The Complex and Multifaceted World of Performance Management in NGOs: A Case Study

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ABSTRACT

Performance management systems (PMSs) assist organisations to achieve their goals and are important for their success and survival. While PMSs have been widely researched in for-profit organisations, studies focusing on the not-for-profit (NFP) sector are few and far between. It is accepted that most Non-Governmental Organisations (NGOs) pursue multiple and frequently competing objectives and that this lack of an overall measure of success creates challenges for performance measurement. However, it is less clear how PMSs are configured and used by NGOs. Ferreira and Otley [Ferreira, A., & Otley, D. (2009) The design and use of performance management systems: An extended framework for analysis. *Management Accounting Research* 20(4), 263-282] developed the PMSs framework as a research tool to provide an overview and evaluation of PMSs and suggest that this framework can be used in NFP settings, something that is yet to be tested. This study utilises the PMSs framework to investigate the configuration and use of PMSs in the setting of an NGO. Its aim is to both assess the usefulness of framework and provide an understanding of the nature of PMSs in this context.

We conducted a case study of a large international NGO based in Australia. The findings show that the case organisation had a strong alignment between its strategic planning process and PMSs. They also reveal that the PMSs of the studied NGO were sophisticated and intricate with a high level of reflection involved in its design and use. Finally, we find the PMSs framework was both helpful and insightful in providing a rich and comprehensive overview of the NGO’s PMSs, suggesting that it may be meaningfully used by future research.

**Keywords:** Performance management; non-governmental organisations; controls; performance management systems framework.
1. Introduction

NGOs and other not-for-profit (NFP) organisations represent a significant proportion of the economy in developed societies and the NFP sector as a whole is growing (Samuel et al., 2008; Smith, 2010) and has been predicted to continue to grow in terms of influence and economic significance (Ebrahim, 2003). As this process takes place, the issue of performance management has become more important due to the competition for funds and demands for greater accountability by stakeholders (Kaplan, 2001). The sector is particularly exposed to the economic cycle and to events such as the global financial crisis, which place additional pressure on achieving outcomes and on levels of accountability of NFP organisations. The shortage of resources/funding, due to the changing economic conditions, increases the need for greater efficiency and effectiveness in the use of NFP organisations’ resources and for showing accountability.

Performance management helps guide organisations towards achieving their vision, mission, and goals and therefore is a key factor for their survival and success (Chenhall, 2005; Ferreira & Otley, 2009; Otley, 1999). The literature is abundant in studies examining performance measurement and management in for-profit organisations (e.g. Collier, 2005; Hyvonen, 2007; Tuomela, 2005) and public sector organisations (e.g. Brignall & Modell, 2000; Cavalluzzo & Ittner, 2004; Kloot & Martin, 2000; Silva & Ferreira, 2010). However, there are only a handful of studies that directly deal with the issue of PMSs in a NFP setting (e.g. Henderson et al., 2002; Kaplan, 2001; Micheli & Kennerley, 2005; Sawhill & Williamson, 2001; Speckbacher, 2003). Chenhall (2005) calls for research to examine the role of integrative strategic performance measurement systems in managing NFP organisations, something that is not well understood by research compared to for-profit organisations and public sector entities.

To capture the complexity and intricacies of the PMSs a conceptual framework that expands beyond the cause-and-effect relationship between performance measures and strategy and the multi-perspective dimension of performance measurement is required. Ferreira and Otley (2009) developed the PMSs framework that extends Otley’s (1999) framework and integrates it with Simons’ (1995) levers of control to bring a broader view of the controls used in managing the performance of an organisation. Ferreira and Otley (2009) suggest that their PMSs framework is sufficiently generic for use in both for-profit and NFP organisations. However, there is no extant literature that investigates the usefulness of the PMSs framework

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1 In this paper, the meaning of not-for-profit setting is limited to private not-for-profit organisations. Public sector organisations, which are also not-for-profit, are treated as a separate setting or sector.
in describing and exploring the design of controls that exist in the operations of NFP organisations and NGOs in particular.

This paper has two main aims. First, it aims to provide evidence of performance management practices within a NFP setting by providing a rich description of characteristics and configuration of PMSs in NGOs. This will broaden our understanding of how these systems operate in these organisations and, hence, enrich the PMSs literature. Second, the paper aims to examine whether the PMSs framework proposed by Ferreira and Otley (2009) is, as suggested by the authors, useful in drawing out the features of PMSs in a NFP setting.

To pursue the aims of the study a case study of a large NGO was conducted over a five month period. Semi-structured interviews, archival documentation and direct observation were used in the data collection process.

The findings reveal that the PMSs of the case organisation were complex and multi-faceted, dispelling preconceptions that PMSs in NFP organisations would be simpler or less sophisticated than that of their for-profit counterparts. The findings also reveal that PMSs were well linked to their strategic objectives and plans and extensive interactive use of performance management information and controls. Importantly, the findings also substantiate Ferreira and Otley’s (2009) assertion that the PMSs framework is capable of drawing out the characteristics of PMSs of NFP organisations. As such, this paper contributes to the literature by enhancing our understanding of how PMSs are designed and used by NGOs and by assessing and demonstrating the usefulness of Ferreira and Otley’s (2009) PMSs framework as a research tool for use in NFP organisations.

This paper is organised as follows. The next section provides a literature review, which begins with a discussion on the nature of NGOs before progressing to performance measurement in the NFP sector and concluding with the PMSs framework. This is followed by a section on the research method and design of the study. The subsequent section focuses on the analysis of the case study, including the background of case organisation, the 12 themes in the PMSs framework, and organisational culture. This is followed by the discussion and conclusion sections.

2. Literature Review

Gray, Bebington and Collison (2006) maintain that there is no agreed definition of what an NGO is, but they suggest they are “autonomous, non-profit-making, self governing and campaigning organisations with a focus on the well-being of others” (p. 324). A more comprehensive view NGOs, based on the United Nations definition and that offers a suitable conceptual boundary to this study, has been provided by Teegen et al. (2004, p.466):
“NGOs are private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights.”

The relationship between NFP organisations and their donors in terms of providing funds, time or assets is more complex and deeper than the economic relationship between shareholders and for-profit organisations (Jegers & Lapsley, 2001). Reinforcing the complexity that performance management for NGOs entails, Gray et al. (2006, p.335) maintain:

“Matters such as trust, emotion, conscience, social contracts, mutuality etc. all enter into the relationship and to reduce such complexity to monotonic performance measures is to demean the complexity of the relationship.”

Speckbacher (2003) maintains that for-profit organisations share the characteristic of having one privileged interest group clearly defined and with homogenous interests, that is, the interests of the owners of the firm guiding the firm’s policy. NFP organisations serve a multitude of stakeholders, including donors, staff, volunteers and the beneficiaries of the services being provided, whose goals and needs may be heterogeneous (Speckbacher, 2003). Managing the needs of the different stakeholders may be more complicated in NFP organisations due to potentially conflicting interests of revenue sources (donors), aid providers (staff and volunteers), and the beneficiaries of the service. Being held accountable to the various stakeholders will no doubt have an impact on the form and structure of the PMSs that NGOs employ.

The issue of upward accountability crowding out downward accountability has been discussed by O’Dwyer and Unerman (2008). The implication of crowding out is that the PMSs may become skewed towards indicators of efficacy focused on reassuring donors. While reassuring donors is an important issue, it is only part of the overall picture; the PMSs must be balanced in the sense that the indicators and performance measures must reflect the goals set out in the strategic planning process. Roche (2009) suggests that “bottom-up” accountability can be an important mechanism that allows beneficiaries to hold related stakeholders to account. Given that the vision and mission statements of NGOs are focused on the betterment of various beneficiaries, it appears appropriate that an evaluation of the impact on beneficiaries by allowing their “voices” to be heard. The idea of having different “voices” is more meaningful in a setting where there are multiple purposes to be served, such as the case of aid and development organisations that have multiple purposes like advocacy, poverty alleviation, climate change and humanitarian relief than in the setting of single purpose organisations (e.g. the Cat Protection Society of Victoria).
2.1. Performance measurement in the NFP sector

Micheli and Kennerley (2005) review of the literature provides insights into the performance measurement frameworks and models developed, implemented and used in public and NFP sectors. The conclusion suggest the need to understand the analogies and differences between public, non-profit and private sectors, the identification of cause-and-effect relationships within the models, and the necessity to identify the stakeholders involved in the organisation. Kaplan (2001) describes the experience of adapting and applying the balanced scorecard for various NFP organisations. The mission was elevated to the top of the hierarchy of the balanced scorecard along with the customer perspective while the financial perspective was downgraded. Kaplan (2001) concludes that the modified balanced scorecard can assist in shifting an organisation’s focus from programs/initiatives to outcomes and play a role in aligning the organisation’s resources to achieving the organisational goals. While the findings reaffirm the importance of a clear vision and mission statement, there was insufficient detail in the case studies to examine the links between the mission and the PMSs in terms of setting targets, performance evaluations, rewards and information use.

While it is likely that some form of PMSs will be present in both for-profit and NFP organisations, the NFP sector presents a challenge to performance measurement due to the difficulties that are encountered in determining their benefits, costs and performance (Anthony & Young, 1999). The success of for-profit organisations is generally measured by financial performance measures which are typically a function of profitability. In contrast, for NFP organisations, success is normally understood as how much and how well their services are provided which is far more difficult and ambiguous than measuring profit. Performance measures that are commonly cited and used by external parties to gauge performance in NGOs include ratios relating to the fundraising and administration (Henderson et al., 2002; Kaplan, 2001; O'Dwyer & Unerman, 2008). These ratios are not particularly useful for management purposes because they only provide the proportion of expenditure but not the effectiveness or efficiency of the outcomes of the NFP organisations’ programs and as such not aligned with the organisation’s strategy (Sawhill & Williamson, 2001).

In Sawhill and Williamson (2001), these issues are addressed with the use of an impact-activity-capacity approach. Under this approach, impact performance measures are used to assess mission success, activity performance measures focused on achieving goals and implementing strategies, and capacity performance measures gauge the degree to which the organisation mobilized the resources necessary to fulfil its mission. Sawhill and Williamson (2001) also reiterate the importance of having a clear vision, mission and goals and note that it would be an error of judgement to imagine that a NFP organisation can develop effective
performance measures in the absence of strategic alignment. This view highlights the importance of strategically aligning the organisation’s mission with the PMSs.

Other studies have examined the nature of performance measures used by NFP organisations. For instance, Henderson, Chase and Woodson (2002) examine the use of an internally developed tool to monitor, plan and manage the programs of a NFP organisation. They find that although four categories of measures were specified — *input, output, outcome and efficiency* — the NFP organisation focused on measurable and standardised output and outcome measures. The greatest benefit from this approach was derived from the clear sense of purpose, which allowed managers to better direct the use of resources towards the organisation’s goals. The above studies suggest that performance management and strategy in NFP organisations may be examined in regards to efficiency, effectiveness, and resource issues. However, this approach would seem to falls short in terms of obtaining a comprehensive description of the PMSs.

### 2.2. Performance management systems (PMSs) framework

Ferreira and Otley’s (2009) PMSs framework was built upon the strengths of Otley’s (1999) performance framework and integrated aspects of Simon’s (1995) levers of control framework, both of which are well established and researched by extant literature. They define PMSs broadly as:

“...the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change.” (Ferreira & Otley, 2009, p. 264)

Broadbent and Laughlin (2009) adds to this view by stating that PMSs are “concerned with defining, controlling and managing both the achievement of outcomes or ends as well as the means used to achieve these results at a societal and organisational, rather than individual level” (p.283).

A key strength of PMSs framework lies in the comprehensive nature of the issues it identifies as central to the performance management process and in the systematic approach that it proposes with respect to examining the defining characteristics of PMSs. It does so by identifying 12 themes of interest, plus context and culture. The first theme of the PMSs framework begins with the vision and mission of the organisation and is intended draw out information on how the purpose of the organisation were brought forth, communicated and inculcated into part of the values shared by members of that organisation. The second theme
focuses on drawing out the views of organisational participants regarding the key success factors that are important to the success of the organisation. The third theme deals with the impact of organisational structure, which shapes the responsibilities and accountabilities of the organisational participants, on the PMSs. The fourth theme deals with the generation and communication of strategies by the organisation and it is about what actions that are (at an operational level) necessary to achieve the strategic goals of the organisation.

The fifth theme of the PMSs framework focuses on the key performance measures which reflect what has been achieved by the organisation and whether these achievements are linked with the organisation’s strategic goals. The sixth theme deals with the target setting aspect of performance management and addresses the issues between what is desirable and feasible in determining targets. The seventh theme examines the different types of evaluation activities used to assess performance at the individual, group and organisation level. The type of evaluation whether formal, informal, subjective and objective is likely to influence the behaviour of individuals and groups within the organisation. The eighth theme focuses on the rewards given and penalties imposed as a result of achieving or not achieving performance targets or other assessed aspects of performance. It can be seen as a positive and negative control activity in guiding staff into desired and out of undesired behaviours.

The ninth theme of the PMSs framework deals with information flows, systems and networks within the organisation that facilitate different parts of the organisation to communicate, learn and interact with each other. The tenth theme focuses on the use of control information within the organisation. The eleventh theme deals with changes to the performance management systems as a response to changes in the organisation or environment and the focus is on the causes and outcomes of changes rather than the process of change. The twelfth theme of the PMSs framework deals with the strength and coherence of linkages within the performance management systems; whether there is any evidence of the separate components working well or not working well together.

The PMSs framework has been identified as an emerging theme in management control and as one of the control models that is relevant to performance measurement and management (Berry et al., 2009). The predecessor of the PMSs framework (i.e. Ferreira & Otley, 2005) featured in a number of research studies, including Collier (2005) which uses it to study of a multinational for-profit organisation. Ferreira and Otley (2009) assert that PMSs

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2 This observation was made for the draft version of Ferreira and Otley’s (2009) PMSs framework. The PMSs framework is the published version of the framework in that feature in Ferreira and Otley’s (2005) working paper.
framework would be sufficiently generic to be used in the context of both for-profit and NFP organisations, but it has not been used in a NFP context.

3. Research Method and Design

The case study research method was utilised to investigate the issues in this research study. This is because, as noted by Yin (2009), this method is appropriate when the research involve answering ‘how’ and ‘why’ questions. It is also adequate when an in-depth understanding of issues is being sought. A similar approach has been widely followed by previous researchers to study performance management and related issues (e.g. Collier, 2005; Kaplan, 2001; Lillis, 1999; Sawhill & Williamson, 2001).

A non-governmental aid and development organisation was selected for the study. The case organisation was selected because it was a large NGO where performance management issues were likely to be significant. Access was negotiated primarily by the one of the researchers, who met a member of executive director team as part of a prior study. A total of 17 interviews were conducted between June and September 2010. Interviewees included staff from the Board of Directors, the senior management team, the management team, and several other positions from the case organisation. They were drawn from the various functional areas within the organisation, including field offices. The interviewees were identified with the assistance of the key contact in the case organisation and comprised of individuals with involvement in the design and/or use of PMSs.

The case study evidence was collected through semi-structured interviews that, on average, were about one hour in duration. The interviews, which comprised face-to-face interviews and a small number of telephone interviews, allowed the researchers the flexibility to discuss other interesting issues that surfaced. The interviews were audio-taped with one exception, where the interviewee declined the request. In that instance, the researchers took extensive personal notes during the interview and convened immediately after to debrief and to audio-record their observations and reflections.

Using the questions outlined in the 12 themes of the PMSs framework, 22 interview questions were developed and adapted to the context of the case organisation (see Appendix). The questions were constructed so to remain neutral to the extent possible. This was achieved by ensuring that the 22 interview questions were reviewed by both researchers and the questions were also examined by two key informants in the case organisation to ensure their relevance. While not all questions were always asked to all 17 participants, the 22 questions were used to amass the evidence that enabled to form a rich understanding and provide a critical evaluation of the PMSs of the case organisation. The semi-structured nature of the
questions allowed the researchers the flexibility to discuss other issues of interest that surfaced during the interviewing process. All interviewees were issued a consent form and an explanatory statement that outlined the rationale and scope of the study.

Both researchers were present during the interviews, which were fully transcribed. Interview transcripts were first analysed by one of the researchers and subsequently reviewed by the second researcher. The issues brought up in the interviews were classified according to the 12 themes of the PMSs framework and various areas of interest were identified within each theme. As noted earlier, Ferreira and Otley’s (2009) PMSs framework served as a tool to examine in a coherent manner the key areas of the organisation’s PMSs.

The validity and reliability of the case study was enhanced in various ways (Yin, 2009). The evidence collected from the interviews was supplemented by access to internal documents of the organisation such as strategic plan documents, organisational charts, induction materials, and annual reports. The findings of the research were reviewed by two key informants in the case organisation through a written report and the discussion in meetings held at the premises of the case organisation. The key findings were also presented to a wider audience at the annual AGM. The case study was designed and established to ensure the reliability of the study (Brownell, 1995; Lillis, 1999).

4. Case Study: One World Australia

4.1. Contextual background

One World Australia, the case organisation, is a non-governmental aid and development organisation dedicated to eradicating poverty and injustice in the world. It supports long term development, advocacy and emergency programs in a number of countries including Australia. One World Australia is an affiliate of an international confederation (“One World International”) and works closely with the Australian Council for International Development (ACFID) and the Refugee Council of Australia. It operates through its partner organisations and its field offices in the regions of South Asia, East Asia, the Pacific, Indigenous Australia, and Southern Africa, covering 28 countries. One World is also a registered as a Fair Trade Organisation and has a number of fair trade retail outlets. In 2009, One World had approximately 800 staff of which about 280 were in Australia, 350 in field offices and 170 staff in the trading arm.

One World’s funding income for 2009 was approximately $80 million with 64% coming from the Australian public, 21% from AusAID (the Australian Government’s official overseas

3 Henceforth, One World will be used as short for One World Australia.
aid program)\(^4\), 10% from other grant income, and 5% from other income sources. In 2009, 73% of One World’s expenditure went into the long term development, emergency response and advocacy programs through its field offices, partner organisations and One World affiliates. One of One World’s key strength lies in its involvement with the Australian community. It has tens of thousands of donors and supporters who participate in fundraising, campaigning and awareness-raising activities, doing this as individuals or through networks, organisation groups, committees, or office volunteers.

In recent years, a number of events have helped shaped the growth and path of One World. Events such as the 2004 Indian Ocean tsunami fuelled the growth of the organisation, whereas the global financial crisis has put significant pressure on donations and resulted in a closer watch on the financial aspects of the organisation by the senior management team and board of directors. One World also recognised that its work globally is part of a larger cumulative effort by a number of different organisations and this recognition led to closer integration and co-ordination with the One World International confederation. All these events occurred amidst calls for greater accountability by non-governmental organisations (Gray, et al., 2006).

4.2. Analysis of research material

The following analysis collates the observations from interviews conducted based on the 12 themes plus culture outlined by Ferreira and Otley’s (2009) PMSs framework.

Vision and Mission

It was evident from the interviews that the management has similar views regarding One World’s vision which is about achieving a just world without poverty. This can be seen from the similar words or phases of words used by interviewees, such as “a just world without poverty”, “end poverty”, “stop poverty”, “a world without poverty and injustice” and “a change towards a more just world, towards a more equal world, toward a much better structural equality”.

The responses demonstrated an extensive level of communication and understanding of the One World’s vision by the interviewees. Evidence of the level of commitment to the communication of the organisation’s vision could be seen through the strong emphasis placed on these issues in the staff induction, but also through strategic plan breakfast presentation events, the production of strategic plan booklets, a video, and newsletters which highlighted initiatives that were in keeping with the strategic goals. This evidence suggests that One

\(^4\) One World has made the strategic decision of capping the amount of government funding to ensure its independence.
World has succeeded in focusing staff on what is important by ensuring a shared understanding of the overarching purpose of the organisation.

**Key Success Factors**

The responses from the interviewees regarding the key success factors revealed broad and ranging views on what such factors were for One World. Key success factors included “better and more effective at collaborating internationally” with international affiliates, government, local community partners and beneficiaries, One World’s role “being more fit for the future of aid and development”, the importance of people because “without good staff and good people, we can’t do anything”. It also included the “accountability to beneficiaries”, “part of making a difference in people’s lives at a grassroots level and not just at a campaign level or the global campaign level”, change in lobby focus as One World is “very much structured to lobbying, campaigning and pressurising western governments” and “much more focused on supporting social movements and networks elsewhere rather than setting up a fairly hierarchical, layers” in One World.

While the above factors did not seem to contradict the overarching goals of One World, the key success factors appeared to be more diverse than expected. The organisation embraced a process of identification of key success factors in a recent past, but it did not synthesise those factors down into a short and concise list. It is likely that this decision is related to the broad nature of its vision, mission, and objectives. Possibly the strongest indicator of a link between the vision and the key success factors came from a director who stated:

“The trick is to get the balance between the two (imperatives) right. One is the institutional imperative which is keeping the organisation afloat; operating effectively and efficiently which relates to income and alike. The second is development imperatives which is why the organisation exists. The challenge is to get those two (imperatives) right.”

One World has developed what it called the “Quality and Performance Framework” to help it focusing on the key success factors for the organisation, but this framework had very limited recognition in the organisation.5

**Organisation Structure**

According to One World’s organisation chart as at July 2010, the senior management team comprised of the Chief Executive Director, who reports to the Board of Directors, and was assisted by six directors who have responsibility over various sections (see Figure 1). Each

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5 We will come to this framework at a later stage.
director may have as many as nine reporting managers who, in turn, may be working alone or have a number of staff working under their responsibility (e.g., customer service teams, country field offices).

Insert Figure 1 about here

Our observations regarding organisation structure reveal that One World is in a state of change. Having been fairly decentralised at its inception, One World has steadily become more centralised over time due to several factors. These include the growth of the organisation, the need to implement minimum standards for accountability purposes, the need for coherence of programs run internationally, and the introduction of risk management, particularly in terms of branding.

There appears to be a tension between centralisation and decentralisation within the organisation, as the head office enforced certain control mechanisms and processes and took decisions away from the field offices. While most agreed that imposing minimum standards for the organisation was desirable, this may not be appropriate to the context of the field operations. As one manager indicated:

“They have gone full force on minimum standards and accountability requirements, quite a lot of the decision making power being taken upwards. For example, on salary determination and on a centralising financial accounting system which does not cater to the type of programming we do on the ground”.

However, there is an ongoing initiative, led by One World International, to decentralise the organisation under the “Single Management Structure” (SMS):

“...we are now in the process of defining much clearer delegation within, precisely because of this cohesive agency agenda of wanting to decentralised, reviewing delegations in a much clearer sense. I think you will find that people would say that the organisation is quite hierarchical in its delegation processes currently and that is why they are being reviewed.”

Improvements in terms of the responsiveness from field offices are likely to eventuate when the Single Management Structure is fully implemented and the delegation framework set in place. This process is expected to create new challenges, particularly in the transition phase, with regards to internal coordination.

Strategies and Plans

One World’s strategic plan (2007-2013) builds upon One World International’s strategic plan and was informed by One World’s performance during the previous strategic planning period, by significant trends that influence poverty and injustice globally, and by key
developments in the aid and development sector. In developing the strategic plan, One World consulted its members, supporters, volunteers, board of directors, and staff. It also sought commentary from aid and development experts. The relevant stakeholders of the organisation were informed about One World’s strategies and plans.

The product of the strategic plan is the overarching ‘external’ and ‘internal’ goals that would further the progress towards achieving One World’s vision. The overarching external goals adopted by One World are aligned with those of One World International, while the overarching internal goals are based on what One World requires to help it achieve the overarching external goals (i.e. the internal goals were seen as enablers). The external goals describe four interconnected areas of change that provide a focus for One World’s activities and the weighting of each area of change may vary over time and over the five priority geographic regions identified by One World. A director emphasised that the aim of the strategic plan is “to act as a broad signpost...of where the organisation is going”.

All six functional areas of One World contributed to the goals in the strategic plan by setting relevant objectives and operational plans. One manager indicated that “they [the strategic plans] are very wide in scope so you can drive lorries through them”, meaning the strategic plan allowed for broad interpretations in respect to the achievement of goals and for the flexibility to adapt to changing circumstances. These were borne out by observations that the overarching goals were broken down into a number of dot points and sections by staff teams. This meant that each staff team throughout the organisation had to think and determine their contribution to the strategic plan. As a manager elaborated:

“...I think every section and every team or unit within that section then has their own processes for adapting what is their niche in this strategic plan and what does it mean for our work.”

Interviewees were able to identify the overarching external and internal goals that were closely related to their work area, such as those related to collaboration, responsiveness, accountability, learning, values, economic justice, gender justice, and rights in crisis. Their answers generally reflected a point of view from the functional area in which the interviewee worked in and demonstrated that they saw a connection between their work and the strategic plan.

Managers were able to elaborate upon specific projects and initiatives to illustrate their links to various overarching external goals set in the strategic plan. For example, a manager elaborated in respect to the external goal of realising the rights to healthcare and education, the One World was working with partner organisations in “ensuring that children orphaned as a result of the death of their parents by HIV and Aids actually have legal identification
documents so that they may access essential services”. This link, in part, was due to the requirement that each project be tied back to the strategic goals of the organisation. This was evident in an interview with a manager discussing the process of tagging projects with the strategic goals when the organisation was transitioning from the old to current strategic plan and from the old systems to an enterprise resource planning system.

The fact that interviewees could see the connection between the program and the goals of the organisation is evidence that the link between vision and strategy was strong. A manager in the operations area dealing with the beneficiaries directly said that:

“...we operate in a programmatic approach (...) everything that we do within it must relate to the strategies of those programs and those programs must relate to One World’s broader strategies.”

On the whole, One World’s strategies appeared to be well communicated to staff and strongly linked to the vision and overarching objectives of the organisation. Strategic plans were developed with wide involvement and consultation resulting in a clearly laid out document that was very much a living document.

Key performance measures

According to Chenhall (2005) the link between the key performance measures and strategic goals is one of the features of an integrative strategic performance measurement system. However, the link between key performance measures and strategy can be challenging. For instance, in One World whose vision is a just world without poverty, how would poverty alleviation be defined and from whose perspective? While the interviewees were not specifically asked for the definition of poverty, their responses to the interview questions demonstrated that they understood that poverty had many perspectives and meant different things to different people such as donors, staff, and even to the beneficiaries in different countries and regions. As a director explained “...poverty is defined as a multi-dimensional notion and not just about income”. It is this complexity that makes the measurement of poverty alleviation challenging.

Various directors of One World acknowledged that financial measures, such as expenditure and fundraising levels, were easy to determine and that these straightforward quantitative measures were important because they enabled One World to carry out its programs. One director commented regarding expenditure: “the things that are measured most and people pay most attention to are numbers and budgets”. On fundraising, one director commented: “that is an easy measure, against budgets, against previous years, the rate of return on particular types of investments put in particular fundraising activities”.
There are other key quantitative measures that interviewees at One World alluded to, such as the number of people that water has been provided to, and improvements in livelihood. However, interviewees recognised that it is not possible to come up with a simple measure of success in certain areas, such as poverty, gender justice, and rights. As one director mentioned during a discussion about a microcredit project:

“...talking to some women in a very poor village (...) and women there said, yes, we made some income but it has allowed me to negotiate things better with my husband and change the household dynamics and, by the way, my husband is not drinking so much liquor and I am not been beaten up so frequently. You can’t actually encapsulate it in a good quantitative measure, you got to have different means of capturing that (...)Not everything that counts can be measured and not everything that can be measured counts...”

To further emphasise the point that quantitative measures of impact, while informative in some aspects, may not be useful in capturing the actual change and impact that programs might have, another director explained:

“...we can say, we have taught X number of farmers to cultivate their fields differently and we can see improvements in their livelihood but then we got questions about whether that fundamentally changes their lives (...). Is their status improved within the community? Are we seeing longer term improvements in other areas of their lives? Are their children going to school? Do they have a stronger voice in their community? (...) We certainly try to avoid a very narrow band of measures or indicators because we think that is not capturing what we are trying to do.”

One World has been grappling with the best way of assessing progress towards objectives and finding a balance between different types of performance ‘measurement’, as a director elaborated:

“We want an intelligent mix of three things. One is objective measures for those things that we can meaningfully measure, [the second one is] peer reviews, discussion and debate for those things where we need to have a negotiated assessment of what success is and what success looks like. (....) The third is an input from stakeholders on their view or opinion (....) that provides feedback on how they think we are doing irrespective of our measures.”

To add to the richness of understanding their progress towards their goals, One World implemented an annual reflection process that reports the stories of people and how program initiatives have changed their lives. It is a form of feedback that includes the ‘voices’ of the beneficiaries into the assessment and brings in the accountability of One World through the beneficiaries that were assisted. The annual reflection process brings together different people in order to reflect on what is working well or not and how things can change.

In capturing the subjective and qualitative aspects of the impact of their programs through narratives, One World evaluates the performance of their strategies and programs. However, a
performance evaluation of what has been achieved is not exactly a measure of progress. The question for One World is to identify the bundle of measures that could be used to ascertain their progress towards objectives.

**Target setting**

In terms of the financial aspect pertaining to organisational fundraising, budget income, and expenditure, targets are set by the management team of One World. A field office manager indicated:

“...we do set in place financial targets which is very much driven by what are our partnerships going to be this year, what their requirements are, and what is our capacity to be able to add value...”

In terms of individual performance targets, most staff set standards and objectives with their respective manager/supervisor. A manager explained:

“It is mostly a participatory process between the manager and the staff person. I say that they [i.e. targets] are reasonable fair...”

While the process was participatory, generally the nature of the targets were not “hard” but instead “soft” expectations, with perhaps the exception of the marketing/fundraising sections. This, however, was not totally surprising given the general lack of quantitative key performance measures in One World. Having specific targets, as opposed to vague exhortations such as “just try do your best”, enables a clearer focus of what effort to engage in the pursuit of goals and objectives. An implication of having of not having specific ‘hard’ targets is that some potential performance is likely to be lost, as research has shown that moderately difficult targets have an impact of improving the performance of the group (Fisher et al., 2003).

**Performance evaluation**

In terms of individual performance evaluations, One World has typical mid-year and end of year performance appraisal meetings with a mandatory third party feedback for Australia-based staff and expats in the field. A manager noted:

“...my performance evaluation has been done fairly systematically. It is done on an annual basis and I am held accountable to whatever outcomes and outputs.

The local staff in field offices are not subject to the third party feedback due to the consideration of potential cross country cultural conflicts. There are indications that the human resources, in the head office, has been working to help build up the field office human resources function in the individual field offices.
In terms of interactions between the supervisors and supervisees, it appears that reporting supervisors keep close contact with their supervisees and there is a great deal of discussion, feedback and support. This openness and cooperation is well ingrained into the organisational culture and may be one of the success factors of One World. As one manager maintained:

“The person that I report to directly is (...) and we have a very good communication strategy relationship. We are able to talk in a very forthright way about issues that impact on our work both here and outside of here and there is respect for each other’s opinion. We have regular teleconferences and probably almost daily emails around processes that are current and I am very able to say ‘no, I don’t think this makes sense’.”

There were views that the performance appraisal system was not performing as well as it could. A manager pointed out that the performance management system was not achieving its aim of “managing people” and had concerns regarding its effectiveness:

“...the [field office] managers’ understanding of performance management was, as a system, to actually implement [i.e. take action] when something goes wrong, rather than a system that is implemented all the time in order to monitor performance and to improve performance...The annual performance reviews (...) on paper look beautiful because you can ask or nominate a number of people to provide 3rd party input, including people from outside of the One World’s system, (...) but it doesn’t come down to much, you know.”

In terms of keeping tracking of progress of various groups of individuals at the team level, such as field offices, the process in place appeared to be fairly robust. A manager from a field office indicated:

“We incorporate mid-term evaluations and phase-in evaluation in the strategies for each of the programs. Those will be external evaluations done by people with expertise outside of One World; increasingly we hope to move towards peer reviews and in turn, incorporate those too...”

It worth noting that One World not only operates as a program provider but also, in certain countries, works with partners (providing funding and assistance to set up community based organisations) to provide services in line with its strategic goals. These partnerships are subject of regular monitoring and evaluation:

“We have monitoring systems where we have at least twice yearly visits from our program offices at One World to the partners to check on progress, both financial and programmatic progress.”

In terms of the organisational performance evaluation, one of the key mechanisms used to assess One World’s progress is the annual reflection process. This process is more focused on the overarching external goals. As a manager detailed:

“...we have a yearly reporting and reflection system which is relatively robust now. It is in its third year of operation in its current form (...) The writing of case studies about our work and then reflections on those case studies by groups of
individuals (...) results in an annual program report to the board and so from reading that report, I would be able to say this is how we have done against our overarching external goals. I think on the overarching internal goals, it is a less robust system and largely contained within the management team.”

While the annual reflection evaluation was regarded as useful, there are complexities in respect of aggregating the impact of various field offices due to the country and context differences. Another manager explained:

“...mainstream thinking in the agency (...) seems to take up a view that you could aggregate different kinds of impacts and changes, and demonstrate that in a particular goal you are achieving a cumulative [progress]. This may be useful for a simple accountability mechanism, but change does not happen that way in the world and change in different countries cannot be [aggregated]. There are some transnational changes but quite a lot of the changes are country and context specific, and they cannot be aggregated.”

A more comprehensive picture of the organisation’s performance could be seen using the Quality and Performance (QPF) Framework developed by One World in 2008. This framework drew upon the European Foundation for Quality Management (EFQM) model, which was originally developed in 1998 and described as “a non-prescriptive assessment framework that can be used to gain a holistic overview of any organisation regardless of size, sector or maturity” (European Foundation for Quality Management, 2010, p.1). Various interviewees indicated that the QPF was a good conceptual tool and that it is comprehensive, as “it brings together quite eloquently all of the things that One World needs to worry about”, and innovative, as it identifies a number of things which “often don’t get picked up in a lot of conventional frameworks but are critical for the organisation being effective”. However, the framework was not widely understood or communicated in the organisation, and, not surprisingly, it was difficult for staff to see how it applied on a daily basis. One manager indicated:

“It makes a fair bit of sense but then you have to operationalise it in a way that it helps everyone to report against it, or for everyone to be able to engage with it and decisions to be taken based on them.”

Due to other competing priorities, such as the SMS initiative and the global financial crisis among other factors, the implementation of the QPF was put on hold.

**Reward systems**

Interviewees acknowledged that One World has neither explicit financial rewards for achieving performance expectations and nor penalties for failing to meet expectations. One manager remarked:
“We don’t get any financial rewards for achieving targets. We do have [a salary] increment within our bands (...) they are more of a yearly increment for achieving things such as going for compulsory training, but it is not really about performance (...) Sanctions, I don’t think there are any.”

It has been acknowledged that reward systems are one method of aligning an individual’s goals with that of an organisation (Hopwood, 1972). The fact that there is no reward or penalty brings into question what is actually signalled through an individual performance appraisal and whether that contributes to achieving One World’s goals. With the absence of this “control” mechanism, it is possible that other control mechanisms such as the frequent close interaction with supervisors, as indicated above for performance evaluations, may be sufficient to address the lack of rewards and penalties. In the NFP context, such as One World’s, it is important to note that the intrinsic motivation of organisational participants can be quite powerful in guiding an individual’s actions, however, this motivation may not universally shared by some staff in the field offices of improvised countries. A manager working in a field office outside Australia commented on the performance appraisal and reward process:

“In the context in which I work in, where performance management [i.e. appraisal] (...) normally is related to rewards (...) there is no link between that and reward in One World at all. What I often get from staff (...) is ‘why are we doing this because it won’t impact on my salary or my promotion?’ And when I raised that [disconnect] once with a colleague back in Australia, he said to me, ‘but isn’t the reward just working for One World, that feeling you get?’”

The situation reflected in One World resonate with Etzioni’s (1961) normative power or control which focus on “symbolic rewards” and “esteem and prestige symbols” and explains the absence of a reward control mechanism; in contrast to Etzioni’s coercive (based on force) and utilitarian (based on remuneration) power or control.

**Information flows, systems and networks**

All interviewees acknowledged that there is a great deal of information available to them in One World’s intranet. However, they also indicated that there were some issues in respect of accessing information, particularly, in terms of where to look for relevant information. While there is a search engine help desk facility, the display/usability element could be enhanced. A manager made a comment regarding the access of information:

“It is constrained by not knowing where to find it rather than not being there. If I really wanted to dig for it, then I probably could. It is not that it is being held from me or there is any sort of confidentiality. It is more that it is a bit difficult to find.”
One World recently completed the implementation of an Enterprise Resource Planning (ERP) system which is likely to improve the provision of information in the longer term. However, there is additional work in terms of customising reports and issuing licenses to access information, as one manager explained:

“Usually, it only provides [local field office] information; we can’t access information from the central financial systems/database because there is no access, user access, or passwords for the [local field] offices”.

Another manager relied on the informal relationships to obtain information when necessary:

“I have access to almost any information that I would need through the relationships I have developed [over the years]. Those relationships have allowed me access; I have access One World International information through various networks... we have the One World intranet which we have access to, but the lines are slow in those things (...) We have access to that and the relationships we have with people [in the head office] means that if we need information around how One World is doing, we can shout.”

In respect of feedback information, performance information regarding the budget, fundraising and cash flow are prepared and examined for potential corrective action. A director talked about the monthly financial reports:

“...so in terms of performance against budgets, are we raising as much as what we intended, are we spending as much as what we planned, are we spending in the right sort of things?”

In regards of feed-forward information, it appears that there are a number of mechanisms that allow for information to be fed into the system and is indicative of an organisation that is very keen to learn and to improve. A manager indicated:

“Our office here has a strong history of sharing practice; we publish a practice example, case studies, research papers, probably more than any other field offices, and share those as widely as possible in One World, One World International and publicly. We produce a lot of information in the hope that, out of an ethical commitment to sharing and learning, whether it is spectacular learning or whether it is mediocre learning, it is important that we share it and open it up to critique (...) we document what might be considered poor practice found and share that.”

The annual reflection process and the regular field work evaluations indicated earlier demonstrate One World’s commitment to understanding its progress towards improving its work and towards learning. A manager explicated:

“We have monthly updates and meetings (...) all those basics would be available to assess progress. In addition, the key issues, at any given time, whether it is to do with the partner, the region or the zone [are discussed]. If there is anything popping up, then you will have a particular set of information in addition to the normal set of information which is brought to my notice which I can feedback on. The next [source] is systematic regular field visits (...) where I go and interact
with the partners, the beneficiaries, the communities, and with different actors, the power brokers, and the people. That gives me a very good picture and enables to engage with the staff and have the information about the performance…”

The learning initiatives extend to One World’s partners as a manager explained:

“...we have something that we call ‘partner link and learn’, where the partners [annually] come together as groups and report on their work and share the learning.”

A director outlined a good example of how information was shared and used in a particular project:

“We have a [public] event called (...). What is really interesting is the way [our staff] went about organising themselves. We have permanent teams of staff working on those projects; we run them in both Melbourne and Sydney... They built in an action and reflection way of working, the Melbourne event happens in late March / early April, the Sydney event happens in late August. They do the Melbourne event, they learn, they take the advice of stakeholders and help fine tune the Sydney event. They implemented learning from stakeholders, informing the Melbourne team how to do it. It is a very interesting process...and it is actually quite a good model for a whole lot of the organisation.”

However, some interviews noted that information flows were primarily vertical and that the sharing of information across departments at a lower levels could be improved. A director explained:

“We are still a bit siloed in that sense making so I think the sense making sort of comes up in stove pipes. It is the horizontal sense making that is the biggest gap between the silos and between staff at lower levels. The management team sort of get it all but it’s over digested in some sense in the silos.”

**PMSs use**

Diagnostic use is about looking at key aspects of performance to monitor, control and reward performance (Simons, 1995). In One World, we observed some level of diagnostic use of information, but the evidence suggests that this appears to be applied mainly to the financial and other internal operative areas of the organisation. For instance, diagnostic use was visible in regards to the use of remedial action as a response to feedback information in respect of foreign exchange, cash flow, weekly income reports and monthly financial reports. A specific example was given by a director regarding fundraising:

“...if we are running an appeal and we got comparative data... like how we are tracking compared to previous years, so many days out to the end of financial year, do we need to take remedial measures like doing some outbound telemarketing, should we do another phone call or mailing to people? All those sorts of things [are considered]. We would check that the progress of programs spent, where budget has been X million dollars in our program, is it being spent? Is it against the budgeted spent? If not, why not? What remedial measures?”
Interactive use is when managers use the PMSs to interact with their subordinates in a constructive manner as part of a learning process and about challenging assumptions within the organisation (Bisbe et al., 2007; Simons, 1995). It is an avenue for engaging with subordinates and peers to find ways of bringing the relationship forward. At One World we observed plenty of evidence of interactive use of PMSs, particularly with regards to the use of feed-forward information to strategically re-align the organisation. One manager stated:

“I feel like we are getting better in using our reflection and reporting processes to develop some priorities for the next year and then to communicate those priorities and then adapt the country programming.”

S/he also explained the steps taken in anticipation of potential future events as a result of analysing the environmental factors:

“...our analysis is that there is going to be more humanitarian emergencies. That is for a combination of factors such as the impact of climate change, the impact of relative weak global governance and regional governance... We have made a long term decision to invest in our humanitarian capacity, we have a shared warehouse in Brisbane with emergency supplies, and we have access to warehouse facilities in PNG and we have built up our staff capacity.”

Asked about whether the validity of strategic assumptions is discussed, a manager noted the close rapport that supervisors have with their supervisees and indicated:

“Yes, on an on-going basis, it is just part of what we talk about and how we might need to change things and what learning we might identify together and how might those impact.”

A field office manager highlighted the close and interactive nature of the relationship with his/her supervisor:

“My immediate supervisor...visits us two or three times and in her visits, she covers all the partners and then she gives me feedback not only on the program’s performance and beneficiaries and partners’ perspectives but she also gives very solid feedback on the team dynamics. That information pretty much informs about what is going on and how the performances are.”

**PMSs change**

There were a number of events that have altered the way the organisation operates and that have resulted in changes to One World’s PMSs. The changes appear to have been evolutionary changes rather than revolutionary (Burns & Scapens, 2000; Chenhall & Euske, 2007) in the sense that the fundamental focus of the organisation has not largely altered. The key triggers of change identified are the grant agency event, the growth of the organisation, external events, the implementation of an ERP system, and finally the SMS initiative from One World International. All of these are explained below.
The grant agency event prompted an overhaul of contract management and process systems as well as training of staff. A director recounted:

“... [the grant agency] came to me and said that we weren’t going to get the second tranche of the block grant because we hadn’t fulfilled the contractual requirements. This is half way during a financial year and we had no reserves. To be frank, they were totally and utterly justified, I had no comeback. My only comeback was to demonstrate that we were learning a lesson. I think our contract management approach was not good. We would not have that sort of situation today.”

The growth of the organisation contributed to the process of increasing centralisation, resulting in changes in PMSs and increasing the reliance on formal controls. In this regard, a director indicated:

“10 years ago, the organisation was highly decentralised and field offices, basically did more or less, what they wanted (...) [they had] a large degree of autonomy. As the organisation said to itself — the causes of poverty are not just local, they are also located in power structures at the national and international level, and therefore we need to join up our work in order to achieve greater impact — it pulled in and centralised to some extent in order to produce the kind of plans that we are talking about and to provide more coherence to the program. As the organisation grew, it put in stronger systems, financial management, risk management, audit and that sort of thing...”

External events, such as the 2004 Indian Ocean tsunami, played a key part in accelerating the growth of One World, as explained by a director:

“...the regional tsunami had a massive impact on the organisation. We grew overnight and it caused a lot of stress and strains within the organisation. We took a leap in size and operations and it hasn’t dropped back since.”

To support its growth and magnitude of operations, One World completed the implementation of an enterprise resource planning (ERP) system in a recent past. Another director elucidated:

“I think we have changed considerably as an organisation, we are much more sophisticated agency, still likely to be complex and diverse in the way we go about things with different systems in place in different parts of the organisation. Clearly, we have invested a lot in the program management system (...) and the ERP system which is still being bedded down.”

One World has more change on the way, through the implementation of the SMS initiative. This initiative aims to rationalise the One World’s collective program presence around the world and will unquestionably have impact on the PMSs. As a director recounted:

“The key change at the moment is the move to Single Management System (SMS). We are aligning our programs at an international level so we have divided up the world and reallocated countries and regions to different affiliates. The aim of this is to rationalise and improve the accountability, which I allude to previously, between affiliates within One World International.”
**Strength and coherence**

In regards the strength and coherence displayed by the PMSs, the evidence strongly suggests that One World has succeeded in making clear its vision and aligning the various strategies with its operational program. The vision and strategies of the organisation were profusely communicated and this acted as a constant reminder of what the organisation stood for.

The lack of an extrinsic reward system could be seen as potentially creating issues for the PMSs in terms of how to encourage and guide staff to display appropriate behaviours. However, the strong alignment of strategy with the vision and the clear communication of the organisation’s belief system, coupled with the widespread interactive use of controls appeared to have filled up the gap left by the lack of a reward system. It is also possible that intrinsic motivation and normative involvement of staff (Etzioni, 1961), who aspire for change to be achieved through the work for One World, is a more powerful motivator, and perhaps fundamentally more appropriate to encourage desired behaviours, than extrinsic motivation.

Another interesting aspect of One World is its willingness to try new ideas and eagerness to learn from experience. One World actively sought learning by reflecting and re-examining its own practice and improving ways of assessing its performance. As a director stated:

“The best thing is that One World is really open to a whole different range of methodologies and ways of thinking about how to monitor its performance”.

While the annual reflection process that One World undertook on a regular basis allowed the organisation to evaluate the impact of their programs, One World is still searching for an “intelligent mix” of indicators, whether quantitative or qualitative, subjective or objective, that would give a clearer picture of the organisation’s progress towards objectives. This is, however, made difficult by the complications of aggregating and integrating the impact from the field offices and complexities in determining what level of achievement is adequate.

**Culture**

While organisational culture is not presented in the PMSs framework as a separate theme with a set of questions, Ferreira and Otley (2009) argue that it is an important part of any organisation because it is about the shared values and norms that a group of people have in respect of their work and how they treat each other. Broadbent and Laughlin (2009) indicate context (societal and organisational situation) can play a large role in shaping the nature of PMSs and the contextual complexity has design implications for PMSs. The level of socialisation and shared values/norms is likely to have shaped organisation culture within One
World and is indicative of strong clan control (Ouchi, 1980). Clan control and organisational culture is important because it is about socializing organisational participants into accepting the organisation’s goals as their own thereby encouraging the participant’s innate inclination to do what is best for the organisation. As such, organisational culture may have a stronger impact in not-for profit organisation, compared to for-profit, because of a shared focus of why they are working for the organisation which is reminiscent of Etzioni’s (1961) normative power of control.

Our observations suggest that One World had strong culture and a heightened sense of identity. As a manager elaborated regarding new staff in a field office:

“If you have a fairly human rights kind of orientation, a rights-based kind of orientation, then you will be embraced much more quickly by the organisation otherwise you are slightly left out.”

One of the goals of One World, is for staff to ‘live our values’ in their daily work and that contributes in explaining the high level of interaction among the staff and the consultative nature of management. The openness was also observed in the office setup, which is based on an open office concept (using partitions, glass made see-through meeting rooms and offices (for directors only)) that facilitates interaction between staff. The organisation maintains a library collection focusing on aid and development issues for staff known as the Resource Centre, which further reinforces the learning orientation of the organisation. In sum, the organisational culture is characterised as open, transparent, learning-focused and change-driven.

5. Discussion

We now discuss a number of issues of interest that arose from the analysis of One World’s PMSs. These are the interactive use of controls, clan controls and normative involvement, the lack of a target setting and reward system, the nature of performance measures used, and performance evaluations. We conclude the section with some reflections on the PMSs framework.

The analysis of One World’s PMSs reveals extensity interactive use of controls from the strategy planning process down to strategic implementation. This was apparent from the open and consultative manner that the strategic planning process was conducted and also supported by evidence that showed close communication between supervisors and supervisees and more importantly, the close monitoring and open discussion of potential issues occurring in the field and on the horizon. This interactive use of controls shows the importance placed by the organisation in anticipating changes in the environment and in questioning the validity of
strategic assumptions, with the view of increasing the likelihood of achieving its vision and goals. It also highlights the approach of actively seeking to improve the efficiency and effectiveness of the organisation. In contrast, diagnostic use of controls appeared to be limited mainly to the financial and fundraising aspects of One World and subdued in comparison with interactive use, thus exhibiting a much lesser emphasis than in most organisations.

It is perhaps not surprising that clan controls (Ouchi, 1980) play an important role in One World given the nature of NGOs in general. NGOs tend to attract passionate individuals who hold similar views and interests to the organisation, which makes it easier for these individuals to assimilate the organisational culture. Our analysis revealed a strong recognition and understanding of One World’s vision suggesting a strong sense of organisational identity. The vision was extensively and profusely communicated throughout the organisation, suggesting that the organisation placed significant importance on the development of clan controls (Ouchi, 1980). Clan controls and organisational culture were enhanced by normative-moral compliance (Etzioni, 1961) because individuals are more predisposed to absorb and accept the organisation’s ideals and values as theirs. This form of involvement also translates into individuals that are intrinsic motivation to do what is best for the organisation.

The lack of rewards/penalties and of “hard” targets revealed in the analysis of One World’s PMSs weakens the effectiveness of bureaucratic style controls (Ouchi, 1980) by lessening the formalisation of monitoring and evaluating individual performance towards the organisational goals. The lack of a formal reward system and target setting process is likely to arise from the complexities of measuring progress towards achieving goals. This is also a common issue confronting NGOs and consistent with One World’s culture and levels of normative involvement.

Sawhill and Williamson’s (2001) describe how Nature Conservancy created a family of performance measures to replace two inadequate and strategically unrelated performance measures and highlight the prevalence of quantitative measures in the attempt to manage performance. An inclination towards reliance on quantitative performance measures to assess performance seems to prevail in the literature (Beamon & Balcik, 2008; Henderson et al., 2002; Kaplan, 2001). At One World, quantitative performance measures also had their place in the PMSs provided they were judged to be capable of being measured meaningfully. However, the organisation expressed a preference for qualitative performance ‘measurement’. In fact, One World interprets the notion of ‘measurement’ loosely by embracing the notion that measurement of success can be gauged by qualitative evaluations. The preference for qualitative evaluations was regarded as more useful in light of the complexities deriving from the multiple-faceted nature of One World’s goals (e.g. poverty alleviation). Other factors
behind this include the need to be accountable to multiple stakeholders and the potential for mission drift as a result of being overly focused on what can be measured quantitatively.

One World approached performance evaluation at the organisational level openly by soliciting “voices” from stakeholders regarding the impact of their work as well as drawing upon the services of independent experts in the aid and development sector to conduct reviews. This appeared to be a useful system considering that the process of conducting the annual reflection is robust and the feedback gathered was analysed and addressed.

Our assessment of the PMSs framework (Ferreira & Otley, 2009) was overly positive. It enabled One World’s PMSs to be examined and described in a fairly rich manner as compared to extant literature in the NGO sector. The examination of PMSs in a piecemeal and disjointed manner is prone to lead to ambiguity in findings and, potentially, to a de-contextualised narrow focus. However, the fairly broad nature of the PMSs framework requires a fairly substantial amount of time from interviewees or, alternatively, access to a larger number of interviews to enable sufficient depth in investigating the various themes/areas. The following reflections/observations emerged from the 12 areas/themes of the PMSs framework:

- Vision and mission: the questions asked were useful in drawing out the knowledge of the vision by the interviewees and how well the vision and strategies was communicated throughout the organisation.

- Key success factors: the questions asked were useful in drawing what was the key focus of the interviewees and highlighting the fact that there was no clear convergence of the key success factors of One World. It brought to attention the fact that the organisation has not given sufficient thought to its key success factors.

- Organisation structure: the questions enabled the researchers to understand the structure of the organisation. It also allowed for an opportunity to discuss issues related to centralisation and decentralisation of One World and through that, the impact of the organisation structure on the PMSs could be glimpsed.

- Strategies and plans: the questions allowed for an understanding of how the strategies were generated and implemented within One World and whether the strategies were linked to the vision of One World.

- Key performance measures: the questions asked clearly outlined the complexities that One World is facing in respect of measuring their performance due to the nature of their programs and the multidimensional nature of the social change and poverty alleviation. The questions did bring attention to the different methods that the organisation used to evaluate its progress.
• Target setting: the questions were useful because it revealed that One World was more focused on setting performance “expectations” rather than “hard” targets.

• Performance evaluations: the questions asked helped understanding how performance was evaluated at the organisational, group and individual levels within the organisation. What could be useful, perhaps, would be to identify and trace a set of key performance measures through to target setting, performance evaluation and eventually to the reward system for better clarity and understanding of the PMSs.

• Reward systems: the questions enabled to establish the absence of incentives and prompted us to look for alternative controls arrangements that could be used do address the same control problem. This is useful because it is likely that some organisations may not have a reward or penalty system.

• Information flows: the questions asked did highlight the information architecture of One World and the internal flows of feedback and feed-forward information. What could be useful, perhaps, would be to identify and trace a particular information flow through to its use for greater clarity and understanding.

• Use of information: the questions asked did elicit sufficient information regarding the use of information that illustrated the learning nature of the One World as well as the diagnostic and interactive use elements present within One World.

• PMSs change: the questions highlighted events that had a significant impact on One World’s PMSs thus allowing for a better understanding of the development of the organisation and its supporting systems.

• Strength and coherence: the questions allowed the gathering of views on how well the PMSs operated and the identification of areas for improvement. It also encouraged a reflection on the links between the different parts of the PMSs and how well they played out together.

While the framework worked relatively well, there were various times where interviewees focused more on the individual aspects of performance management. Individual aspects are no doubt important, but it was necessary to re-direct the conversation to include the performance aspects of groups/departments and the organisation.

6. Conclusion

This research was conducted with two main aims in mind. First, to illustrate the performance management practices within a NGO setting, thereby enriching what is currently
a fairly deprived literature. Second, the study sought to test the usefulness of Ferreira and Otley’s (2009) PMSs framework in a NFP environment.

The case study conducted finds that the PMSs used by One World are sophisticated, complex and intricate with a high level of reflection and thinking involved in its design. The PMSs in One World is, in many ways, comparable and similar to large, professionally managed, for-profit organisations. However, processes such as target setting, performance evaluation and rewards were not used or used differently in the NFP setting. The study also finds that there is a strong link between the strategic planning process and strategic implementation through the PMSs. The strategic plan was a living document that was embedded in programs, projects and initiatives implemented by the organisation. The process of managing performance was informed by the interactive use of controls and a strong emphasis on learning. The outcome of the programs, projects and initiatives were managed through a combination of quantitative measures and qualitative performance evaluation, with greater emphasis on the latter. Diagnostic use of PMSs was heavily subdued (in comparison with interactive use) and not as prevalent as one would expect.

This study also finds that Ferreira and Otley’s (2009) PMSs framework was useful. It enabled the collection of a broad scope of data, whilst offering the possibility to explore certain issues more deeply. It also provided a rich description of the PMSs of the studied organisation and exposed a number of issues of interest. No issues were found in its application in a NFP setting to a NGO.

As with all studies, this study has its limitations. First, as a case study, it is not generalisable to other organisations and as such more research is required before a more solid picture of PMSs practices in NGOs can be formed. Second, there is the risk of acquiescence and bias with interviews and that may influence the findings. Finally, the study was conducted concurrently with the organisation’s mid-term review of its strategic plan and just before end of the year performance appraisals. This may have influenced the interviewees’ perceptions and responses, although we have no reasons to believe that the data gathered was distorted in a significant manner, given the frankness and openness of the organisation and interviewees.

In spite of the above limitations, this research study contributes by providing a rich description in respect of a broad range of aspects pertaining to how PMSs operate in an NGO. This study is the first known case to the researchers to use Ferreira and Otley’s (2009) PMSs framework in a NFP/NGO setting. The study provides evidence that the PMSs framework is a viable and appropriate tool to examine PMSs in NFP/NGO organisations by providing evidence of its usefulness. This suggests that it may be meaningfully used by future research.
Future research could examine Ferreira and Otley’s (2009) framework in a public sector setting to contrast the similarities and differences with this study. More research could be conducted in other case organisations to see if the findings are replicated elsewhere.

References


FIGURES

Figure 1 – One World Organisation Chart (abridged)
# APPENDIX

## APPENDIX 1: INTERVIEW QUESTIONS AND QUESTIONS FROM FERREIRA AND OTLEY’S (2009) FRAMEWORK

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<th>Ferreira and Otley’s (2009) Framework</th>
<th>Interview Questions</th>
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| **Theme 1:** What is the vision and mission of the organization and how is this brought to the attention of managers and employees? What mechanisms, processes, and networks are used to convey the organization’s overarching purposes and objectives to its members? | - In your own words, how would you express One World’s vision and overarching objectives? Can you please explain which of those goals more closely relate to your current work area?  
- What were the key ways in which the vision and overarching objectives (i.e. change goals) were communicated to you? |
| **Theme 2:** What are the key factors that are believed to be central to the organization’s overall future success and how are they brought to the attention of managers and employees? | - What are the two key factors that you believed to be central to the One World’s future success?  
- We understand One World has identified a number of external and internal goals. Can you please identify some of those goals and explain which are more closely related to your current work area? |
| **Theme 3:** What is the organization structure and what impact does it have on the design and use of performance management systems (PMSs)? How does it influence and how is it influenced by the strategic management process? | - Can you please briefly describe how your work area fits within One World’s organisational structure? Would you consider One World to be a centralised or decentralised organisation? How much responsibility has been delegated to you?  
Consider typical and recurring issues in your work area. Who gets to make the call as to how such issues are resolved? How ‘free’ are you to make such decisions?  
- How are the systems that One World uses for the sake of measuring and managing its performance related to the way One World is structured (if at all)? For example, are budgets prepared on a departmental basis, on a project basis or otherwise? |
| **Theme 4:** What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to ensure its success? How are strategies and plans adapted, generated and communicated to managers and employees? | - We understand that One World undertakes strategic planning every so often. Can you please outline the strategic planning process at One World (what you know about it)?  
What strategies, if any, have emerged from that process?  
- How do people around here (i.e. in your work area) find out about One World’s strategies and plans?  
- What specific initiatives, activities, and plans have been developed, within your area of responsibility, in the pursuit of One World’s strategic vision and strategic plans?  
- Would you describe One World’s management approach to be more conservative or entrepreneurial?  
- Are you Aware of the One World’s Quality or Performance Framework (QPF)? If yes, can you please tell us what your thoughts are on it? In particular, do you think that it... |
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<th>Theme 5: What are the organization’s key performance measures deriving from its objectives, key success factors, and strategies and plans? How are these specified and communicated and what role do they play in performance evaluation? Are there significant omissions?</th>
<th>helps One World assess its progress in achieving its vision and overarching objectives? Are there any key issues with the QPF?</th>
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<td>Theme 6: What level of performance does the organization need to achieve for each of its key performance measures (identified in the above question), how does it go about setting appropriate performance targets for them, and how challenging are those performance targets?</td>
<td>-Please consider One World as whole. Can you please tell us what are the aspects of measured performance that you consider more important? Considering One World’s vision, strategies, objectives and goals, is there anything important that is not being measured but that you think it should? Can you please share your thoughts as to how that might be done? Finally, are there any aspects of performance that you think cannot be measured?</td>
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<td>-Please consider now your area of work. What are the most important things to achieve (key aspects of performance)? In other words, what are the things people will look at when evaluating how well your work area is doing? What aspects of the performance of your area are measured, which are not measured but should, and which cannot be measured?</td>
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<td>-Do you think there is a clear relationship between the measures of performance used at your work area and One World’s external and internal goals? Do the measures allow you to gauge your progress towards meeting the One World’s goals?</td>
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<td>Theme 7: What processes, if any, does the organization follow for evaluating individual, group, and organizational performance? Are performance evaluations primarily objective, subjective or mixed and how important are formal and informal information and controls in these processes?</td>
<td>-Is there the practice of setting performance targets for your work area and, if so, can you please provide two (important) examples? How difficult to achieve are those performance targets and were you involved in setting them? Please explain.</td>
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<td>Theme 8: What rewards — financial and/or non-financial — will managers and other employees gain by achieving performance targets or other assessed aspects of performance (or, conversely, what penalties will they suffer by failing to achieve them)?</td>
<td>-How is the performance of your work area evaluated, if at all? (Do senior managers get involved in that process?) How does One World as a whole determine if it is doing a good job?</td>
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<td>Theme 9: What specific information flows — feedback and feed-forward —, systems and networks has the organization in place to support the operation of its PMSs?</td>
<td>-What rewards — financial and/or non-financial such as promotion, recognition, and more autonomy — will people around here get for achieving performance targets? Are there any penalties for failure and, if so, what are they?</td>
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<td>-We are interested in learning about the flows of performance-related information at One World and systems and processes used for that purpose. Can you please describe what performance-related information you have access to and how is it provided to you? Do you feed information into the existing systems? If yes, please give an example? What is the purpose of the information you provide to the system?</td>
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<td><strong>Theme 10:</strong> What type of use is made of information and of the various control mechanisms in place? Can these uses be characterised in terms of various typologies in the literature? How do controls and their uses differ at different hierarchical levels?</td>
<td>- How would you describe the use of performance-related information at One World? Is it actioned at all? Please think now of your work area. What happens when performance-related information is made available and target (expectations) have been met/not have been met? How strict/flexible is management if delivered performance differs from what had been pre-determined/agreed?</td>
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<td><strong>Theme 11:</strong> How have the PMSs altered in the light of the change dynamics of the organization and its environment? Have the changes in PMSs design or use been made in a proactive or reactive manner?</td>
<td>- Can you please explain how One World’s performance management systems may have changed over the last couple of years? If it changed: What was the impetus behind it? Are you happy/unhappy with the changes introduced and why? If it did not change: Do you think it should have changed? If so, please tell us how and why?</td>
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<td><strong>Theme 12:</strong> How strong and coherent are the links between the components of PMSs and the ways in which they are used (as denoted by the above 11 questions)?</td>
<td>- Broadly speaking, do you think there are any obvious incoherencies or fallacies in the performance management systems in place at One World? Do you think it is well designed and used? What are the pros and cons of the current way that One World assesses its performance?</td>
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