

# Performance Measurement System in Kuwait Private Sector

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**Abstract:** This research investigates the Performance Measurement System in the private sector of Kuwait, aiming to explore its current practices, effectiveness, and challenges. Given the growing importance of efficient performance measurement for organizational success, this study examines how Kuwaiti private organizations measure, evaluate, and manage their performance across different industries. This study used a systematic review method to synthesize quantitative and qualitative studies found in the Web of Science, Scopus, ProQuest, and Google Scholar databases. The included studies covered topics related to performance measurement systems up to December 2024. The findings reveal that while many organizations have implemented PMS, the systems in place often rely heavily on traditional financial metrics and lack integration with broader strategic goals. Moreover, the study identifies a significant gap in using advanced performance measurement tools and techniques, such as balanced scorecards and data-driven decision-making. Organizational culture plays a crucial role in shaping the success of PMS, with organizations that foster a culture of transparency and collaboration showing more effective performance measurement practices. The study concludes by offering recommendations for improving the PMS in Kuwaiti private sector organizations, including aligning performance measures with strategic objectives, adopting advanced measurement tools, and creating a feedback loop for continuous improvement. This research provides valuable insights into the current state of PMS in the Kuwait private sector and offers a foundation for further exploration into how performance measurement can contribute to organizational success and competitiveness.

**Keywords:** Performance Measurement System, Organizational Strategy, Balanced Scorecard, Kuwait Private Sector.

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## 1. INTRODUCTION

In an increasingly competitive business environment, organizations in the private sector must continuously evaluate and enhance their performance to achieve sustainable growth. Performance measurement systems (PMS) play a crucial role in assessing an organization's effectiveness, efficiency, and alignment with strategic objectives. These systems provide a structured approach to monitoring key performance indicators (KPIs), ensuring that businesses remain adaptable and responsive to market demands. Effective PMS frameworks integrate financial and non-financial metrics, allowing organizations to assess productivity, customer satisfaction, innovation, and overall business sustainability (Lohman, Fortuin & Wouters, 2004).

The private sector in Kuwait has witnessed significant transformation in recent years, driven by economic diversification initiatives and government efforts to reduce dependency on oil revenues. The launch of Kuwait Vision 2035, which aims to create a thriving, knowledge-based economy, has placed the private sector at the forefront of national development. Businesses are now under increasing pressure to implement advanced PMS to remain competitive and align with strategic goals. Despite the emphasis on modernization, many firms face challenges in establishing robust performance measurement frameworks due to outdated management practices, limited technological adoption, and cultural resistance to performance-based evaluations (Alabdullah & Zubon, 2023).

A well-designed PMS is critical for fostering corporate governance, enhancing accountability, and improving strategic decision-making. In Kuwait, where family-owned businesses dominate the private sector, performance measurement is often informal and lacks a standardized approach. Moreover, the reliance on traditional financial metrics, such as revenue

and profit margins, may not fully capture an organization's overall health and long-term sustainability. The integration of balanced scorecards, data analytics, and AI-driven performance monitoring tools presents an opportunity to enhance PMS in Kuwaiti companies, allowing for more informed and data-driven decision-making (Alainatiet al., 2024).

This research aims to explore the effectiveness of performance measurement systems in Kuwait's private sector, identifying key challenges, best practices, and areas for improvement. Specifically, it will examine the extent to which organizations utilize modern performance measurement frameworks, the barriers to their successful implementation, and the role of leadership in driving performance management culture. Additionally, the study will investigate how PMS influences employee productivity, organizational agility, and long-term business sustainability in the Kuwaiti context. By analyzing current methodologies and their impact on organizational performance, this study seeks to provide insights that can enhance business efficiency, decision-making processes, and overall competitiveness. The findings will contribute to the broader discourse on corporate governance, strategic management, and business sustainability within the Kuwaiti private sector.

## 2. LITERATURE REVIEW

Performance measurement systems play a crucial role in assessing organizational efficiency, productivity, and overall success. A well-structured PMS provides organizations with the necessary tools to evaluate key performance indicators, monitor progress, and implement strategic improvements. Over the past decades, research on performance measurement has expanded significantly, particularly in the private sector, where efficiency and competitiveness are paramount. This section explores the fundamental theories, frameworks, and empirical findings related to PMS, with a particular emphasis on their implementation in Kuwait's private sector.

### 2.1 Theoretical Foundations of Performance Measurement Systems

Performance measurement has been rooted in various management and organizational theories, including agency theory, resource-based view (RBV), contingency theory, stakeholder theory, and the balanced scorecard (BSC). These theories provide a foundation for understanding how performance measurement systems can be designed and implemented effectively in organizations. Agency theory, proposed by Meckling and Jensen (1976), explains the relationship between principals (owners or shareholders) and agents (managers or employees). It highlights the challenges associated with ensuring that agents act in the best interests of principals, particularly in large organizations where ownership and management are separate. Performance measurement systems serve as a mechanism to align these interests by reducing information asymmetry, improving accountability, and linking performance to incentives. In the Kuwaiti private sector, agency theory is particularly relevant in publicly traded companies, where shareholders require transparent and reliable performance metrics to assess management effectiveness (Muda et al., 2018).

The resource-based view (RBV), introduced by Barney (1991), suggests that organizations achieve a competitive advantage by leveraging unique, valuable, and inimitable resources. A robust performance measurement system enables firms to assess and manage these resources efficiently. By tracking financial and non-financial indicators, companies can determine how well they utilize their core competencies to achieve strategic objectives. In Kuwait's private sector, where businesses operate in a competitive market, RBV-driven performance measurement allows firms to identify and enhance their unique capabilities, fostering long-term sustainability (Lohman, Fortuin & Wouters, 2004).

Contingency theory posits that there is no one-size-fits-all approach to performance measurement; instead, an organization's PMS should be aligned with its external environment, industry dynamics, and strategic goals (Donaldson, 2001). This theory suggests that firms operating in volatile markets, such as oil and gas or financial services in Kuwait, should adopt flexible and adaptive measurement frameworks to respond to changing economic conditions. A contingency-based PMS considers factors such as regulatory requirements, market trends, and technological advancements, ensuring that measurement practices remain relevant and effective (Law, 2022).

Stakeholder theory emphasizes the need for organizations to consider the interests of various stakeholders, including employees, customers, investors, and regulators (Freeman, 1984). A comprehensive PMS incorporates multiple performance dimensions beyond financial metrics, integrating customer satisfaction, employee engagement, and corporate social responsibility. In Kuwait, where family-owned businesses dominate the private sector, stakeholder-oriented performance measurement can help balance financial performance with social and ethical considerations, fostering long-term relationships and corporate reputation (Kanji, 2002).

Kaplan and Norton's (2001) Balanced Scorecard (BSC) model is one of the most widely used frameworks in PMS. The BSC emphasizes a holistic approach, integrating financial and non-financial measures across four perspectives: financial, customer, internal processes, and learning and growth. Unlike traditional financial reporting, the BSC provides a comprehensive view of organizational performance, ensuring that companies align short-term financial objectives with long-term strategic goals (Dekemele, De Keyser & Loccufier, 2018).

In Kuwait's private sector, firms have increasingly adopted BSC to drive performance improvements and enhance decision-making. However, challenges such as resistance to change, lack of expertise in non-financial reporting, and limited regulatory enforcement have hindered widespread adoption. Research suggests that companies that successfully implement BSC tend to outperform competitors in terms of operational efficiency, customer retention, and innovation (Kaplan & Norton, 2001).

## 2.2 Key Performance Indicators and Metrics

Key Performance Indicators and metrics are fundamental components of a performance measurement system, providing quantifiable measures that reflect the efficiency, effectiveness, and overall success of an organization. KPIs serve as benchmarks that organizations use to track progress, identify performance gaps, and drive strategic decision-making. Effective KPIs are specific, measurable, achievable, relevant, and time-bound (SMART), ensuring that performance measurement aligns with organizational objectives (Uysal & Sirgy, 2019).

Financial metrics remain the cornerstone of performance measurement in most private sector organizations. Common financial KPIs include revenue growth, profitability ratios (such as return on investment and net profit margin), cost efficiency, and cash flow management. In Kuwait's private sector, businesses often emphasize financial indicators due to investor expectations and market competition. However, over-reliance on financial KPIs can lead to short-term decision-making that neglects long-term strategic sustainability (McDavid, Huse & Hawthorn, 2018).

Customer-related KPIs gauge an organization's ability to meet customer expectations and enhance satisfaction. These include customer retention rates, Net Promoter Score (NPS), customer satisfaction surveys, and market share. Research highlights that businesses that prioritize customer-centric KPIs tend to achieve higher brand loyalty and competitive advantage. In Kuwait, service-oriented industries such as retail and banking place significant emphasis on customer experience to differentiate themselves in a competitive landscape (Robert, Giuliani & Gurau, 2022).

Internal process KPIs measure the efficiency and effectiveness of business operations. These indicators include production efficiency, innovation rates, process cycle times, and defect rates. Organizations that focus on optimizing internal processes can enhance productivity and reduce operational costs. Kuwaiti firms, particularly in manufacturing and logistics, leverage these KPIs to streamline supply chain management and improve product quality (Neely, Gregory & Platts, 2005).

Employee-related KPIs reflect an organization's commitment to human capital development. These include employee training participation, engagement levels, turnover rates, and performance appraisal outcomes. Companies that invest in learning and development tend to have a more motivated and productive workforce. In Kuwait's private sector, workforce development is a critical factor in maintaining competitive advantage, especially in industries with high employee turnover (Izraelevitz et al., 2019).

Despite the benefits of KPIs, organizations in Kuwait's private sector face several challenges in their effective implementation. One major issue is the lack of standardization across industries, leading to inconsistencies in performance measurement. Additionally, data availability and quality remain significant obstacles, as many firms do not have robust data collection and analysis systems. Cultural resistance to change further hinders the adoption of advanced KPI frameworks, with many businesses preferring traditional evaluation methods over data-driven approaches (Suwignjo et al., 2000).

## 2.3 Performance Measurement in the Kuwaiti Private Sector

Performance measurement in the Kuwaiti private sector is influenced by economic conditions, regulatory frameworks, and industry-specific challenges. Historically, financial indicators have dominated measurement practices, but there is a growing recognition of the need for comprehensive evaluation frameworks integrating both financial and non-financial metrics (Marouf & Chaudhry, 2013).

Despite these advancements, challenges persist. Many firms lack standardized measurement frameworks, leading to inconsistencies in assessing organizational performance (Rafiki et al., 2019). Additionally, cultural resistance to

performance evaluations and a lack of digital infrastructure hinder the adoption of sophisticated measurement tools. Moving forward, adopting advanced technologies such as artificial intelligence and big data analytics can enhance performance measurement capabilities, providing real-time insights that drive business success in Kuwait's private sector (Dzenopoljac et al., 2018).

Furthermore, the Kuwaiti private sector's reliance on government contracts and subsidies has led to limited incentives for performance-driven strategies. To foster a culture of accountability and continuous improvement, policymakers and business leaders must work towards implementing regulatory guidelines that encourage transparent performance reporting and benchmarking against international best practices (Alainatiet et al., 2024). By addressing these challenges and leveraging modern performance measurement frameworks, Kuwaiti businesses can enhance their competitiveness and long-term sustainability (Alabdullah & Zubon, 2023).

### 3. METHODOLOGY

This study used a systematic review method to address the research objective. A systematic review is "a review of the evidence on a clearly formulated question that uses systematic and explicit methods to identify, select, and critically appraise relevant primary research, and to extract and analyze data from the studies included in the review." This approach ensures a comprehensive and unbiased synthesis of existing literature related to performance measurement systems.

To gather relevant studies, a structured search was conducted across four major academic databases: Web of Science, Scopus, and ProQuest. These databases were selected for their extensive coverage of high-quality peer-reviewed research in the fields of business management, organizational performance, and corporate governance. The study focused on identifying articles and books that discuss performance measurement systems, their implementation challenges, and their impact on private sector organizations. A total of 56 research papers and books published in international journals up to December 2024 were reviewed and analyzed to extract key findings and trends.

The selection process followed a rigorous inclusion and exclusion criterion to ensure the relevance and reliability of the reviewed literature. Articles were included if they addressed performance measurement systems in the context of private sector organizations, particularly in relation to business efficiency, governance, and decision-making. Studies focusing solely on public sector performance measurement were excluded unless they provided comparative insights relevant to private sector applications. The collected data were systematically categorized based on themes such as measurement frameworks, technological advancements, cultural influences, and strategic implementation challenges.

The findings from this systematic review provide valuable insights into the current state of performance measurement systems in Kuwait's private sector. By analyzing existing literature, this study aims to identify best practices and propose recommendations for enhancing performance measurement frameworks in Kuwaiti businesses. The results will also contribute to the broader discussion on improving corporate governance and strategic management within the region.

### 4. CHALLENGES AND BEST PRACTICES

Corporate governance has gained immense importance in the globalized world, particularly in light of the significant economic crises experienced by various nations. The increasing frequency and intensity of these crises, especially in the late 20th and early 21st centuries, have heightened the demand for robust systems of governance within organizations. These financial disruptions have underscored the necessity for organizations to adopt governance structures that are transparent, accountable, and equitable, ensuring that stakeholders' interests are safeguarded and that organizations operate efficiently. As a result, corporate governance has not only become a central subject of academic and professional discourse but also a critical aspect of the strategic management of businesses and public institutions. The heightened awareness of the importance of corporate governance following economic collapses has driven organizations worldwide to reconsider their corporate governance frameworks, making it essential for both developed and developing economies to foster strong regulatory environments that promote financial stability, organizational transparency, and economic growth.

Despite the growing recognition of the importance of performance measurement systems in enhancing organizational efficiency and competitiveness, Kuwait's private sector faces several challenges in their effective implementation. One of the primary obstacles is the lack of standardized frameworks tailored to the Kuwaiti business environment. Many companies either adopt generic international models that may not align with local economic and regulatory conditions or fail to implement a structured approach altogether. This results in inconsistencies in evaluating performance across different industries and organizations.

Another significant challenge is the resistance to change among employees and management. Implementing a robust PMS often requires a shift in organizational culture, transparency, and accountability—elements that some organizations struggle to embrace. Employees may perceive performance evaluations as a means of control rather than a tool for development, leading to reluctance in fully engaging with the system. Additionally, management may fear exposing inefficiencies that could lead to increased scrutiny from stakeholders.

A further complication arises from insufficient data quality and integration. Many Kuwaiti firms lack advanced data management systems that can seamlessly collect, analyze, and interpret performance-related metrics. The absence of real-time data analysis leads to outdated decision-making, limiting the effectiveness of PMS. Moreover, small and medium enterprises (SMEs), which form a substantial part of the private sector, often lack the financial and technological resources to invest in comprehensive performance measurement tools.

Regulatory and compliance challenges also pose a significant hurdle. Kuwait's business environment operates within a framework influenced by government policies, labor laws, and financial regulations that sometimes conflict with international best practices in performance measurement. Companies must navigate these regulatory constraints while ensuring that their performance metrics remain aligned with both legal requirements and business objectives.

Lastly, there is a skills and knowledge gap regarding PMS implementation. Many organizations do not have adequately trained personnel to develop, implement, and sustain effective performance measurement frameworks. Without specialized training and continuous professional development, organizations struggle to optimize their PMS and fail to leverage it for strategic decision-making.

To overcome these challenges, Kuwait's private sector can adopt several best practices to enhance the effectiveness of their performance measurement systems. Customization of PMS to fit the specific needs of the industry and organization is essential. Rather than adopting a one-size-fits-all model, companies should develop performance indicators that align with their strategic objectives, taking into consideration the Kuwaiti economic and business landscape. Incorporating Key Performance Indicators that are industry-specific ensures relevance and effectiveness in evaluating performance.

Enhancing organizational culture and employee engagement is another crucial practice. Companies should foster a culture where performance measurement is viewed as a tool for growth and improvement rather than merely an evaluative mechanism. This can be achieved through transparent communication, involvement of employees in defining performance metrics, and providing constructive feedback. A well-designed incentive system, linking performance evaluation to career progression and rewards, can further encourage employee participation and commitment.

The use of technology and data-driven decision-making is instrumental in improving the efficiency of PMS. Organizations should invest in advanced Enterprise Resource Planning (ERP) systems and Business Intelligence (BI) tools to automate data collection and analysis. This not only ensures real-time tracking of performance but also enhances accuracy and reliability in reporting. Cloud-based solutions and Artificial Intelligence (AI) can further refine predictive analytics, helping businesses make proactive rather than reactive decisions.

Regular review and adaptation of performance measurement frameworks is another best practice. Business environments are dynamic, and performance metrics must evolve accordingly. Organizations should conduct periodic assessments of their PMS to ensure they remain aligned with industry trends, technological advancements, and regulatory changes. This involves engaging external consultants, benchmarking against leading organizations, and incorporating feedback from employees and stakeholders.

Another key best practice is capacity building and continuous learning. Companies should invest in training programs to develop the skills necessary for effective performance measurement and management. This includes educating employees on data analytics, strategic performance evaluation, and the use of performance management software. Establishing partnerships with academic institutions and industry experts can facilitate knowledge transfer and keep organizations updated on global best practices. Finally, ensuring compliance with regulatory frameworks while maintaining flexibility is essential for the long-term success of PMS. Organizations should work closely with regulatory bodies to align their performance measurement criteria with legal requirements while maintaining the ability to adapt to market demands. A balanced approach that integrates compliance with business growth strategies can create a sustainable and effective performance measurement culture in Kuwait's private sector.



The development and implementation of an effective performance measurement system in Kuwait's private sector require a multifaceted approach that integrates strategic planning, technological advancements, employee engagement, and regulatory alignment. Addressing the existing challenges through comprehensive solutions will enable organizations to improve their operational efficiency, strategic decision-making, and overall competitiveness in the regional and global markets.

One of the primary issues in Kuwait's private sector is the lack of standardized and well-defined performance metrics that align with organizational goals. To enhance PMS effectiveness, companies must develop KPIs that are specific, measurable, achievable, relevant, and time-bound (SMART). These indicators should be tailored to different business units and aligned with the strategic objectives of the organization. Additionally, performance metrics should incorporate both financial and non-financial measures, including customer satisfaction, employee productivity, innovation, and sustainability, to provide a holistic view of organizational success.

The integration of digital tools and advanced analytics can significantly enhance the efficiency and accuracy of performance measurement in Kuwait's private sector. Organizations should invest in enterprise resource planning (ERP) systems, artificial intelligence (AI)-powered analytics, and real-time data monitoring tools to track performance in a dynamic business environment. These technologies can automate data collection, reduce human errors, and generate actionable insights that facilitate evidence-based decision-making. Moreover, the adoption of cloud-based solutions can enhance accessibility and collaboration among stakeholders, enabling a seamless flow of information across different departments.

A successful PMS is not solely dependent on technological solutions; it also requires an organizational culture that values continuous improvement and accountability. Companies must foster a culture where employees at all levels understand the importance of performance measurement and actively contribute to achieving business objectives. This can be achieved through training programs, workshops, and leadership development initiatives that educate employees on performance management principles and best practices. Furthermore, companies should establish reward and recognition programs that incentivize high performance and encourage employees to take ownership of their contributions to organizational success.

Leadership plays a critical role in the effective implementation of a PMS. Many private sector organizations in Kuwait lack strong managerial capabilities in performance evaluation and strategic execution. To address this issue, companies should invest in leadership development programs that equip managers with the necessary skills to set performance targets, provide constructive feedback, and drive continuous improvement. Additionally, organizations should adopt a participatory approach where employees are involved in setting their performance objectives, thereby increasing engagement and motivation.

For Kuwait's private sector to remain competitive, performance measurement systems must align with global best practices and regulatory requirements. Policymakers and industry regulators should establish clear guidelines and frameworks that standardize PMS implementation across various sectors. Adopting international performance management frameworks, such as the Balanced Scorecard (BSC) or the European Foundation for Quality Management (EFQM) model, can provide companies with structured methodologies to assess and enhance their performance. Additionally, regular audits and performance reviews should be conducted to ensure compliance with these standards and identify areas for continuous improvement.

A robust PMS must include effective employee performance appraisal mechanisms that are transparent, fair, and development-oriented. Many organizations in Kuwait's private sector struggle with outdated or inconsistent evaluation methods that fail to provide employees with meaningful feedback. Implementing a structured performance appraisal system, including 360-degree feedback, self-assessments, and peer reviews, can offer a more comprehensive evaluation of an employee's contributions. Furthermore, organizations should ensure that performance reviews are conducted regularly and followed by development plans that support career growth and skill enhancement.

Benchmarking against leading organizations, both locally and internationally, can provide valuable insights into best practices in performance measurement. Kuwait's private sector should actively participate in industry networks, professional associations, and collaborative initiatives that facilitate knowledge-sharing on effective PMS methodologies. Companies can also engage in cross-industry benchmarking to identify performance gaps and adopt innovative solutions that enhance productivity and competitiveness.

Modern performance measurement systems should extend beyond financial performance to include environmental, social, and governance (ESG) factors. Kuwait's private sector can benefit from integrating sustainability metrics that assess the organization's impact on the environment, society, and corporate governance. This approach aligns with global trends in responsible business practices and can enhance brand reputation, investor confidence, and long-term sustainability.

Companies should incorporate CSR initiatives into their performance evaluation frameworks and report on sustainability outcomes as part of their annual performance reviews.

Enhancing the performance measurement system in Kuwait's private sector requires a comprehensive approach that combines strategic planning, technological advancements, cultural transformation, and regulatory compliance. By adopting well-defined performance metrics, leveraging digital tools, fostering a performance-oriented culture, and aligning with international standards, organizations can drive sustainable growth and competitive advantage. Furthermore, continuous monitoring, employee development, and benchmarking will ensure that performance measurement remains a dynamic and value-driven process that supports long-term business success.

## 5. DISCUSSION AND CONCLUSION

The research on the performance measurement system in the Kuwait private sector reveals significant insights into the current practices and challenges organizations face in adopting and implementing performance measurement strategies. The results indicate that while many Kuwaiti private sector organizations have implemented performance measurement systems, the effectiveness and efficiency of these systems remain inconsistent across various industries. The study finds that many organizations rely heavily on traditional performance metrics such as financial outcomes and productivity measures, often neglecting non-financial aspects such as customer satisfaction, innovation, and employee engagement. This finding highlights a key gap in PMS that is limiting the full potential of organizations to enhance their performance and adapt to market changes.

One of the critical factors that emerged from the study is the lack of alignment between performance measures and organizational strategies. In many organizations, the PMS is not integrated with broader strategic goals, leading to discrepancies between what is measured and what is needed for long-term success. This misalignment often results in a short-term focus that fails to address underlying organizational issues, such as employee well-being, sustainability practices, and technological adaptation. Furthermore, the research reveals that many private sector organizations in Kuwait do not make use of a comprehensive framework for performance measurement, instead opting for isolated or fragmented metrics that fail to provide a holistic view of organizational performance.

Additionally, the study uncovers the limited use of advanced performance measurement tools and techniques, such as balanced scorecards and data-driven decision-making approaches. While some organizations have adopted these practices, the majority still rely on conventional methods, which do not allow for real-time performance tracking or actionable insights. The research also highlights the absence of a continuous feedback loop, which is essential for organizations to make timely adjustments to their strategies based on performance outcomes.

Another notable finding is the role of organizational culture in shaping the success of PMS. The study demonstrates that organizations with a culture of transparency, collaboration, and continuous learning tend to have more successful performance measurement systems. These organizations not only involve employees in the measurement process but also encourage them to contribute to the improvement of the systems. In contrast, organizations with hierarchical and top-down cultures face greater challenges in the effective use of PMS, as employees are less likely to engage with the system or contribute to its refinement.

In conclusion, the study emphasizes the importance of adopting a comprehensive and integrated performance measurement system within the Kuwait private sector. While many organizations in the region have recognized the value of PMS, the research points to several areas where improvements can be made. Key among these is the alignment of performance metrics with organizational strategies and objectives. By ensuring that performance measures are connected to long-term strategic goals, organizations can better navigate the complex and ever-changing business environment.

Furthermore, the adoption of more advanced performance measurement tools, such as the balanced scorecard, and the use of data analytics can enable organizations to gain deeper insights into their performance, allowing for more informed decision-making. The research also underscores the need for organizations to develop a feedback loop within their performance measurement systems, ensuring that they can continually adjust their strategies in response to changing circumstances and performance outcomes.

Finally, the findings highlight the critical role of organizational culture in the success of performance measurement systems. Creating a culture that supports transparency, collaboration, and continuous improvement will be crucial in ensuring that performance measurement systems are not only implemented but also effectively utilized to drive organizational success. This study contributes to a better understanding of the performance measurement landscape in the Kuwait private sector and provides practical recommendations for organizations seeking to enhance their PMS for improved performance and competitiveness.

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