian SMEs to establish effective performance monitoring systems, fostering sustainable growth and competitiveness in the ever-changing global business landscape.

CHAPTER 3. METHODOLOGY APPLIED IN THE DATA RESEARCH

The research design employed a mixed-methods approach relying mainly on quantitative data. Following the main goal of the research, a comprehensive literature review was conducted to identify existing models, practices, and challenges in performance monitoring for SMEs globally and specifically in Ukraine, supported by the survey.

This research was based on the data collected in the course of the World Bank Enterprise Survey (ES), conducted in 2013 and 2019.

The ES was conducted by the World Bank Group and its partners across all geographic regions and covers small, medium (used in this research), and large firms. The size of the firm was determined by the number of employees: 5 to 19 (small), 20 to 99 (medium), and 100 or more (large). Firms with less than five employees were ineligible for the survey. Firms that are 100% state-owned were also ineligible. Partners for the ES have included the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the UK's Department for International Development (DFID).

The surveys were administered to a representative sample of firms in the non-agricultural, formal, and private economies.

Sector coverage was defined consistently across all economies and included the entire manufacturing sector and most services sectors: retail, wholesale, automotive repair, hotels and restaurants, transportation, storage, communications, construction, and IT. Public utilities, government services, health care, and financial services sectors are not included in the sample (Figure 1). The data represented stratified sampling to ensure representation from various industries, sizes, and geographical locations of Ukrainian SMEs. The ES interview took place with top managers and business owners.

Figure 1: Sectors of the economy covered by the Enterprise Surveys

Excluded	Included
SECTORS Agriculture Fishing Mining Public utilities Financial intermediation Public administration Education, health and social work	SECTORS Manufacturing (all subsectors) Construction Motor vehicles sales and repair Wholesale Retail Hotels and restaurants Storage, transportation, and communications IT
ADDITIONAL CRITERIA <ul style="list-style-type: none"> • < 5 employees • Informal firms • 100% state-owned firms 	ADDITIONAL CRITERIA <ul style="list-style-type: none"> • 5+ employees • Formal (registered) firms • Minimum of 1% private ownership

The respondents representing 1002 and 1,337 firms were interviewed in 2013 and 2019 respectively.

Information used in this survey addressed 10 specific questions (see Appendix A for details).

The answers demonstrating the “no response” or “don’t know” option were not considered in the analysis and excluded. The existing data sets, representing mainly quantitative data were utilized, where available, to analyze performance monitoring practices, outcomes, and trends for small and medium enterprises in Ukraine.

The quantitative data analysis perspective employed thematic analysis to identify patterns, themes, and key insights derived from interviews. These observations were subsequently synthesized and structured to provide comprehensive findings.

By investigating international best practices in performance monitoring through case studies and expert opinions, along with insights and findings collected from the ES data, a tailored performance monitoring model was presented specifically for Ukrainian SMEs.

The main limitations of this research acknowledged the potentially subjective nature of qualitative data, the representativeness of the sample, and the generalizability of findings to the broader population of Ukrainian SMEs.

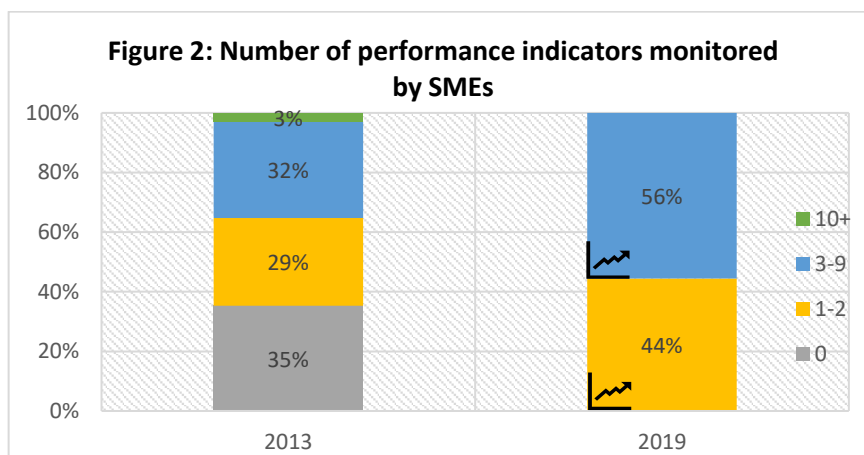
By employing this comprehensive methodology, the research aimed to provide valuable insights into developing a tailored and integrated performance monitoring framework for Ukrainian SMEs, fostering sustainable growth and competitiveness in the dynamic business environment.

CHAPTER 4. ANALYSIS OF CURRENT PERFORMANCE MANAGEMENT PRACTICES IN UKRAINIAN SMES

In the context of Ukrainian history and its current economic development stage, it is important to emphasize the unique nature of the SME (Small and Medium-sized Enterprises) segment, which proves to be particularly specific and responsive to changes. The rapid pace of development and adaptability within the current business environment serve as key characteristics that explain trends over a 4-year horizon, the current status, and the eagerness to adopt best practices in performance monitoring.

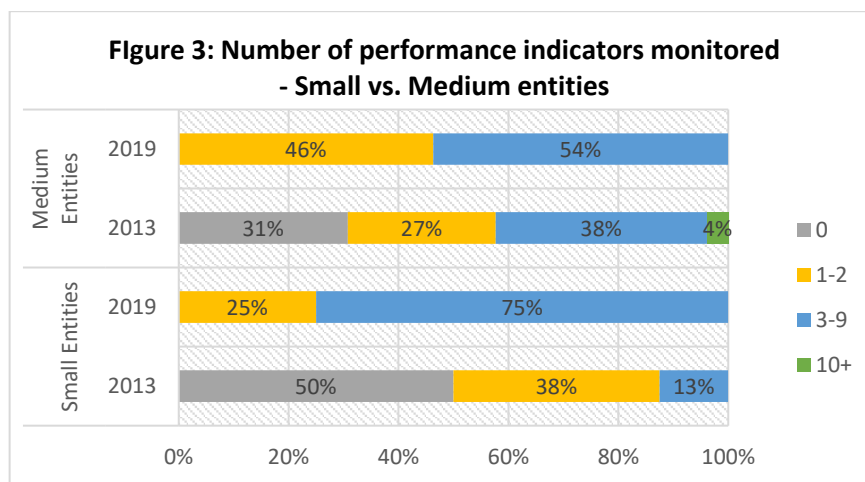
Recognizing and defining essential metrics for business is paramount to ensuring that the system doesn't generate data without a clear purpose. These metrics essentially form a "shared language" that the management team can use to navigate and guide the business effectively. Reaching a consensus on these metrics is a powerful method to ensure that managers throughout the organization focus on what genuinely matters for the business's success. However, it's noteworthy that among the respondents surveyed, 21% of entities did not monitor any specific performance indicators in 2019, with the majority of those being small entities.

The survey results, as depicted in Figure 2, reveal that Ukrainian SMEs typically monitor between 3 to 9 indicators. This indicates a range of focus within the SME landscape, highlighting the diversity in approaches to performance monitoring among businesses in Ukraine.

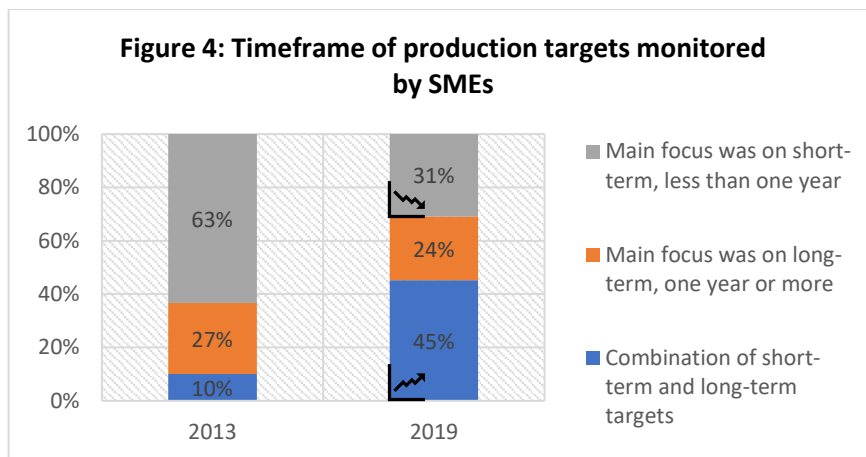


The trend highlights the significance of performance monitoring and emphasizes the need to concentrate on a manageable number of indicators. The key observation is that having a limited set of priorities distinguishes an effective and equitable performance management approach from an inadequate one. The main trend here coincides with large entities, where 58% of respondents are focused on monitoring from 3 to 9 indicators.

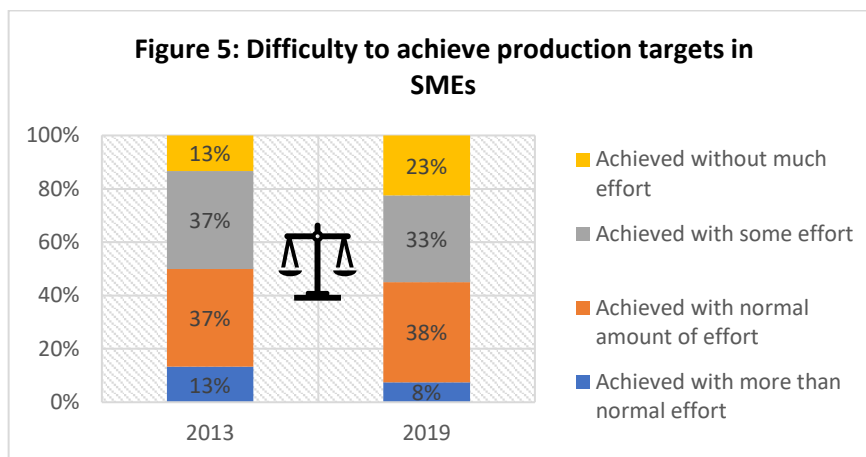
Notably, small entities have shown significant progress by meaningfully tracking their performance, as illustrated in Figure 3. On the other hand, medium-sized enterprises are perceived as more focused, specifically in identifying a set of critical indicators.



The prevalence of short-term goals among SMEs has diminished, possibly due to significant changes in Ukraine's economic landscape and the optimistic outlook of respondents in 2019 as compared to 2013. In 2019, 45% of indicators reflected a blend of both short-term and long-term goals. The trend is a bit behind the approach of large entities, where 74% are focused on both: long-term and a combination of short-/long-term targets.



The objectives established for SMEs exhibit a reasonably balanced level of ambition. Figure 5 illustrates that performance indicators lack a clearly defined inclination, though there was a slight decrease in highly ambitious targets from 2013 to 2019.

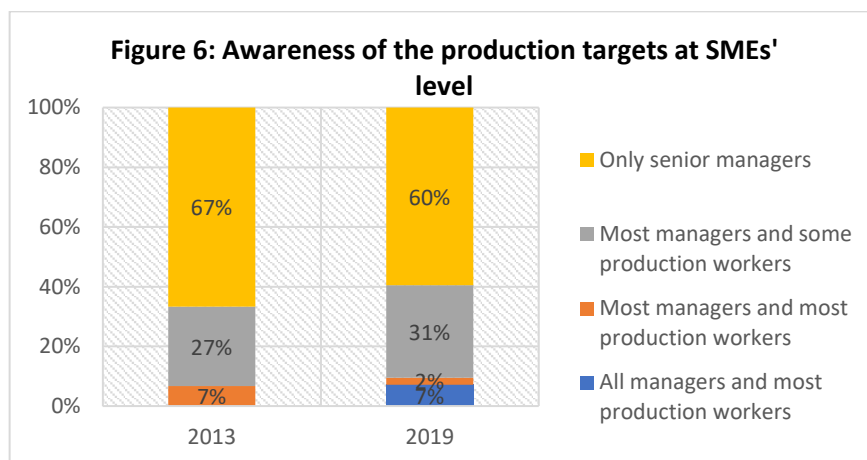


Still, the result confirms that SMEs tend to focus on more ambitious targets compared to large companies, where 47% of respondents assume targets to be achieved with some effort.

Knowing that performance targets can be too high-level and may be perceived as irrelevant by certain employees due to the limited influence they have over these targets, it is essential to recognize that every organization functions as a unique system, where all activities contribute to overall success. Therefore, employee awareness of these targets is closely tied to performance and remains an area that needs improvement in Ukrainian SMEs.

According to Figure 6, approximately 60% of respondents confirmed that production targets are exclusive to senior management. However, 7% of SMEs share production targets with all

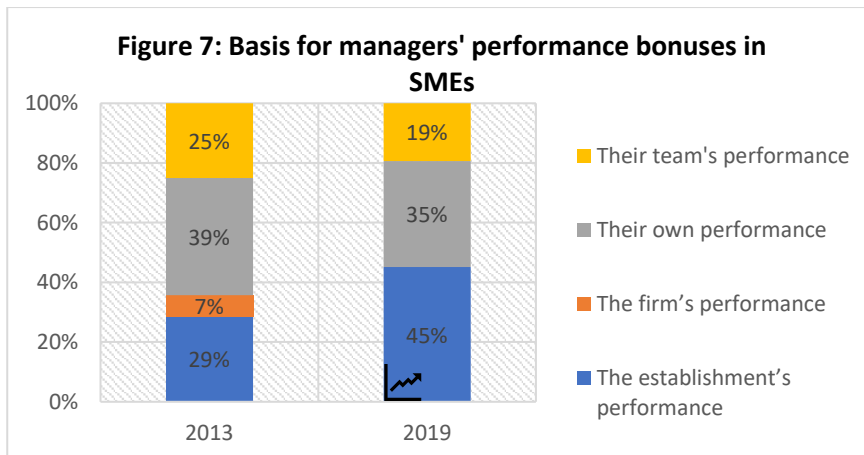
managers and production workers. This trend is more prevalent among medium-sized enterprises, which is understandable given their higher maturity level.



The picture reveals room for improvement if to compare the practice with large entities, where exclusively senior managers are aware of production targets in only 21% of cases.

When examining the connection between the overall entity and employee performance, most SMEs logically tie managers' bonuses to the success of the organization as a whole (see Figure 7). In SMEs, the team's performance tends to be undervalued, especially when compared to larger entities. In 2019, team performance played a lesser role in determining managers' performance bonuses than in 2013. Additionally, the evaluation of a manager's performance as a monitoring point decreased slightly in 2019 compared to 2013.

The overall scenario appears to be unbalanced. Globally, there is a trend towards integrating employees' objectives with business priorities and maintaining a high level of adaptability - a core aspect of the agile approach to work commonly observed in developed environments. Consequently, it seems illogical to exclusively, or predominantly, assess and manage performance at an individual level. Instead, there should be a shift towards evaluating and setting goals based on team performance, especially in the SME segment.



The results indicate a positive trend in applied practices, which is a noteworthy step forward in aligning local performance management practices with international standards, particularly within the context of Ukrainian history. It is evident that larger corporations find greater ease in this realm, benefiting from a more structured and focused approach due to their scale. On the other hand, small and medium-sized enterprises may face distractions from various factors, especially in turbulent and high-velocity environments.

CHAPTER 5. RECOMMENDATIONS FOR PERFORMANCE MANAGEMENT IN UKRAINIAN SMES

Based on the analysis provided, here are recommendations for Ukrainian SMEs in performance monitoring:

5.1 Focus on Essential Metrics

SMEs should recognize and define essential metrics that align with the organization's strategic objectives, as these might be significantly different considering the size of the entities, their maturity level, and ambitions. A "shared language" should be established within the management team to ensure a clear purpose for performance monitoring. Involving a team in the process of defining and utilizing essential metrics can positively impact performance metrics and will foster a sense of ownership and commitment, contributing to a more collaborative and productive work environment.

It is important to emphasize concentration on a manageable number of indicators. The trend of monitoring 3 to 9 indicators perfectly aligns with effective performance management.

5.2 Balanced Performance Goals

Achieving a harmonious balance in performance goals is not only essential for Ukrainian SMEs to navigate the complexities of the economic landscape but also forms the bedrock for sustained organizational success. Striking this equilibrium between short-term and long-term objectives is akin to steering a ship through changing waters requiring agility and foresight. In the pursuit of such balance, it is imperative for SMEs to cultivate a corporate culture that values adaptability and innovation.

Ukrainian SMEs should strive for a balance between short-term and long-term goals considering the economic landscape and business outlook when setting performance targets. It is crucial to aim for a reasonable balance of ambition in performance objectives.

Entities should be mindful of the need for relevance and employee buy-in and ensure that targets are not perceived as too high-level and irrelevant, recognizing that every employee's role contributes to overall success. This holistic approach to performance goals, encompassing strategic

vision, employee engagement, and adaptability, positions SMEs for sustained growth and competitive advantage in the ever-evolving business landscape.

5.3 Enhance Employee Awareness

Fostering a culture of open communication and collaboration within the organization is paramount to enhancing employee awareness of production targets, recognizing that staff at all levels play a crucial role in contributing to overall success.

By actively involving staff in discussions about production targets, companies can tap into a wealth of diverse perspectives and ideas. This not only empowers individual employees by making them feel valued and connected to the company's mission but also facilitates a collective understanding of the organization's goals. Additionally, regular updates and transparent reporting on progress toward production targets can instill a sense of accountability among employees, motivating them to align their efforts with the overall success of the company. In doing so, entities can cultivate a more informed and engaged workforce, ultimately driving improved performance and achieving production targets more efficiently.

Thus, SMEs should consider sharing production targets with a broader audience, moving away from exclusive senior management awareness. Encouraging transparency and inclusivity in goal-setting and performance monitoring might be the game changer.

5.4 Shift Toward Team Performance Evaluation

It is worth considering shifting towards evaluating and setting goals based on team performance. Although, SMEs might be limited in options considering fewer employees compared to large entities, moving away from predominantly assessing and managing performance at an individual level is a global trend. It emphasizes integrating employees' objectives with business priorities, embracing adaptability and the agile approach to work, especially in the dynamic environment of SMEs.

Moving toward team performance evaluation not only aligns individual objectives with overarching business priorities but also fosters a collaborative culture within SMEs. In this approach,

project-related goals become instrumental in gauging the collective success of a team, promoting adaptability and an agile work environment. Again, while SMEs may have a smaller workforce, the impact of a cohesive team is often more pronounced in these settings. Beyond individual achievements, evaluating the effectiveness of team dynamics can provide a more comprehensive understanding of the organization's capabilities. Furthermore, reevaluating the criteria for managers' bonuses to incorporate team performance metrics ensures that recognition and rewards mirror the collaborative nature of work in SMEs. This shift not only motivates employees to work synergistically but also reinforces the importance of collective accomplishments in achieving overall business success.

5.5 Balanced Scorecard Framework

The Balanced Scorecard Framework acts as a strategic compass for SMEs in Ukraine, steering them towards a dynamic and adaptive approach to performance management. Beyond just measuring and aligning performance with strategic goals, this framework encourages organizations to view success as a multifaceted entity, encompassing financial and non-financial dimensions. It goes beyond the conventional metrics, fostering a nuanced understanding of how various factors interconnect to propel the organization forward.

By delving into the four perspectives of the Balanced Scorecard: financial, customer, internal processes, and learning and growth, SMEs not only ensure a well-rounded approach to performance monitoring but also cultivate a culture of continuous improvement. This holistic viewpoint acknowledges that organizational success isn't a one-dimensional achievement, instead, it is the culmination of various interconnected facets, each contributing to the overall effectiveness and resilience of the business.

The identification and alignment of key performance indicators (KPIs) with strategic goals become an intellectual exercise, requiring SMEs to delve into the intricacies of their operations and market dynamics. This tailored approach ensures that the chosen indicators resonate with the organization's unique context, capturing both immediate priorities and long-term aspirations. In

doing so, the Balanced Scorecard becomes a personalized tool for SMEs, guiding them through the intricacies of their journey towards sustained success in the Ukrainian business landscape.

Thus, SMEs should identify and align key performance indicators (KPIs) with the overall strategic goals, ensuring that both short-term and long-term objectives are adequately represented.

5.6 Employee Involvement in Goal Setting

Employee involvement in goal setting is not just a procedural step but a crucial strategy for fostering a sense of ownership and commitment. Beyond merely adopting a structured approach, it's essential to recognize that each employee brings a unique perspective and skill set to the table. By encouraging diverse inputs from different departments and levels, a more comprehensive understanding of the organization's capabilities and challenges can be attained. This not only promotes inclusivity but also taps into a wealth of untapped creativity within the workforce. In this collaborative setting, employees are not just passive participants but active contributors, making goal-setting a dynamic and evolving process. This approach not only aligns with the practices of larger corporations but also tailors them to suit the specific needs and strengths of SMEs, amplifying their effectiveness.

5.7 Digitalization for Performance Management

Embracing digital tools and dashboards for enhanced performance transparency may be deemed a requirement and a strong competitive advantage nowadays. SMEs should consider implementing a digital performance management system that consolidates key metrics and insights in real time.

Developing a user-friendly performance dashboard accessible to all stakeholders will provide a visual representation of key performance indicators aligned with the Balanced Scorecard framework. An interactive dashboard allows stakeholders to drill down into specific metrics for a deeper understanding of performance dynamics. Utilizing effective data visualization techniques on the dashboard to make complex performance data easily understandable increases the value of the

exercise. Graphs, charts, and trend lines can aid in conveying information at a glance. All these measures ensure timely decision-making and responsiveness to market changes.

Digitalizing performance management through dashboards not only enhances transparency but also empowers stakeholders with real-time insights, fostering informed decision-making and contributing to the overall success of Ukrainian SMEs in an ever-evolving business environment.

Below is an example of a performance monitoring approach aligned with the Goal Setting Theory and a Balanced Scorecard framework that will be beneficial for Ukrainian SMEs.

#	Target level	Target examples	Weight	Effectiveness score
1	High-level group targets (financial)	Revenue, USD	25%	i.e. 100% - revenue is more than 1 mln USD 50% - revenue is in the range of 0.8-1 mln USD 0% - revenue is less than 0.8 mln USD
		Revenue growth, %		
		Cost efficiency (cost of sales decrease, weighted by revenue), USD		
2	High-level group targets (non-financial)	Market share growth, %	10%	...
		Customer satisfaction, %		
3	Individual targets	Depending on the scope of responsibilities	35%	...
4	Team targets	Project-related targets (should include long-term projects)	30%	...
		Specific production targets (incl. ESG aspects)		

It encompasses the above-mentioned recommendations and represents the right set and weight balance of targets. This can be the model example, easily embeddable to any digital performance monitoring software, even simple MS Excel. Linked with the source data on a real-time basis it becomes a valuable tool capable of elevating SMEs to a higher maturity level.

CHAPTER 6. CONCLUSIONS

As an increasing number of organizations acknowledge the significant influence of performance management on both individual and business performance, they intensify their efforts and concentration to ensure the effective implementation of performance management. Additionally, when implementing changes, it is crucial for them to consider the future performance management system and ensure that employees are in sync with its overarching vision.

As revealed by this research, the pivotal role of performance monitoring in Ukrainian SMEs emphasized the need for a customized approach due to their lean structures and resource constraints. A tailored solution, considering the distinctive cultural, legal, and economic backdrop, presented in this paper should allow SMEs to get the most benefit of it.

Ukrainian SMEs should consider the findings accumulated throughout the research, minding the challenges, covering resource constraints and the cultural shift required for seamless integration, and reveal a dual nature of performance monitoring, by blending traditional methods with a growing embrace of technology-driven practices.

In crafting the organizations of tomorrow, leaders should empower teams to meet the demands of achieving objectives. A performance management system centered on teams not only ensures commendation for outstanding team efforts but also unveils the optimal functioning of team-centric organizations. Collaboration emerges as a key theme in the context of team-centric performance management. Beyond recognizing individual achievements, organizations should emphasize the collaborative aspects of team dynamics. Encouraging open communication, fostering a sense of collective responsibility, and facilitating knowledge-sharing platforms can enhance the synergy within teams. This collaborative approach not only contributes to improved performance outcomes but also cultivates a positive organizational culture, where teamwork is celebrated and valued. This approach has the potential to unleash the full capabilities of team-based operations in any entity.

The proposed tailored performance monitoring framework for Ukrainian SMEs establishes a system that employees and managers will perceive as fair and encompasses a comprehensive approach. It advocates for the careful selection of KPIs aligned with strategic objectives, a balanced integration of technology, and a cultural emphasis on transparency and continuous improvement. In an era where technological advancements shape the landscape of business operations, the integration of cutting-edge tools within performance management becomes paramount. Ukrainian SMEs, in their pursuit of a tailored performance monitoring framework, should explore innovative technologies that can enhance efficiency. The incorporation of artificial intelligence, data analytics, and real-time performance tracking could revolutionize how these businesses assess and optimize their processes. Embracing a tech-savvy approach not only aligns with global trends but also positions Ukrainian SMEs as agile contenders in the competitive business arena.

The framework, rooted in the specific characteristics of Ukrainian SMEs, aims to empower organizations for sustainable growth and enhanced competitiveness in the dynamic global business landscape.

In essence, this research aspires to be a catalyst for positive change in the managerial practices of Ukrainian organizations. By providing practical, context-specific recommendations, it seeks to elevate overall performance, foster a culture of transparency and accountability, and contribute valuable insights that enable Ukrainian SMEs to navigate the evolving business environment successfully. Through these efforts, the paper aims to empower Ukrainian SMEs to establish effective performance monitoring systems that drive organizational success in the face of ever-changing challenges and opportunities.

Still, performance management success depends on the stakeholders' attitude and motivation to follow the approach as well. Thus, the positive outcome in the exploration of performance management approaches within Ukrainian SMEs relies on practical implementation, which is another aspect to consider and explore.

APPENDIX A. QUESTIONS USED IN THE SURVEY

(1) Over the last complete fiscal year, how many performance indicators were monitored at this establishment?

(2) Over the last complete fiscal year, what best describes the time frame of production targets at this establishment?

(3) Over the last complete fiscal year, how easy or difficult was it for this establishment to achieve its production targets overall?

(4) Over the last complete fiscal year, who was aware of the production targets at this establishment?

(5) Over the last complete fiscal year, what were managers' performance bonuses mostly based on?

(6) Over the last complete fiscal year, what was the primary way non-managers were promoted at this establishment?

(7) Over the last complete fiscal year, when was an underperforming non-manager reassigned or dismissed?

(8) Over the last complete fiscal year, did this establishment monitor any performance indicators?

(9) Over the last complete fiscal year, did this establishment have production targets?

(10) Over the last complete fiscal year, did this establishment have performance bonuses for managers?

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