

Bachelor thesis
Autumn semester 2007
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PERFORMANCE MEASUREMENT IN NONPROFITS
Much to be gained or a waste of resources?

ACKNOWLEDGEMENTS

Without the help of a number of people we would not have been able to finish our thesis and therefore we would like to take this opportunity to thank those people. Special thanks to: Our supervisor who provided us with valuable viewpoints and suggestions for improvements. The respondents who answered our questions and generously provided us with material. Our friends that encouraged us to continue at times when we were ready to give up. Karyn and Tomos who checked for language mistakes. Looking back we have learned a lot while working on this thesis, both about the subject and the research process as such.

Umeå 2008-05-26

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LIST OF ABBREVIATIONS

Sida = Swedish International Development Cooperation Agency.

FRII = The Swedish Fundraising Council. The mission of the fundraising council is to promote ethical and professional fundraising and to do so they have developed standards and codes of conducts for the member organizations to follow. Moreover they provide education and training and arrange seminars and congresses which the members can take part of.¹

INTRAC = International NGO Training and Research Centre. An English nonprofit organization supporting civil society organizations around the world. INTRAC's main purpose is to strengthen management and organizational effectiveness in these organizations.²

Timbro = A publishing company, known for their published books in which they are criticizing the Swedish foreign aid.

The Swedish National Audit Office = Parliamentary authority which carries out independent audits in public operations to ensure democratic transparency.

¹ <http://www.frii.se/index6.shtml> [Accessed 2008-04-09]

² http://www.intrac.org/pages/about_intrac.html [Accessed 2008-04-09]

SUMMARY

Type of thesis: Bachelor thesis

Title: Performance Measurement in Nonprofits – Much to be gained or a waste of resources?

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Date: 2008-05-26

The topic of this thesis is performance measurement in nonprofit organizations. The reason for choosing this topic is a common interest for the nonprofit sector as well as the increased attention in the media on nonprofits and what they accomplish. Scientifically our study is justified by the fact that there are very few studies made on performance measurement in Swedish nonprofits.

The problem definition was formulated as *How, why and with what experiences do Swedish Civil Society Organizations measure performance?* And the purpose with our study is to convey to an understanding of Swedish civil society organizations' experiences of performance measurement from the perspective of the management. Considering the type of problem definition and purpose a qualitative research approach were chosen. Another reason for choosing a qualitative approach was the fact that we intended to find new information rather than to test existing theories. Semi-structured telephone interviews were conducted with respondents from five framework organizations to Sida. The choice to only include framework organizations means that our results are limited in its application to other civil society organizations. Sida has a strong power to influence the evaluation and reporting in these organizations through the framework agreements.

In the theoretical background theories and earlier research in the area of performance measurement and nonprofits are included, for example research done on reasons for measuring performance both in for-profits and in nonprofits. A couple of performance measurement frameworks designed for nonprofits are presented.

Performance measurement is much discussed and under development among the studied organizations. However, the concept as such has not gained ground yet since it is quite a new phenomenon in the nonprofit sector in Sweden. The main reason for measuring performance is the pressure from stakeholders, foremost from Sida. The close relationship to Sida highly affects how performance is measured and the Logical Framework Approach is the foundation for their performance measurement. How widely it is used differ however and it is mainly used for reporting and evaluation purposes. All respondents have experienced difficulties when measuring performance and during the interviews we have identified a number of factors that complicate measurement; the results of a project are often shown much later from when the activities took place and the many stakeholders involved. Moreover the respondents express that there has to be a balance between how much time and resources that should be put on measuring activities and how much of their efforts that should be put directly into their projects, a balance that

is experienced as difficult to achieve. All respondents believe that there are things to be gained from measuring performance and many of the organizations have started to cooperate with other organization in order to develop their performance measurement.

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1. INTRODUCTION

Performance measurement is a tool to demonstrate and improve efficiency and effectiveness and the topic of this research is whether there is room for performance measurement in nonprofit organizations. This chapter starts with a short summary of the background of performance measurement, how the concept has developed through the years and how it has been spread to the nonprofit sector as well. The background information is followed by a problem discussion leading to our problem definition and the purpose of this particular study. We are further discussing the study's limitation. In the end of this chapter one will find important definitions and the disposition of the thesis.

1.1 Background Performance Measurement

The history of performance measurement in the business sector can be traced back to the transition from handicraft to industrial production in the 19th century under the concept of productivity measurement. The focus on productivity and financial measures continued long after the end of the Second World War but a change in the business environment was followed by a need to adapt business systems to new conditions. In the 1980's the concept of productivity was replaced with the concept of performance.³ Businesses began to recognize that only using financial measures was not enough (even though they still played a major role on showing profitability to shareholders) and non-financial measures were implemented as a complement to these.⁴ Thus, the last decades have been influenced by an even wider perspective on performance measurement. In year 1992 Kaplan's and Norton's research on multidimensional performance measurement was published. They introduced The Balanced Scorecard, which not only includes financial measures but also measures on an operational level. A research made by Hendricks et al. in 2004 presented that 62 percent of 708 companies investigated used the Balanced Scorecard as a measurement tool⁵.

The Balanced Scorecard is just one of many performance measurement frameworks. In literature several other performance measurement frameworks are presented as well. Instead of implementing a clearly stated framework many authors suggest standards and principles for performance measurement. Neely et al. draws the conclusion that most of the existing frameworks are made out of tacit features and the explicit knowledge, in other words the knowledge of how to use the tacit features, is rarely discussed⁶.

Performance measurement was foremost intended for the business sector but since the gap between business sector and nonprofit sector has narrowed considerably the last

³ Björn Andersen and Tom Fagerhaug, *Mät företagets prestation*, (Stockholm: SIS förlag, 2007): p. 1-6

⁴ Robert S. Kaplan, "Strategic Performance Measurement and Management in Nonprofit Organizations", *Nonprofit Management & Leadership*, Vol. 11, No.3 (2001): p. 354

⁵ Kevin Hendricks, Larry Menor and Christine Wiedman, "The Balanced Scorecard: To adopt or not to adopt?", *Ivey Business Journal Online* (2004). Available at: http://www.iveybusinessjournal.com/view_article.asp?intArticle_ID=527 [Accessed 2007-11-19]

⁶ Monica Franco-Santos et al., "Towards a Definition of a Business Performance Measurement System", *International Journal of Operations & Production Management*, Vol. 27, No. 8 (2007): p. 799

decade, the interest in performance measurement in the nonprofit sector has increased among researchers and practitioners. The interest in performance measurement in nonprofits is also due to the evolving pressure on showing effectiveness which is experienced by nonprofit managers.⁷ Especially in U.K. and North America the subject has been highly topical recent years. In a study of the use of performance measurement in South Carolina nonprofits, made by Zimmerman and Stevens, two-thirds of the organizations participating responded that they use performance measurement⁸.

1.2 Problem discussion

The business world has been heavily criticized for exploiting the environment and ignoring human rights for some time now. At the same time the state has received a lot of critique for being too bureaucratic and thus too ineffective to be able to solve all public needs. This has resulted in an increased attention to the nonprofit organization. However, the increased attention has been followed by a greater pressure on the organizations to fill the shortcomings of private and public sector and they now have to face the demands on being able to show what they accomplish.

Especially nonprofits providing social services in developing countries have received a lot of attention in the Swedish media lately. Last year Timbro published a series of books that criticized the Swedish government's target for foreign aid of one percent of the gross national income will be spent on official development assistance, the main part of the budget channeled through Sida and civil society organizations. Krause, one of the authors to these books, would like to see a focus on qualitative goals, meaning a focus on the actual results achieved in the development countries rather than on quantitative goals when allocating funds⁹. Krause and Timbro advocate values associated with liberal market ideology far from representative for the public as a whole. But they certainly put the question of transparency on the agenda.

Further, in September 2007 the Swedish National Audit Office released their review on Sida's control functions when providing development assistance through civil society organizations. This report draws attention to several shortcomings and provides clear recommendations; organizations must increase the effectiveness of their internal control and Sida must provide information on how this internal control could be improved.¹⁰ We believe that the mentioned report and the recommendations to Sida will have consequences not only to organizations' internal control, but to all areas linked to control functions. Hence, it will affect measuring activities as well. It is important to show that

⁷ Ben Cairns, Margaret Harris, Romayne Hutchison and Mike Tricker, "Improving Performance? The Adoption and Implementation of Quality Systems in U.K. Nonprofits", *Nonprofit Management & Leadership*, Vol. 16, No. 2 (2005): p. 135

⁸ Jo An M. Zimmerman and Bonnie W. Stevens, "The Use of Performance Measurement in South Carolina Nonprofits", *Nonprofit Management & Leadership*, Vol. 16, No. 3 (2006): p. 323

⁹ Pär Krause. *Det Svenska Biståndsberoendet. Om intressen och värderingar inom den svenska biståndsindustrin* (Timbro förlag, 2007): p. 85-86

¹⁰ Riksrevisionen. *Oegentligheter inom bistånd. År Sidas kontroll av biståndsinsatser via enskilda organisationer tillräcklig?*. RiR 2007:20 (Stockholm: Riksdagstryckeriet, 2007): p. 54

the money is used correctly and effectively in order to maintain the trust among the public and other important stakeholders.

The pressure increases from the public authorities, from society and from Sida to show how civil society organizations perform and what they achieve. Is performance measurement seen as a way to answer to this pressure? Are there any other reasons for measuring performance in nonprofits? If performance measurement already has been implemented, how is it used? Have they come across difficulties when working with performance measurement and/or have they discovered new possibilities? We know little about the answer to these questions regarding Swedish nonprofits since there is a lack of such research. Therefore we strive to answer these questions in our study.

1.3 Problem definition

Why, how and with what experiences do Swedish Civil Society Organizations measure performance?

1.4 Purpose

The purpose of our thesis is to convey to an understanding of Swedish civil society organizations', having entered framework agreements with Sida, experiences of performance measurement. Our study only includes Sida's framework organizations due to the diversity of the nonprofit sector and also due to the fact that they are directly affected by the consequences of the Swedish National Audit Office's report and the critique of the one percent target.

We are going to identify the possessed knowledge of performance measurement among these organizations, if they have implemented performance measurement and if that is the case, what they are measuring and their underlying reasons for measuring. Moreover, we are going to identify what possibilities and difficulties they have experienced when implementing and working with performance measurement. This study will serve as a platform for further research.

1.5 Limitations

Our choice to only include framework organizations affects the results because of the organizations' direct relationship to Sida and this in turn means a limitation for its application on other civil society organizations.

1.6 Definitions

Nonprofit = An entity that is not established for the purpose of making a profit.¹¹

For-profit = An entity established for the purpose of making profit.¹²

Performance measurement = Monitoring of the efficiency and effectiveness in which objectives have been achieved.

Civil society = “an arena, separate from the state, the market and the individual household, in which people organize themselves and act together in their common interests.”¹³

Civil society organization = A nonprofit working in the civil society

Framework organization = A civil society organization which has entered a framework agreement with Sida.

¹¹ <http://dictionary.reference.com/browse/nonprofit> [Accessed 2008-04-09]

¹² Ibid [Accessed 2008-04-09]

¹³ Sida policy, *Sida's Support to Civil Society in Development Cooperation*, (Published 2007): p. 4

1.7 Disposition

The introduction has led us to the problem definition and purpose of our study. Figure 1 illustrates the study's disposition, providing an overview on how the different parts are linked together and their functioning.

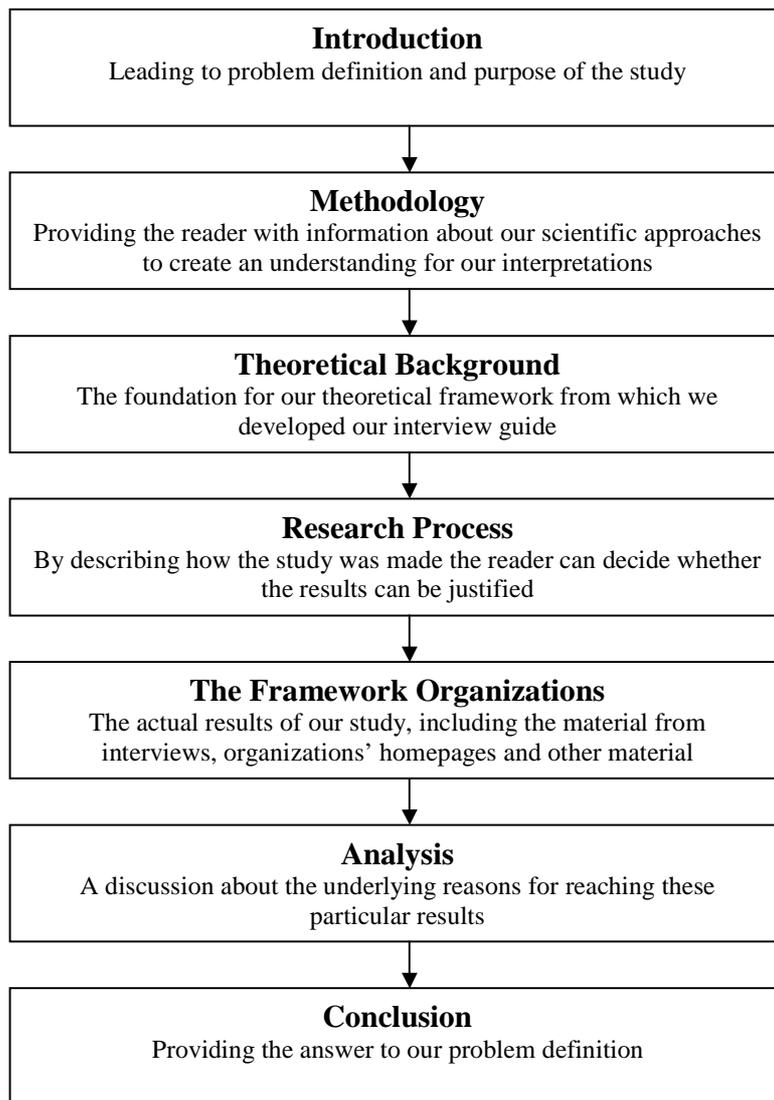


Figure 1. *Overview disposition*

2. METHODOLOGY

After having presented what is to be studied and the relevance of such studies we also need to provide the reader with information on how it is going to be studied. Equally important is to motivate the chosen methodology. Therefore, in this chapter we are going to present choice of topic, prior knowledge, scientific perspective, perspective, research approach and secondary sources. The quality of secondary sources is another important aspect which we will discuss in this chapter.

2.1 Why this topic?

Our previous studies have been concentrated on the business sector. However, this thesis provided an opportunity to widen our perspective and applying the knowledge gained from our business studies on other sectors. Since we share a common interest for the nonprofit sector and a curiosity for how it distinguishes from the business sector this was a topic we both agreed on. The reason why we chose to study performance measurement in the nonprofit sector was the increased attention in media on how nonprofits perform. The report from the Swedish National Audit Office caught our attention and was the contributing factor that we chose to investigate framework organizations to Sida.

2.2 Prior knowledge and experiences

The reason for presenting prior knowledge and experiences is to create an understanding of our interpretations. Of relevance for this study is most likely the fact that both authors are registered at the International Business Program at Umeå University, specialized in accounting and management. During studies all theories have been presented from the perspective of the business sector. This means that in the beginning of this project we had certain expectations on performance measurement in nonprofits based upon how it is implemented in businesses, for example we expected the respondents to be aware of the concept and that it to some degree already was implemented in the organizations.

Jenny is a member of the Swedish Red Cross Youth and has been for half a year, including some voluntary work informing about fair trade. Joan recently was elected member of the board of directors in a local sports club. Thus both authors possess some prior experiences from the nonprofit sector. However, these experiences are regarded as limited since they only stretch six months back in time. Though the experiences are limited it does not mean that they are insignificant. The experiences have been positive and there is a reason to assume that we have formed positive opinions and attitudes towards nonprofits. Both of us also have taken part of media's increased attention on nonprofits working in development countries, which unconsciously may have affected our viewpoints. Our positive experiences and the articles we have taken part of probably will have an influence on our interpretations and for instance on how the interview questions are asked.

2.3 Scientific perspective

In this study we focus on creating an understanding for the nonprofit organizations' performance measurement rather than on the causal explanations to the behavior of the organizations. The understanding is created by our interpretations. A focus on understanding is consistent with the hermeneutic orientation¹⁴.

Peoples' experiences are intermediated through their language and actions¹⁵ and the understanding is therefore produced in a dialogue between the persons being studied and the researcher¹⁶. Interpretation is central and described as a process in which a subjective is trying to understand another subjective¹⁷. Thus, the results of our study are our interpretations from the collected material and our interpretations are affected by our prior knowledge.

Another key assumption of the hermeneutic approach is that each person is unique¹⁸. The person who is being interviewed provides his or her perception of reality and thus the reality presented in this study is depending on who is interviewed. Interviewing another person, even someone from within the same organization, would have provided different answers and possibly different results.

These are the philosophical assumptions that underlie our study, leading us to adopt a qualitative approach. In qualitative research the study object's perspective is essential. The phenomenon is therefore studied on the basis of the meaning it is given by the persons participating in the study. Qualitative research is strongly bound to its context¹⁹, as well as it is strongly bound to the authors' interpretations of the material²⁰, meaning that the results from other study cannot be generalized to all civil society organizations.

2.4 Perspective

The chosen perspective affects whose reality that is studied and hence also the results. This study examines performance measurement from the perspective of the management in nonprofit organizations. The perspective was motivated by the increasing pressure to show what has been accomplished among these organizations and in order to find the answer to how the organizations respond to this pressure we found it best to investigate opinions and viewpoints from the management within these organizations.

¹⁴ Alan Bryman and Emma Bell, *Företagsekonomiska forskningsmetoder*, (Malmö: Liber, 2005): p. 29

¹⁵ Runa Patel and Bo Davidson, *Forskningsmetodikens grunder. Att planera, genomföra och rapportera en undersökning*, (Lund: Studentlitteratur, 1991): p. 26

¹⁶ Thomas A. Schwandt, "Three epistemological stances", in *Handbook of Qualitative Research, Second Edition*, eds. Norman K. Denzin and Yvonna S. Lincoln (London: Sage Publications, Inc. 2000): pp. 191, 195

¹⁷ Antonia Barbosa da Silva and Vivian Wahlberg, "Vetenskapsteoretisk grund för kvalitativ metod", in *Kvalitativ metod och vetenskapsteori*, eds. Bengt Starrin and Per-Gunnar Svensson, (Lund: Studentlitteratur, 1994): p. 54

¹⁸ Ibid, p. 59

¹⁹ Mats Alvesson and Kaj Sköldböck, *Tolkning och Reflektion - Vetenskapsfilosofi och Kvalitativ Metod. Andra Upplagan*, (Denmark: Studentlitteratur, 2008): p. 17

²⁰ Alan Bryman and Emma Bell, *Företagsekonomiska forskningsmetoder*, (Malmö: Liber, 2001): p. 371

Only interviewing persons representing the management excludes the other staff's viewpoints. The staff that actually does the measuring on site most certainly has different viewpoints and experiences than the management. Thus, interviewing remaining staff could have contributed to a further understanding, but since the time was limited we choose to focus on the management perspective only.

2.5 Research approach

Figure 2 illustrates the relationship between theory and empirical data in our study.

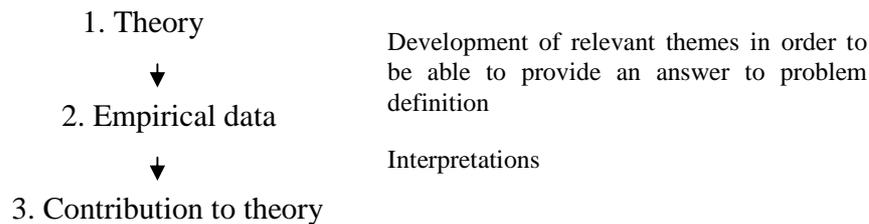


Figure 2. Relationship between theory and empirical data

Since performance measurement is a relatively new phenomenon in Swedish nonprofits existing theories, developed from studies made in U.S and U.K, cannot directly be applied to our studied organizations. Thus, we wanted to fill this gap of knowledge. Instead of testing existing theories the role of theory in our research was to find areas that are of importance for the understanding of performance measurement in the organizations. These areas were later formulated into themes and used when constructing an interview guide. The role of the empirical data gathered on the basis of these themes was to discover and contribute with new knowledge to existing theory, serving as a platform for further research.

2.6 Secondary Sources

After agreeing on area of research we began the orientation of the topic by using the databases provided by Umeå University Library. The databases used were; Business Source Premier (EBSCO), Emerald Fulltext, Artikelsök and Encyclopedia of Management and Sage Publications. Primary key words used in the search for theories and earlier research were; *performance measurement, nonprofits, NGOs, nonprofit organizations, balanced scorecard, effectiveness, measuring impact*. Key words were used in different combinations and resulted in coming across a number of scientific articles within the topic of nonprofit and performance measurement. Some articles could be weeded out straight away by reading the headlines, other articles were more carefully gone through by reading the abstracts and by looking at number of cited references and publication date (current articles were preferred).

After having gone through the first set of articles we checked for often referred to journals and authors. The most frequently referred to journals were *Nonprofit and*

Voluntary Sector Quarterly and *Nonprofit Management & Leadership*. We choose articles in order to get as broad picture as possible, from articles only covering performance measurement to only covering nonprofits. As far as we could we used the primary source, but in some circumstances this was not possible since we did not get access to all articles. Later in the process we complemented our search, searching directly after critique of performance measurement and performance measurement systems.

2.7 Comments on secondary sources

The secondary sources are not free from critique even though we have taken measures to ensure the reliability of our sources. Most of the previous research presented is made in either U.S. or U.K. The cultural differences between the nonprofit sectors in the different countries cannot be overlooked and the results from these studies are thus limited in its application to nonprofits in Sweden. Another factor that limits the application of previous research to the nonprofits in our study is that it is done either on another type of nonprofit than in our research, or it is done on no specified type of nonprofit. The nonprofit sector is diverse and each different type of nonprofit has their own characteristics which imply that results can be misleading in this particular context.

Going back to the original source is important to avoid distortion. If we refer to an author's description of previous research we include the author's interpretations of this research. These interpretations are then further interpreted by us. The consequence of interpretation taking place in several steps is that the information is not as credible as it should have been if using the original source. There is a possibility that the information has been distorted along the way. We used the original articles when access was possible and when including sources where the author describes others' research we have been clear about it.

All articles are current, except for a few going back to the 20th century. We believe it benefits our study. However, one shortcoming with the newness of the articles is that they may not have been enough reviewed and revised yet. Also, since performance measurement in nonprofits is quite a new research field and since it is something that nonprofits still are experimenting with, studies that are produced just a couple of years ago can already be out of date.

Very important to point out is also the fact that since we have chosen to include a couple of models and frameworks we need to be attentive to the authors' intentions with writing the articles. We can assume that the authors' intentions are too favor their own models. However, we have included these models to illustrate how a performance measurement framework could be designed and used. To avoid providing a one-sided picture we have searched for other researchers' opinions about the models, as well as commenting the models ourselves.

We have also included some articles that are not scientific, most of these found in the introduction. A reason why we chose to include non-scientifically articles was the increased attention in media about the research topic and we found it important to

highlight. For example the book published by Timbro is a debate about the Swedish foreign aid and thus highly objective. This source was included anyway since it has been widely discussed and illustrates some of the critique that the framework organizations have received recently. We have also used documents and working papers from Sida and INTRAC. They may have reasons for describing the LFA positively since it could look bad to their stakeholders if they criticize the framework they presently are using. However, when reading these documents our impression was that they provided a fair picture. Negative, as well as positive, aspects were discussed.

3. THEORETICAL BACKGROUND

In this chapter we present and motivate the theoretical background of this study. Our theoretical background foremost consists of former research in the area of performance measurement and nonprofits. The central concepts of performance measurement and nonprofit organizations are described. In the end of this chapter we will gather relevant parts of the presented theory and put it together in a theoretical framework, which we will use when we collect and analyze our empirical material.

3.1 Choice of theories

Performance measurement has been used in the business world since way back and much research in the area has already been done. Moreover there has been some research done on performance measurement in nonprofit organizations. Theories on why to measure performance and how performance should be measured are included since they will serve as the background when analyzing the experiences of performance measurement in the studied organizations. The Balanced Scorecard is described since it is the most well-known performance measurement system among businesses and also because it very recently has been adapted to better fit the special conditions in which nonprofit organizations operate in. We also have included other frameworks. We know little about how frequently these frameworks are used but the reason for including them anyway is to provide some examples on how such frameworks could be designed. These specific frameworks have been picked out either because they were brought up during interviews or because they occurred in more than one article.

What is a nonprofit organization? What is the difference between a nonprofit and a for-profit organization? The answers to these questions have been included in theory since they probably will have an effect on decision making and the implementation and design of performance measurement.

To avoid providing a one-sided picture on performance measurement and nonprofit organizations we have tried to include critical aspects as well.

3.2 Performance measurement

“The manner in which or the efficiency with which something reacts or fulfills its intended purpose”²¹

The quotation above is one of the search results we got when looking up the word performance in a dictionary. Applying this to the business world and the concept of performance measurement we can give measuring performance the meaning of measuring to what degree a business/organization fulfils its goals. This can be compared

²¹ <http://dictionary.reference.com/browse/performance> [Accessed 2007-11-26]

to the goal-attainment approach on effectiveness, which defines effectiveness as the extent to which organizations succeed in meeting their goals²².

However, the concept of performance measurement is more complicated than that. Neely et al. present two dimensions of performance. Effectiveness is one of the dimensions, efficiency the other. Effectiveness is described as to the extent shareholder and/or stakeholder requirements are met and efficiency as, provided a given level of stakeholder satisfaction, how economically the business' resources are utilized. In its broader meaning they define performance measurement as "*the process of quantifying the efficiency and effectiveness of action*".²³ Even if the broader meaning remains the same, the substance of performance measurement changes over time. The idea of what should be measured, how it should be used and in which context are far from constant.

3.2.1 Why measure performance?

Private businesses strive for profit maximization, creating as much shareholder value as possible. To be able to show to their shareholders the value created, performance measurement serve as an important tool. Evidently, businesses and organizations are under great pressure from external actors to perform optimally. However, there are also internal reasons for implementing performance measurement.

Franco-Santos et al. propose five categories of business performance measurement system roles. The first category is named "Measure performance" and here the role of enabling businesses/organizations to monitor progress and evaluate performance is presented. Second category, "Strategy management", is performance measurement's possible role in the planning process, when formulating and implementing strategy. Further its role in internal and external communication, which makes benchmarking possible, makes up a third category. Performance measurement also can be used to influence behavior. By rewarding and compensating certain behavior organizations can manage relationships and control. Also it provides feedback, double-loop learning and thus enables performance improvement.²⁴

In their handbook on performance measurement Andersen and Fagerhaug discuss reasons for measuring performance which to a large degree are coherent with previous presented roles. Their arguments for implementing a performance measurement system are; the motivational effects gained, its focus on continuous improvement, and that it could serve as a foundation for reward and incentive systems and as a mean to carry out strategies and policies.²⁵

²² Daniel P. Forbes, "Measuring the Unmeasurable: Empirical Studies of Nonprofit Organization Effectiveness from 1977 to 1997", *Nonprofit and Voluntary Sector Quarterly*, Vol. 27, No. 2 (1998): p. 185-186

²³ Andy Neely, Mike Gregory and Ken Platts. "Original paper: Performance Measurement System and Design", *International Journal of Operations & Production Management*, Vol. 25, No. 12 (2005): p. 1229

²⁴ Franco-Santos et al., "Towards a definition", p. 797

²⁵ Andersen and Fagerhaug, p. 7-11

Implementing performance measurement is not always a matter of course. It can be both costly and time-consuming to implement and maintain measurement and since every measure demands time and effort it is possible that it could reduce the efficiency of the process. Hence implementing performance measurement can have the opposite effect, which is decreasing instead of improving performance. Robson states that the implementation of a performance measurement system is difficult to justify if the knowledge of under which circumstances this system have a positive effect on performance is lacking.²⁶ In a study made by KPMG on the use of performance measurement in businesses' treasury activities among 60 businesses with a turnover rate exceeding 500 MSEK, the main reason for not measuring was not enough resources and lack of knowledge²⁷.

3.2.2 Performance measures

Since the environment in which business operates in is getting more and more complex business systems are getting more complex as well. Financial performance measures are not longer sufficient. Many authors agree on that not only one type of measures but a range of measures, covering all different levels of the business, should be used. Different indicators that can be measured are inputs, outputs, throughputs, outcomes and impact. Some authors use other words to describe these indicators but it often coincides with one of those previous mentioned. These will be more thoroughly described when performance measurement in nonprofits are presented.

3.2.3 Performance measurement frameworks

Various kinds of performance measures together constitute a performance measurement system or framework. A number of performance measurement frameworks have been developed and among these we find Kaplan and Norton's widely known Balanced Scorecard. Another example of a performance measurement system is Keegan's Performance Measurement Matrix. What they have in common is that both integrate different dimensions of performance.²⁸

The Balanced Scorecard presents four different perspectives; financial, internal business, customer and innovation and learning. These perspectives provide answers on questions on how the business looks to their shareholders, what they must excel at, how the customers see them and how they can continue to improve. By introducing these perspectives Kaplan and Norton complement the financial measures with operational measures.²⁹ Although the Balanced Scorecard is widely used it is not free from critique. It has been criticized for putting too much focus on internal financial measures and a lack of connection to shareholder wealth. Another area of critique is that it does not address

²⁶ Ian Robson, "From Process Measurement to Performance Improvement", *Business Process Management Journal*, Vol. 10, No. 5 (2004): p. 510

²⁷ *Treasurytrender 2005 - Compliance versus Performance*, (Stockholm: KPMG, 2007): p. 4

²⁸ Neely, Gregory and Platts, "Performance Measurement System and Design", p. 1244

²⁹ Robert S. Kaplan and David P. Norton, "The Balanced Scorecard – Measures That Drive Performance", *Harvard Business Review*, January-February (1992): p. 72

the societal context in which the organization operates.³⁰ According to Bourne (referred to by Paranjape, Rossiter and Pantano) the scorecard excludes environmental and social aspects, such as people, suppliers, regulators and competitors.³¹

While some advocate clearly defined frameworks others prefer to provide criteria for performance measurement system design³². Some of these criteria have been summarized in Encyclopedia of Management.

Performance measurement system criteria³³:

- Simple
- Clear purpose
- Provide fast feedback
- Cover both non-financial and financial measures/ internal and external aspects
- Relate to performance improvement
- Be directly related to the strategy
- Consist of long-term and short-term objectives
- Match organization's culture.

Gupta and Gunasekaran point out that only measuring what is easy to measure will cause the performance measurement system to fail. Other possible reasons to failure are having too many measures and measures that are not clearly linked to company goals.³⁴ Robson states that having too many, too few or inappropriate process performance measures can instead of improving performance reduce performance³⁵.

3.3 Nonprofit organizations

Many different terms and definitions have been used to describe organizations operating in neither private sector nor public sector, sometimes referred to as the nonprofit sector or the third sector. Some of the most frequently used are; voluntary organizations, nongovernmental organizations (NGOs), civil society organizations, charitable organizations and nonprofit organizations. Even though they all are given similar meanings they emphasize different aspects and thereby it is of importance to clarify what definition is used. However, when presenting our theoretical background we are using a couple of these terms due to the fact that the authors of the articles use different terms. In

³⁰ Edward J. Lusk, Michael Halperin and BaoDong Zhang, "The Balanced Scorecard: Suggestions for Rebalancing", *Problems and Perspectives in Management*, Vol. 4, No. 2 (2006): p. 100

³¹ Bhagyashree Paranjape, Margaret Rossiter and Victor Pantano. "Insights from the Balanced Scorecard Performance Measurement System: Successes, Failures and Future – A Review", *Measuring Business Excellence*, Vol. 10, No. 3 (2006): p. 7

³² Neely, Gregory, Platts, "Performance measurement system and design", p. 1244

³³ Anthony R. Inman and Marcia Simmering. "Performance Measurement", in *Encyclopedia of Management*, ed. Marilyn M. Helms, 5th ed. Detroit: Gale, 2006. 644-648. [Gale Virtual Reference Library](http://go.galegroup.com/ps/start.do?p=GVRL&u=umea). Gale. Umea Universitetsbibliotek. 17 April 2008.

³⁴ Krishan M. Gupta and A. Gunasekaran, "Costing in New Enterprise Environment: A Challenge for Managerial Researchers and Practitioners", *Managerial Auditing Journal*, Vol. 20, No. 4 (2005): p. 337

³⁵ Robson, "From Process Measurement to Performance Improvement", p. 510-520

order to get a better understanding of the environment in which these organizations operate in the defining of a nonprofit organization is followed by a description of the distinguishing features of nonprofit organizations.

3.3.1 Definition and classification

In our problem definition the term civil society organizations is used. It is adopted from Sida, who defines civil society as “an arena, separate from the state, the market and the individual household, in which people organize themselves and act together in their common interests”³⁶. A more comprehensive definition of a nonprofit organization operating in civil society is provided by the Center for Civil Society Studies at Johns Hopkins University Institute for Policy Studies; the structural-operational definition. To distinguish nonprofit organizations from business firms and public agencies they have set up five characteristics that should be applicable to nonprofit organizations. The organizations should be; organized (have meetings/activities on regular basis), private (separate from government but not excluding significant public support), self-governing, not returning profit to owners or directors and voluntary (participation and membership not compulsory).³⁷

Moreover the institute has developed an international classification of nonprofit organizations (ICNPO), categorizing organizations by their primary activities. This classification system is recommended by UN.³⁸

- | | |
|----------------------------|---------------------------------|
| 1. Culture and recreation | 7. Civic and advocacy |
| 2. Education and research | 8. Philanthropic intermediaries |
| 3. Health | 9. International |
| 4. Social Services | 10. Religious Congregations |
| 5. Environment | 11. Unions |
| 6. Development and housing | 12. Other |

When provided these categories it is noticeable that the concept covers a wide range of different organizations, like for example environmental groups, human rights organizations, unions, sport clubs among many others.

3.3.2 Distinguishing features

There are a number of dissimilarities between nonprofit organizations and businesses operating in the private sector. We have identified areas where the differences most probably will have an effect on the implementation of performance measurement.

³⁶ Sida Policy, *Sida's support to civil society in development cooperation*, p. 4

³⁷ Lester M. Salomon, S. Wojciech Sokolowski and Regina List, *The Johns Hopkins Comparative Nonprofit Sector Project: Global Civil Society - An Overview* (Baltimore: The Johns Hopkins University, Institute for Policy Studies, Center for Civil Society Studies, 2003): p. 7-8

³⁸ *Ibid*, p. 56

Nonprofit organizations and for-profit organizations exist for different reasons. For-profits' ultimate vision is profit-maximization, e.g. to maximize shareholder value. Nonprofit organizations on the other hand do not endeavor to profit and primarily exist to fulfill different needs in the society. Goals and objectives in nonprofits tend to be less tangible and more complicated for this reason.³⁹ Further this leads to a fundamental difference regarding decision making. In for-profits decisions are foremost based on profitability and in mission driven nonprofits decisions are foremost based on creating as much societal impact as possible⁴⁰.

Both nonprofits and for-profits have external interests on the organization. However, according to Anheier nonprofits have different and more multifaceted stakeholders compared to for-profits.⁴¹ Because of the different set of stakeholders and characteristics of stakeholders performance expectations differ.⁴² One example of the nonprofit's stakeholder complexity is that in nonprofits the "buyer" and the "receiver" of a service are not the same person.⁴³

Another difference between nonprofits and for-profits, relating to the example above, is in what manner they generate income.⁴⁴ For-profits generate income by selling goods and services which benefits the customer. Nonprofits on the other hand mainly generate income from donations from public, companies, organizations and government⁴⁵ and the benefits accrue to someone else.

As mentioned earlier for-profit organizations strive to increase shareholder value and profit. All expenditures are therefore put on investments to generate future shareholder value and profit. Nonprofits on the other hand must balance incomes and expenditures at the same time as they provide services of good quality to their target groups.⁴⁶ Nonprofits are also restricted by the organizations which they are involved with. One restriction on Swedish nonprofits is that approximately 75 percent of the income must be put directly into the activities, meaning that no more than 25 percent are allowed to be consumed by administration costs. This restriction concerns those nonprofits that are approved a 90-account and nonprofits that fulfills FRII's requirements. The account is used to ensure donors that the organization is serious and that the money goes to the right purpose.⁴⁷

³⁹ Helmut K. Anheier, *Nonprofit Organizations: Theory, Management, Policy* (New York: Routledge, 2006): p. 181-184

⁴⁰ Clyde Eirikur Hull and Brian H. Lio, "Innovation in Non-Profit and For-Profit Organizations: Visionary, Strategic and Financial Considerations", *Journal of Change Management*, Vol. 6, No. 1 (2006): p. 55

⁴¹ Anheier, p. 107

⁴² Hull and Brian Lio, "Innovation in Non-Profit and For-Profit", p. 60

⁴³ Robert S. Kaplan, "Strategic Performance Measurement and Management in Nonprofit", p. 360-361

⁴⁴ Pietro Micheli and Mike Kennerley, "Performance Measurement Frameworks in Public and Nonprofit Sectors", *Production Planning & Control*, Vol. 16, No. 2 (2005): p. 125

⁴⁵ www.insamlingskontroll.se/Statistik/10985_Sammanstaelling_1997-2006 [Accessed 2008-01-17]

⁴⁶ Sansing (referred to by: Clyde Eirikur Hull and Brian H. Lio, "Innovation in Non-Profit and For-Profit Organizations: Visionary, Strategic and Financial Considerations", *Journal of Change Management*, Vol. 6, No. 1 (2006): p. 58)

⁴⁷ http://www.frii.se/1_fragorosvar.shtml [Accessed 2008-01-17]

According to Euske there should be a balance of focus on differences and similarities. There are activities within an organization that do not depend on sector and if only focusing on the differences there is a risk of missing things that can be learned from other sectors. For example the need to gather information in order to make wise decisions is evident in all sectors.⁴⁸ This suggests that there are things to be learned from business sector regarding management and performance measurement for nonprofits.

3.4 Performance measurement in nonprofits

In previous chapters we have identified a need for for-profit organizations to measure performance. The attention is no longer put only on financial measures, such as profitability and stock-market measures, but other non-financial measures have entered the performance measurement arena as well⁴⁹. Nonprofits have less use of financial measures due to the fact that they do not endeavor to profit but since there are other aspects to measure nonprofits evidently are capable and have an interest in measuring performance. Medina-Borja and Triantis take it as far as saying that “*the survivability of non-profit social service organizations are contingent upon their capability of measuring and evaluating performance*”⁵⁰.

The National Council for Voluntary Organizations has produced a number of studies on performance measurement in voluntary sector in U.K. In one of those studies Wainwright concludes that a wide range of tools to measure impact are available for voluntary organizations⁵¹. Performance measurement systems from private sector have been adopted to fit nonprofit organizations, for example Kaplan has adopted the Balanced Scorecard to better fit these kinds of organizations. However, one major difference between nonprofits and for-profits is that nonprofits have goals and services which are more intangible and harder to define and thus measuring performance provides a greater challenge for nonprofits⁵².

3.4.1 Why measure performance?

Even though nonprofits lack pressure from shareholders to show the value created by the organization there is a pressure to show how well they perform that derives from a wide range of stakeholders. Zimmermann and Stevens studied 149 nonprofit organizations in South Carolina and their findings show that the requirement from external stakeholders was the most frequent motivator and reason for measuring performance. Second most frequent motivator was in order to increase accountability and effectiveness. Performance measurement was also motivated as a mean to get more funding and to improve

⁴⁸ K. J. Euske, “Public, Private, Not-for-profit: Everybody is Unique?”, *Measuring Business Excellence*, Vol. 7, No.4 (2003): p. 5

⁴⁹ Forbes, “Measure the Unmeasurable”, p. 184

⁵⁰ Alexandra Medina-Borja and Konstantinos Triantis, “A Conceptual Framework to Evaluate Performance of Non-profit Social Service Organisations”, *Int. J. Technology Management*, Vol. 37, No ½ (2007): p. 159

⁵¹ Susan Wainwright, *Measuring Impact: A Guide to Resources* (London: National Council For Voluntary Organisations, 2003): p. 28

⁵² Forbes, “Measure the Unmeasurable”, p. 184

services.⁵³ Another study, conducted by Sawhill and Williamson, also presents a number of reasons why nonprofits should measure performance. Nonprofits can use performance measurement to obtain control of local office efforts and to get the whole organization to work towards the same mission and goals. Managerial skills are needed in order to be able to incorporate these benefits. Moreover performance measurement can be used for other purposes such as to influence public attitudes. Sawhill and Williamson have noticed an emerging marketing trend which they suggest nonprofit organizations to take advantage of. Just by presenting results from performance measurement to stakeholders will serve as an effective marketing tool.⁵⁴

Medina-Borja and Triantis highlight performance measurement's usefulness in times of restructurings and rationalizations. In order to restructure or downsize without harming the quality of the services provided performance measurement can be an effective tool. Performance measurement gives an overview of organizational deficiencies and thereby there is a greater chance to discover the relevant areas where improvements are needed and where rationalizations are most urgent.⁵⁵

Performance measurement in nonprofits can be costly and consume a lot of time and resources, making performance measurement difficult to motivate sometimes since resources often are scarce in nonprofits. Further it is hard to motivate performance measurement if one is not sure that it will improve performance⁵⁶ and because of the nature of nonprofit sector we assume that it is even harder in these situations.

3.4.2 Performance measures

Evidently researchers have identified that there are reasons for implementing performance measurement even in nonprofits; the question now is what to measure? Performance indicators are inputs, outputs, throughputs, outcomes and impact. These indicators derive from the private sector but are applicable and used by nonprofits as well.

Inputs are defined as everything that is needed to carry out a mission or a certain project, such as staff, volunteers, physical capital, material, income etc.⁵⁷ It is of great interest for nonprofits to optimize all inputs.

Output is defined as the quantity of work performed or delivered services.⁵⁸ Examples of output measures are number of people attending workshops or training classes and

⁵³ Zimmermann and Stevens, "The Use of Performance Measurement", p. 320-321

⁵⁴ John C. Sawhill, and David Williamsson, "Mission Impossible? Measuring Success in Nonprofit Organizations", *Nonprofit Management & Leadership*, Vol. 11, No. 3 (2001): p. 384-385

⁵⁵ Medina-Borja and Triantis, "A Conceptual Framework to Evaluate Performance", p. 149

⁵⁶ Robson, "From Process Measurement to Performance Improvement", p. 510

⁵⁷ Magda Solà and Diego Prior, "Measuring Productivity and Quality Changes Using Data Envelopment Analysis - An Application to Catalan Hospitals", *Financial Accountability & Management*, Vol. 17, No. 3 (2001): p. 220 and Susan Wainwright, *Measuring IMPACT: A Guide to Resources* (London: National Council for Voluntary Organisations, 2007): p. 10

numbers of shelters provided during a disaster. These measures are not directly related to the organization's mission.⁵⁹ Inputs and outputs are closely related since outputs are the amount of work performed and inputs are the amount of resources required for this work. The relationship between outputs and inputs measure organizational efficiency. Hence in order for the organization to be most efficient this relationship should be optimized.⁶⁰

Throughputs include both efficiency and effectiveness measures and are linked to the organizations' activities.⁶¹ The reason for measuring different activities and processes within the organization is to make it possible to evaluate organizational capacity.⁶² Moreover Sawhill and Williamson have identified several activities within nonprofits that are measured for evaluation purposes, such as financial activities and fundraising activities. Other throughput indicators observed in their study were operational efficiency and diversity of activities. Some organizations also measure time limited activities, for instance different measures on how well they perform during a disaster.⁶³

Letts (referred to by Medina-Borja and Triantis) states that there are three important categories of capacities within a nonprofit organization. The first category is human resources that make sure that the outcomes get carried out. Second category is the ability to expand. Last category is the adaptive capability, which refers to which extent the nonprofit organizations fulfill their mission and goals and also if the organizations are flexible and able to change their mission and goals if demanded by the external environment.⁶⁴

There is no clear distinction between output and throughput measures. Both can be linked to organizations' activities, efficiency and capacity. In order to be able to separate them throughputs could be described as outputs relative to inputs.

Outcomes are very closely related to the organization's mission. Measuring outcomes and evaluating effectiveness make it possible to see to what degree the organization achieve its mission and goals.⁶⁵ Zimmerman and Stevens present numerous ways of measuring outcomes, for example measuring participant satisfaction or changing attitudes and behavior among participants⁶⁶. How well the organization has reduced homelessness after a disaster is another example⁶⁷. As an alternative to measure outcomes several researchers suggest measuring **impact** on mission. Impact is defined as all, even unintended, changes that are the result of the organizations' activities. The measured

⁵⁸ Ammons (referred to by Jo An M. Zimmermann and Bonnie W. Stevens, "The Use of Performance Measurement in South Carolina Nonprofits", *Nonprofit Management & Leadership*, Vol. 16, No.3 (2006): p. 316)

⁵⁹ Susan Wainwright, *Measuring IMPACT: A Guide to Resources* p. 10 and Medina-Borja and Triantis, "A Conceptual Framework", p. 152

⁶⁰ Solà and Prior, "Measuring Productivity and Quality Changes Using Data Envelopment", p. 220

⁶¹ Zimmermann and Stevens, "The Use of Performance Measurement", p. 317

⁶² Solà and Prior, "Measuring Productivity and Quality Changes Using Data Envelopment", p. 220

⁶³ Sawhill and Williamson, "Mission Impossible?", p. 379-380

⁶⁴ Medina-Borja and Triantis, "A Conceptual Framework to Evaluate Performance", p. 153-154

⁶⁵ Zimmermann and Stevens, "The Use of Performance Measurement", p. 316-317

⁶⁶ *Ibid*, p. 316-317

⁶⁷ Medina-Borja and Triantis, "A Conceptual Framework to Evaluate Performance", p. 152

impact can be long-term or short-term, as well as positive or negative.⁶⁸ In their study Sawhill and Williamson show that measuring impact on mission is difficult. As one anonymous nonprofit manager expressed; “*Measuring mission success is like the Holy Grail for nonprofit – much sought after, but never found.*”⁶⁹ A more complex mission means more complex measurement, indicating that nonprofits perhaps need to simplify their missions to be capable to measure impact. Instead of trying to measure the impact of their mission nonprofits are better off identifying certain goals within their mission and put emphasis on measuring how well they achieve these identified goals.⁷⁰ Zimmermann and Stevens agree with Sawhill and Williamson that there is a point by breaking up the mission into several objectives.

To make the relationship between the different indicators foreseeable we are going to present these performance indicators in Table 1.

Table 1. *Summary Indicators*

Indicators	Definition	Example
Inputs	Everything that is needed to carry out a mission or a certain project	Staff, material
Outputs	Quantity of work performed	The amount of shelters provided during a disaster
The relationship between outputs and inputs = <i>efficiency</i>		
Throughputs	All activity measures, the capacity of the organization	How well they perform during a disaster (short-term), inputs relative to outputs
Outcomes	To what degree an organization achieves its missions, both long-term and short-term measures	Participant satisfaction
Impact	All, even unintended, changes that results from organizations' activities. Negative as well as positive.	Effects in the society caused by a law change. E.g. changes in living conditions
To what degree the organization achieves its missions = <i>effectiveness</i>		

⁶⁸ Wainwright, *Measuring IMPACT*, p.10

⁶⁹ Sawhill and Williamson, “Mission Impossible?”, p. 377-379

⁷⁰ Ibid, p. 380-383

3.4.3 Performance measurement frameworks

Researchers have done some efforts to develop frameworks for the nonprofit sector recent years. Not as many frameworks have been developed and tested for nonprofits as for for-profits. Nevertheless the following text is about specific frameworks that have been adopted and developed for nonprofits.

The Balanced Scorecard

In 1996 Kaplan and Norton's Balanced Scorecard was launched in nonprofits.⁷¹ The original four perspectives were tailored to better match nonprofit organizations' special features. Thus, several modifications were made. The financial perspective at the top of the original Balanced Scorecard was replaced with the organizations' mission and objectives. Placing mission and objectives at the top of the scorecard means a focus on outcomes, what the organizations are supposed to accomplish, rather than on the activities. The activities should be seen as tools to be able to create impact on mission and objectives.⁷² Outcomes are often difficult to measure and by having a framework mainly focused on intangible outcomes provides a narrow overall picture. Moreover, without measuring throughputs the organization does not gain information about organizational capacity.

Recognizing that nonprofits' customer relations are multifaceted Kaplan developed two categories of customers. There are the service receivers and those who pay for the services.⁷³ The reason for separating these roles is that groups who provide financial support usually are different from those who benefit from the services provided.⁷⁴

To successfully implement the Balanced Scorecard managers must fully support the framework. Implementing convenient and clear strategies and communicating with all individuals within the organizations are crucial for the framework to lead improvements.⁷⁵ Failures are according to Kaplan caused by managers' inability to implement the framework and not on disabilities in the framework itself. However, the fact that it requires a lot from managers can be seen as a major drawback with the framework.

The Balanced Scorecard adapted to nonprofits is illustrated in figure 3.

⁷¹ Kaplan, "Strategic Performance Measurement and Management", p. 354-357

⁷² Ibid, p. 354-357

⁷³ Ibid, p. 360-361

⁷⁴ Ibid, p. 369

⁷⁵ Ibid, p. 368

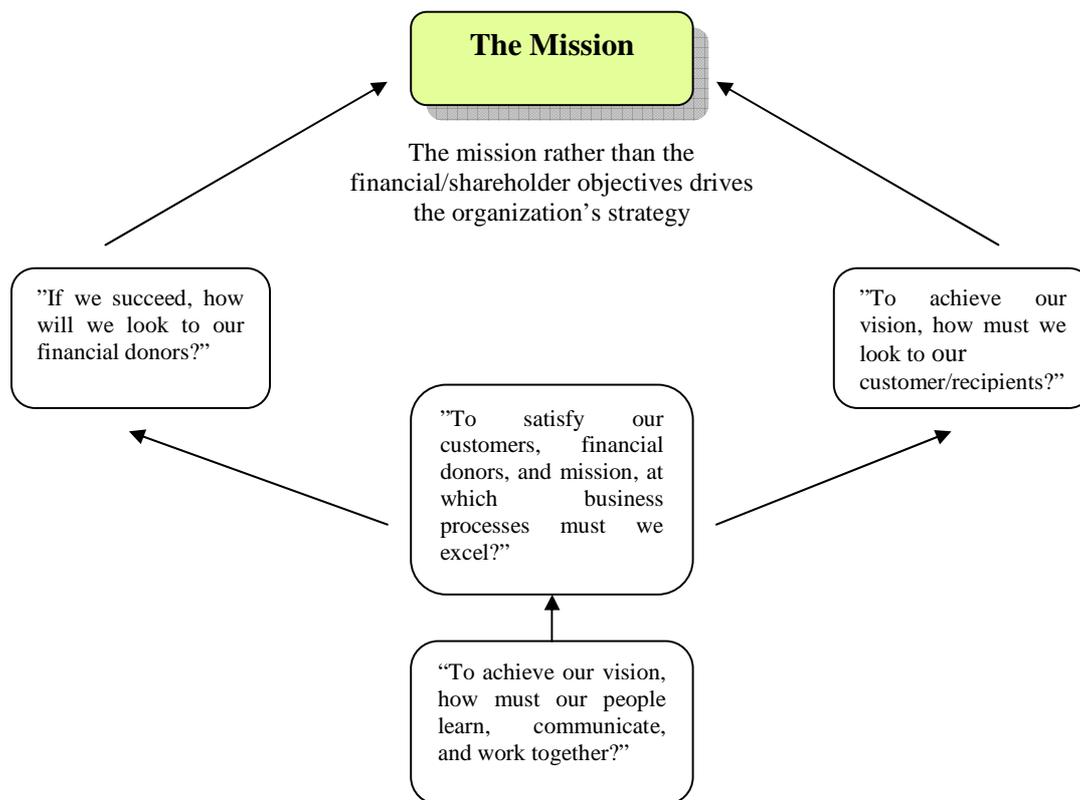


Figure 3. *The Balanced Scorecard for Nonprofits*⁷⁶

The production of welfare framework, POW

In an article from 2002 Kendall and Knapp present a framework for measuring performance in nonprofits called The Production of Welfare Framework. The main elements of the POW framework are; *final outcomes* (for example changes in welfare), *intermediate outputs or outcomes* (volume of services provided, quality), *resource inputs* (staff, volunteers, members etc.) and *non-resource inputs* (opinions and attitudes of individuals within the organization and nearby social environment).⁷⁷ The POW framework also includes a so called meso and macro context. The meso context covers the internal social environment. The macro context on the other hand refers to the external environment, which are constituted by entities that affect the nonprofits without being directly connected to the specific nonprofit.⁷⁸ The relationship between all the above mentioned elements is illustrated in figure 4.

⁷⁶ Adopted from Robert S. Kaplan, "Strategic Performance Measurement and Management in Nonprofit Organizations", *Nonprofit Management & Leadership*, Vol. 11, No. 3 (2001): p. 361

⁷⁷ Jeremy Kendall, and Martin Knapp, "Measuring the Performance of Voluntary Organizations", *Public Management*, Vol. 2, No. 1 (2000): p.114

⁷⁸ *Ibid*, p.117

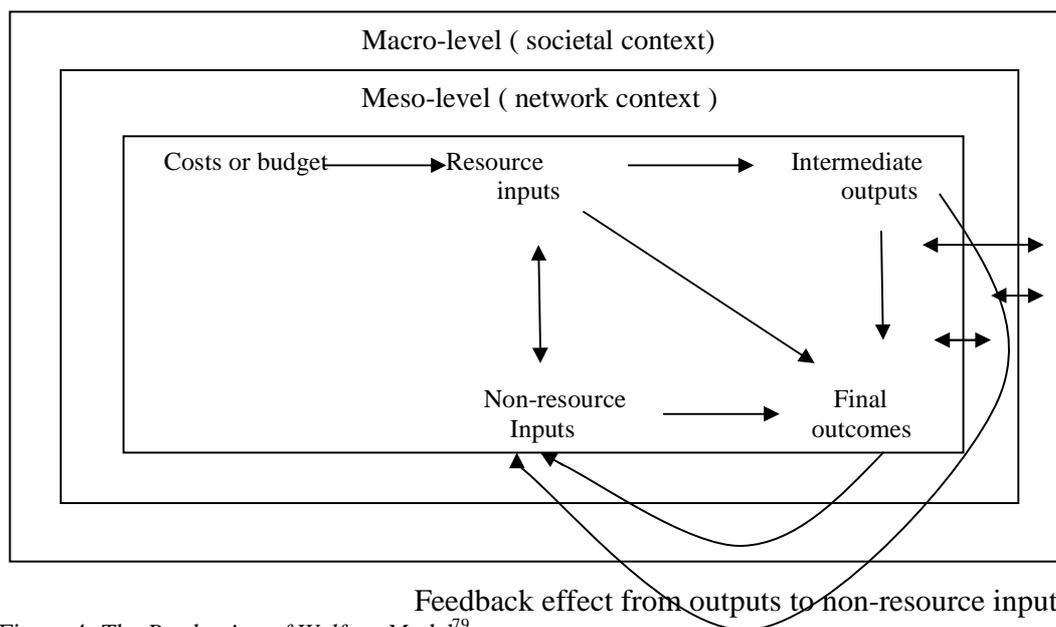


Figure 4. *The Production of Welfare Model*⁷⁹

Kendall and Knapp further present eight performance domains and indicator sets; economy, effectiveness, choice/pluralism, efficiency, equity, participation, advocacy and innovation. Each domain is not relevant for all nonprofits but is dependent on the context in which the particular nonprofit operate in.⁸⁰

Economy is linked to the resource inputs and expenditures. *Effectiveness* includes the intermediate outputs and outcomes. Final outcomes can be difficult and expensive to measure, but not impossible according to the authors. A concrete example of a final outcome measure is improvements in social situation. Kendall and Knapp argue that only measuring effectiveness is not enough, measuring *efficiency* by measuring the relationship between inputs and outputs is also important.⁸¹

Donors want to be sure that their donations are used just and fair, *equity* is therefore another domain of importance in nonprofit organizations. Public attitudes differ between societies which mean that nonprofits' missions must match the society in which they operate in to gain equity. An equity measure suggested is the organization's accessibility, meaning for example if access is barred to certain people.⁸² Equity is about how the organization is perceived by its surroundings, thus it is very important to have a good reputation. This can be related to brand equity in businesses. The more familiar a nonprofit is in the society, the easier it gets to receive their support.

⁷⁹ Adopted from Jeremy Kendall, and Martin Knapp, "Measuring the Performance of Voluntary Organizations", *Public Management*, Vol. 2, No. 1 (2000): p.120

⁸⁰ Kendall, and Knapp, "Measuring the Performance of Voluntary Organizations", p.121

⁸¹ Ibid, p. 122-125

⁸² Ibid, p. 125-126

Participation is another domain of great importance for nonprofits. The higher amount of members the more trustworthy appearance. Measures within this field are number of members, members' geographical position and members' attitudes.⁸³

Even nonprofits call for adjustments and improvements and that is why *innovation* is one of the domains. Innovation is a process that results in new services or processes that is better than the previous. Suitable measures suggested are how many innovations the organization has reported during the year or what organizational activities support or prevent innovation.⁸⁴

Considering the eight main elements, the different domains and indicator sets, plus the meso and macro context, Kendall and Knapp's model is quite hard to grasp. It requires a lot of data and information which according to Anheier makes it more suited for larger organizations⁸⁵.

Logical Framework Approach, LFA

The Logical Framework Approach was developed and used in USAID already in the late 1960's. Since then it has been recognized by other nonprofits.⁸⁶ The LFA is a tool for management by objectives and for project planning⁸⁷. It is used for auditing, for follow-ups and for evaluation of projects and programs. Performance measurement is included in one of the nine steps that the framework is made up by. The nine steps are; context, stakeholder analysis, problem analysis, objective analysis, activities, resource planning, identifying indicators on goal achievement, risk analysis and assumptions. It is up to the organizations to decide in which order the steps are made.⁸⁸

The way of using LFA may vary between the organizations. In some organizations the LFA is used at the planning stage explicitly, while in other organizations it is used for performance measurement as well. The LFA consists of a matrix, the LFA-matrix, made up by four rows and four columns. The rows represent different levels of project objectives and at each level indicators should be defined to enable performance measurement. The columns indicate how the achievement of these objectives can be verified.⁸⁹ A simplified example of a LFA-matrix is illustrated in Table 2, providing an overview on how the LFA can be used and the indicators' role in the framework.

⁸³ Kendall and Knapp, "Measuring the Performance of Voluntary Organizations"; p. 127

⁸⁴ Ibid, p. 128

⁸⁵ Anheier, p. 196

⁸⁶ *A tool for Project Management and People-driven Development. Part 1: Main Report.* Proceedings of the INTRAC and South Research Workshop. Leuven, Belgium, 16-18 May, 1994, p.3

⁸⁷ *En sammanfattning av LFA-teorin - Logical Framework Approach.* Published by Sida/Metodenheten, January 2003, p.3

⁸⁸ Ibid, p.5

⁸⁹ *A tool for Project Management and People-driven Development. Part 1: Main Report.* Proceedings of the INTRAC and South Research Workshop. Leuven, Belgium, 16-18 May, 1994, pp.3-5

Table 2. *LFA-matrix*⁹⁰

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
Project goal (General Objective)	Measures of Goal Achievement	Sources of information to be used	
Project Purpose (Specific Objective)	Measures of Purpose Achievement	Sources of information to be used	Assumptions affecting Purpose-Goal linkage
Outputs (Results)	Measures of Outputs Achievement	Sources of information to be used	Assumptions affecting Outputs-Purpose linkage
Inputs (Activities)	Nature and level of resources necessary	Costs of the project	Assumptions affecting Inputs-Outputs linkage
			Initial assumptions about the project (preconditions)

Nonprofits' both have positive and negative experiences from working with the LFA. One advantage with the LFA is that it standardizes the project design, thus those involved in the project operate in the same way. Moreover, the LFA forces those who are involved in a project to reflect over what impact they want to achieve and with what inputs and outputs.⁹¹ Since measures and how to measure are standardized in a matrix project members can just fill out the matrix according to the standards which simplify performance measurement⁹². However, the LFA has been criticized for its simplicity and for not taking all relevant factors into consideration. For example culture and terminology differences are left out from the matrix. Another disadvantage with the LFA is that it does not leave room for unexpected occurrences that may affect a project's result since the matrix is made in beforehand. Bakewell and Garbutt's research also points out that some nonprofits have learned to use the LFA approach not for evaluation purposes, but rather only as a mean to get more funding from their donors.⁹³

3.4.4 No general recipe

From above it becomes clear that there are different opinions about what should be the main focus of performance measurement and a performance measurement framework. The Balanced Scorecard focuses on strategy and mission, whereas Kendall and Knapp's POW framework focuses on context. The LFA framework on the other hand is highly project oriented. We can conclude that these are only frameworks and do not offer a complete answer to nonprofits on how to measure performance.

Forbes states in his article that performance measurement in nonprofit organizations is complex. Nonprofit organizations require other measures than businesses in the for-profit sector because they do not share the same financial goals as their counterparts in the

⁹⁰ Adopted from *A Tool for Project Management and People-driven Development. Part 1: Main report*, p.4

⁹¹ Oliver Bakewell and Anne Garbutt, *SEKA – Resultatredovisningsprojekt: The use and abuse of the logical framework approach*. Published by Sida, 2005, p.18

⁹² *En sammanfattning av LFA-teorin - Logical Framework Approach*, p.12

⁹³ Bakewell and Garbutt, *SEKA – Resultatredovisningsprojekt: The use and abuse of the LFA*. p.12-14

private sector.⁹⁴ Kaplan argues that nonprofit organizations instead of measuring financial objectives for example should measure how effective and efficient they cover the needs of their stakeholders.⁹⁵ Sawhill and Williamson goes one step further by drawing the conclusion that “*performance measures must be tailored to the missions and goals of individual institutions; no generic scorecard nor any universal set of indicators will work in all cases for all nonprofits*”.⁹⁶ Also Kendall and Knapp state that there is no universal recipe due to the fact that nonprofits are surrounded by many stakeholders; their donors, public bodies, individual staff, service clients, regulative bodies, volunteers, as well as other nonprofits. The complex environment in which nonprofits operate is unique and having a performance measurement approach for all nonprofits is very difficult.⁹⁷ According to Medina-Borja, the most important task for nonprofits is to determine what specific areas are relevant to measure in their organization, by taking both their internal and external environment into consideration.⁹⁸

What the above mentioned authors have in common is that they all have recognized the complexity of performance measurement in nonprofits and that performance measures and systems have to be adjusted to the specific environment and organization. However, there are those who disagree, Herman and Renz point out that if measures always are context specific it is impossible to make appropriate comparisons between different nonprofit organizations.⁹⁹ According to Ritchie and Kolodinsky there is a lack of evaluation and consensus regarding financial performance measures, which causes problems for both practitioners and researchers. For researchers it becomes difficult to make conclusions about which activities and attributes of nonprofit organizations that lead to higher performance. For practitioners it becomes difficult to identify measures that enable them to compare their performance with that of similar organizations.¹⁰⁰

3.5 Theoretical framework

The different components in the presented theory is summarized and put together in a theoretical model, Figure 5. The environment is the nonprofits’ external and internal environment. Example of important factors in the external environment are; stakeholders, public attitudes and regulations, e.g. the context in which the nonprofit operates in. Examples of internal factors are for instance organizational capacity, available resources, attitudes among staff etc. Since we have concluded that both the internal and external environment must to be taken into consideration when implementing performance measurement in nonprofit organizations it constitute the frame for performance measurement. The concept of performance measurement is included since it provides

⁹⁴ Forbes, “Measure the Unmeasurable”, p. 184

⁹⁵ Kaplan, “Strategic Performance Measurement and Management”, p. 353

⁹⁶ Sawhill and Williamson, “Mission Impossible?”, p. 380-384

⁹⁷ Kendall and Knapp, “Measuring the Performance of Voluntary Organizations”, p. 129

⁹⁸ Medina-Borja and Triantis, “A Conceptual Framework to Evaluate Performance”, p. 159

⁹⁹ Robert D. Herman and David O. Renz, “Theses on Nonprofit Organizational Effectiveness”, *Nonprofit and Voluntary Sector Quarterly*, Vol. 28, No. 2 (1999), p. 121-122

¹⁰⁰ William J. Ritchie and Robert W. Kolodinsky, “Nonprofit Organization Financial Performance Measurement: An Evaluation of New and Existing Financial Performance Measures”, *Nonprofit Management & Leadership*, Vol. 13, No. 4 (2003): p. 368-369

information about the organizations' possessed knowledge about performance measurement and how they interpret the concept. For example we want to know whether performance measurement is interpreted as a tool to improve effectiveness and efficiency or if it is interpreted as a mean to be able to show impact on mission, or maybe both. Also their view on performance measurement's role in nonprofits is included.

The meaning given to the concept of performance measurement affects usage. Usage is simply what is measured and to what degree the organizations use performance measurement. Usage is in turn also affected by reasons for measuring, therefore it is important to include for what reasons and for whom the performance measurement is used. Experiences of performance measurement, or the lack of it, affect both reasons for measuring as well as usage. Experiences can be either negative or positive, it is the difficulties and possibilities experienced when measuring performance. We also added future as one component in the theoretical framework because of its possible contribution to additional information about the development of performance measurement in the studied nonprofits.

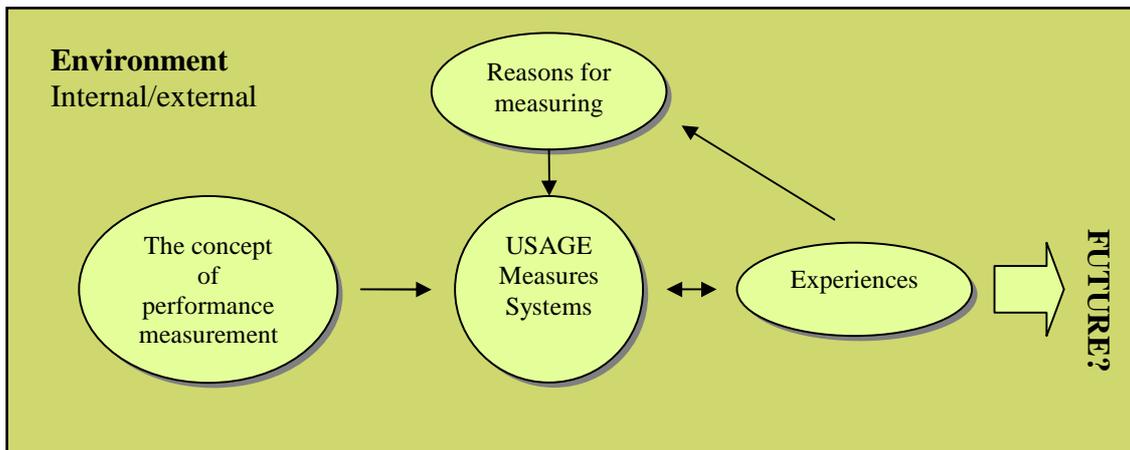


Figure 5. Theoretical Framework

4. RESEARCH PROCESS

Before presenting our results we are going to provide detailed information about the procedure leading to these results.

4.1 Qualitative method

“The researcher chooses a qualitative methodology based on the project’s purpose; its schedule, including the speed with which insights are needed; its budget; the issue(s) or topic(s) being studied; the types of participants needed; and the researcher’s skill, personality and preferences.”¹⁰¹

The quotation from Cooper and Schindler describes the complexity of choosing research approach and instrument for data collection. It implies that it is not simply one determining factor but several to take into consideration when deciding on research method. Ideally problem definition and purpose should be the determining factors but practical issues cannot be overseen. Since we wanted access to the viewpoints of the representatives of the civil society organizations a qualitative research was found to be appropriate because of its focus on insight and understanding from the perspectives of those being studied¹⁰². Moreover, the current gap of knowledge within the area of performance measurement in Swedish civil society organizations was one important aspect when choosing research approach. We aimed to discover new information instead of verifying existing theories, leading us to adopt a qualitative approach before a quantitative approach. We conducted semi-structured interviews and we also collected some additional information from the organizations’ homepages, annual reports and documents sent to us by the respondents.

4.2 Choice of organizations and respondents

In order to find suitable interview objects we first needed to decide on which organizations to investigate and as a second step choose whom within the organization to interview.

Because having narrowed down our problem definition to only include framework organizations to Sida the range of organizations was very limited from the beginning. During 2006 there were 15 framework organizations. The framework organizations are listed on Sida’s homepage and in no particular order we contacted the organizations. Since we wanted different angles to appear we did not want limit our choice of organizations to only cover a homogenous group of organizations. Thus, in order to cover

¹⁰¹ Donald R. Cooper and Pamela S. Schindler. *Business Research Methods* (Singapore: McGraw Hill, 2006): p. 202

¹⁰² Sharan B. Merriam, *Case Study Research in Education. A quantitative approach* (San Francisco: Jossey-Bass Publishers, 1988): p. 3

a range of organizations we decided to include organizations of different sizes and at different stages in the implementation process of performance measurement. When conducting five interviews we had covered organizations meeting these criteria. Considering the size and the time limitation of our study we were not able to interview all of the framework organizations, which had been the most optimal choice.

When choosing whom to interview our criterion for the respondent was that he or she should possess knowledge of the organizations performance measurement and be able to contribute to the understanding of the problem, meaning a person in some way responsible for performance measurement or a person with great knowledge about the subject. Since we did not have access to the information on whom within the organization that makes the decisions or possesses knowledge with regards to performance measurement we found it difficult to identify these persons. We started by calling the headquarters telephone exchange of each organization. We explained the topic of our study and from these initial contacts we were referred to people within the organizations which they thought could be suitable. These persons did not in all occasions match our criterion but we were then referred to additional contacts that possessed knowledge about the research subject and thus were suitable interview objects for our study. The final respondents were people within the organizations working with evaluation, planning and follow-ups, an aid handling officer, a person working with applications to Sida and a HR consultant. The reason for the spread among the respondents can be that the performance measurement is not systemized yet in all organizations and therefore it is not clear who has the main responsibility for performance measurement.

4.3 The interview process

As we declared earlier the purpose of this study is to understand and interpret the respondents' experiences with performance measurement and therefore we found qualitative interviews to be the most appropriate alternative. Since we needed access to the perspective on performance measurement of the persons being interviewed and since we wanted certain information from all respondents we decided to use semi-structured interviews. Semi-structured interviews allow flexibility and provide opportunities for new angles to appear¹⁰³.

Before conducting the interviews we prepared and formulated an interview guide which was based on the theoretical background. To ensure covering all aspects of the problem definition and later be able to answer it we developed a number of relevant themes from our theoretical framework; *the concept of performance measurement, why, usage, measures, performance measurement frameworks and experiences*. To be able to put our interview objects in a context we chose to add the themes *person* and *organization*. The interview schedule is attached in Appendix 1 and the English translation of the schedule is attached in Appendix 2.

¹⁰³ Bryman and Bell, (2005), p.363

The interview questions were sent beforehand to the person being interviewed. This action was taken to give the person a possibility to prepare on what to say but foremost as a way to ensure that they were the right person to interview. We are aware of the problems that arose by doing it this way. If the respondent is allowed to prepare his or her answers in beforehand there is a risk that we lose the spontaneity and likeliness to receive honest answers. On the other hand if we did not send the question in beforehand we could not be sure that the person was able to answer our questions at all.

All the interviews were conducted by telephone. When choosing telephone interviews over personal interviews practical issues, that are limited time and financial resources in this case, were the deciding factor since the respondents were located in Stockholm. These restraints can have been unfavorable since due to this we could not analyze and observe nonverbal behavior. Several factors may influence the data obtained from the respondents (health, mood at the time of interview and so on)¹⁰⁴.

All the interviews were conducted by one person and to ensure that the conditions for each interview were the same the person doing the interviews was the same during all occasions. We started each interview by presenting who we were and the purpose of our study. The aspects of anonymity and confidentiality were early covered. The interviews were also tape-recorded, after receiving permission, to ensure that everything being said during the interview was preserved for analysis. The material from the tape-recorder was later transcribed to written form to make analysis easier. Transforming oral communication to written communication always includes a risk to validity since spoken language differs from written language¹⁰⁵. Another aspect of language in this particular case is that the language used during the interviews is not the same language used in the thesis. There is a possibility that some information got lost in translation. To avoid sources of error depending on language we sent the English transcription to the respondents in order to get a confirmation of our interpretation. This in turn raises some ethical issues – how much should we allow the respondents to change what was said during the interview? We decided that we would correct pure factual errors but be careful to change expressed viewpoints and opinions. However, this was no problem since all the respondents gave their approval to our interpretations. From one of the respondents we were sent some additional documents about their performance measurement.

Overall the interviews were executed smoothly without any disturbance etc. All respondents took time to answer all the questions and had a positive attitude. Finally we will provide an overview of interview occasions and briefly comment the interviews. See Table 3.

¹⁰⁴ Merriam., p.84

¹⁰⁵ Steinar Kvale, *Den kvalitativa forskningsintervjun* (Lund: Studentlitteratur, 2006): p. 152

Table 3. *Interviews*

Organization	Interview object	Date and duration	Other comments
Delta	Project manager, responsible for evaluation, planning and organizational improvement.	12/13/07 60 minutes	Seemed to possess a great deal of knowledge and a positive attitude towards performance measurement. The respondent gave detailed answers and seemed to be positive towards our subject of the study. Had a lot of information that was sent to us before the interview.
Gamma	Working with planning and follow-ups	12/17/07 60 minutes	Had a lot to say and it was sometimes hard to follow the interview schedule. Stressed the fact that what were said during the interview are her opinions and not necessarily the organizations. Complemented the interview by sending some documents by e-mail.
Omega	Aid handling officer	12/17/07 45 minutes	Possessed knowledge of different performance measurement systems. The answers were sometimes short and not so descriptive. Thus, we needed to ask additional questions.
Sigma	HR consultant	12/20/07 45 minutes	Possessed knowledge of the organization, but the answers related to the actual performance measures were sometimes short. Gave advice on where to find more information.
Zeta	Informant for the communication department, also working with applications to Sida	01/03/08 50 minutes	Possessed a lot of knowledge of the organization and had long experience from the organization. Since they do not continuously measure performance the respondent could not answer every question.

4.4 Presentation and analysis

The collected material was analyzed and interpreted in these four different steps:

1. We got to know the material from the interviews by going through the transcriptions together and formed a general impression
2. We categorized the information into our different themes
3. We analyzed and interpreted the connection between the different themes
4. We looked for differences and similarities between the organizations and also with regards to theory and earlier research

We are not identifying the organizations and respondents by name because all of the respondents did not approve. We believe that anonymity does not affect our study much,

since our aim is not to study the particular organization, we are instead out to get an understanding for those organizations taking part in this study. Also, what we want to point out is that the respondents' answers presented are the viewpoints of the respondents, not necessarily the whole organizations'.

4.5 Comments on research process

When conducting an interview the respondents' reason to participate is important to reflect on in order to be able to evaluate the honesty of answers. We regard this topic as insensitive, meaning that we cannot find any reasons why the respondents consciously would provide dishonest answers. Another important aspect to reflect on is access and whether we are interviewing the right people. We struggled a little when trying to find the right persons to interview. Consequently we got access to people in different positions within the organizations. Due to the fact that not all of the respondents are working directly with performance measurement some valuable information could have got lost, affecting our study negatively and creating bias. We are aware that it probably would have been best to get access to the general secretaries but this was not possible because of their lack of time. However, the final respondents seemed to have an insight in the performance measurement in their organizations.

Earlier we have stressed the active role of the researcher and consequently the researchers' qualifications are of importance to final results. This became clear in the interview situation. Steering the interviews proved to be difficult due to the impossibility to read non-verbal signals and the lacking experience of conducting telephone interviews, resulting in incomplete answers in some areas. If we had used the same amount of time but instead had conducted personal interviews we could have gained more information.

In chapter two we made the reader aware of the fact that our prior knowledge possible has affected what questions are asked. To decrease the influence of our prior knowledge we prepared the interview schedule in consultation with our supervisor. Unfortunately a couple of our questions needed to be explained further to some of the respondents, opening up the possibility for leading questions.

5. THE FRAMEWORK ORGANIZATIONS

In this chapter the results from our interviews will be presented theme by theme. By presenting the answers theme by theme it becomes easier to put the organization versus each other at each theme. Since the viewpoints on the concept of performance measurement and why to measure performance did not vary that much among the respondents we present the main ideas together to avoid repetition. Usage, experiences and future work are unique for each organization due to the differences in size and way to carry out their missions. Therefore we present the organizations separately for these themes. However, to begin with we are going to provide background information about the organizations in our study since it is essential for the understanding of how these nonprofits operate and how other organizations are intergraded in their projects.

5.1 Background

In 2006 54 percent of the Swedish development assistance was channeled through Sida. The mission of Sida is to reduce poverty and to better the living conditions for people in development countries.¹⁰⁶ In order to carry out their mission Sida cooperates with civil society organizations. The direct cooperation takes place between Sida and the framework organizations, an organization that has entered a framework agreement with Sida. The general requirements for a framework organization are that they must have a democratic structure, their work must be based on democratic values and the organization must be transparent in regards to stakeholders and public.¹⁰⁷

The development work in the framework organizations is divided into two parts; supporting civil society in partner countries and promoting public debate on development cooperation in Sweden. Some of the organizations also mediate grants to their member organizations. The organizations operate independently, meaning that their activities are carried out under the organizations' own initiative and responsibility. However, by entering the framework agreement with Sida they promise to ensure that Sida's support is used in accordance with Sida's guidelines and general conditions.¹⁰⁸ In addition to the activities and projects that are funded by Sida the organizations also have activities and projects stretching outside their agreement with Sida. These activities vary between the different organizations.

The organizations' activities are of significance to the implementation of and the design of their performance measurement. Therefore Table 4 illustrates the main operation of the organizations interviewed. However, since the studied organizations are anonymous information about the individual organizations are limited in order to avoid revealing their identity. How much resources that are available within the organizations affect the expansion of performance measurement and is thereby also presented in the table.

¹⁰⁶ http://www.sida.se/sida/jsp/sida.jsp?d=105&a=3816&language=en_US [Accessed 2008-04-17]

¹⁰⁷ Guidelines for Grants from the Appropriation for NGO, July 2007. Published by Sida, Division for cooperation with non-governmental organizations, humanitarian assistance and conflict management, pp. 1-12

¹⁰⁸ Ibid

Table 4. *Framework organizations*

Organization	Turnover rate	Operation
Delta	Exceeding 250 MSEK	Supporting local organizations in order to improve living conditions for the poor
Gamma1	Exceeding 250 MSEK	Working for Children's Rights and influencing public attitudes
Omega	Between 150 and 250 MSEK	Oppose poverty by spreading knowledge and providing tools to better living conditions
Sigma	Between 150 and 250 MSEK	Working for Children's Rights, sponsoring activities
Zeta	Below 150 MSEK	Spreading knowledge about and create solutions on environmental issues, influencing politicians

The framework organizations must finance at least ten percent of the total budget supported by Sida according to the so called "self-financing" principle.¹⁰⁹ If for example one organization generates 10 MKR from fundraising, Sida grants 90 MKR. However, in two of the organizations in our study the grants are not based on this principle. Zeta and Sigma apply for funding for each project. Nonprofits other sources of income are; raised funds, membership fees and book sales.

In order for Sida to be able to assess the quality of the framework organizations the organizations are responsible for planning, follow-ups, reporting and analysis of the results¹¹⁰. The planning and reporting system is based on the Logical Framework Approach described in theory.

5.2 *The concept*

Since performance measurement is a concept that derives from the business sector we find it important to capture how our nonprofit organizations interpret the concept.

The concept *performance measurement*, or its direct translation to Swedish (*prestationsmätning*), is not used as such by any of our respondents in their day-to-day work. In one of the organizations they use the word monitoring which seems to correspond to what is meant by performance measurement in our thesis. In the other organizations we have not been able to identify a specific word used to describe the organization's measuring activities. One respondent point out that it is difficult to say what performance measurement really is, that it depends on what you mean by performance, organizational performance or individual performance etc.

¹⁰⁹ Guidelines for Grants from the Appropriation for NGO, July 2007. Published by Sida, Division for cooperation with non-governmental organizations, humanitarian assistance and conflict management, p.3

¹¹⁰ Ibid, p.12

Performance measurement is in general seen as measuring what has been accomplished and also measuring the efficiency, illustrated in following quotations:

“the impact or effect which the organization has on those they are trying to help”¹¹¹

“the efficiency in which the activities can be carried out”¹¹²

Performance is also discussed in terms of short-term and long-term aspects. If only considering the word the respondents first and foremost link it to the immediate results. However, during the interviews they include long-term aspects as well.

We further asked what the respondents thought were specific for performance measurement in nonprofits. The respondent in Delta says:

“a business can measure profit, but in our case the value of our results do not show until years later, complex processes and other factors have an influence as well”

All respondents mentioned that performance measurement is complicated in nonprofit organizations. For example their activities take place far from the headquarters. Another reason that makes performance measurement more difficult in nonprofit sector experienced by all respondents is the fact that the value created is not evident before long after the actual activity took place. Hence it is difficult to say if it is the organization's efforts that have lead to the results. The complex processes involved in the activities of nonprofit organizations and the many different factors, not controlled over by the nonprofits, is also seen as one reason why it is hard to express what has been accomplished in measurable terms.

“I think that nonprofit organizations should not be out of the trend, it is likely important to achieve good results, to have a driving force to improvements. I think it would be interesting to accept these tools to nonprofit organizations.”

Above quotation is from the respondent in Gamma. From all interviews it becomes clear that there is an ongoing discussion about performance measurement in the nonprofit sector and that the organizations are aware of the importance of continuously measure what they accomplish even though it is difficult. One of our respondents points out that our thesis is highly topical today. Another respondent stress the fact that it is important to be able to report what they accomplish to donors and Sida, without putting too much efforts and resources into measuring activities.

“Yes, it is different from before, the world is so different now, slowly we have had to adopt. I mean, we compete with other organizations about people's money, time and commitment.”

¹¹¹ From interview with Omega

¹¹² From interview with Sigma

The respondent in Gamma further has noticed that the view on nonprofits is different today than before, illustrated in the quotation above. Before nonprofits were not connected with commercial concepts like competition and trademarks, but today that is much more common. However, it is not yet completely accepted to talk in these terms.

5.3 Why measure performance?

We asked the respondents why performance measurement is used in general and why it is used in their organizations in order to be able to identify both external and internal factors that have been the driving forces for implementing performance measurement.

Sida requires that their framework organizations evaluate their projects and report back to them. Due to this performance measurement is used to some extent in all organizations and is the most obvious reasons for measuring. One respondent states that these requirements from outside are good. Sida has a lot of experience and possess knowledge which the organizations can take part of.

What also is understood from the interviews is that there is a willingness among the organizations to be able to show what has been accomplished to members and donors etc. One of the respondents compares the donors with businesses' customers and the fact that they also demand value for their money. Moreover, it is seen as important to report back to partners and local organizations in order to be able to evaluate and improve their co operations and projects.

Except for the above mentioned reasons for using performance measurement, the organizations also have their specific reasons. In the Monitoring log book that was sent to us by the respondent in Delta it says:

“through our monitoring we see if we are on the right track or if we are not and need to adjust and make changes in our plans and focus”

Also the respondent in Zeta has a similar line of reasoning. Performance measurement is used as a tool to reach a better understanding of the organization, what have succeeded and what have failed. It is seen as a development process which aims to improve the performance.

The respondent in Gamma sees performance measurement as an important tool for standardizing their work. Further the respondent explains that performance measurement is important because it is a way to guarantee the quality of the organization.

5.4 Usage

When seeking to understand the studied organizations' experiences with performance measurement we must identify what measures are used and if these measures are structured in a performance measurement framework.

Delta

Before the interview occasion the respondent sent us the organization's Monitoring Manual, a document containing detailed information on the organization's monitoring activities. It includes which indicators are used and their connection to organizational objectives plus instructions on how to extract information from the measuring reports.

The respondent explains that Delta uses narrative follow-ups as well as quantitative measures to evaluate performance. Performance indicators represent different levels of organizational objectives. The indicators are; inputs, outcomes, outputs and impact.

Output indicators measure the actual support provided and indicates on what has been done with the money spent. Since outputs do not say anything about what has been achieved with regards to the objectives most focus is put on outcomes and impact. The respondent further explains that Delta is giving economical support/advocacy on several levels and providing education to local organizations. Thus one thing they are interested in measuring is what the local organizations have done with the new resources/information Delta has provided them with. This is the outcomes of their projects. Impact refers to the actual accomplishments; to what extent they have fulfilled their goals. For example if their work has led to improved living conditions for people. A more concrete example is given; if efforts have led to a law change. There is a clear difference between impact and outcome. Outcome is an immediate result of work efforts while impact is a change that continuous long after the organization has finished the project.

These indicators constitute the organization's performance measurement framework, or monitoring system as it is called by the organization. It is inspired by the Logical Framework Approach. The respondent calls it their own LFA, modified to match their organization. Because of pre-conditions that are specific to their organization they have identified specific indicators in order to measure performance. Delta does not require that their partner organizations use their LFA. However, they require that partner organizations set objectives and report back to Delta in order for them to be able to measure their part of the work. According to the respondent their LFA is quite flexible and takes both negative and positive aspects into consideration. The respondent describes it as a way to look forward and to see how a problem can be solved and evaluated.

The respondent expresses that LFA requires that you are familiar with the system. The narrative reports are expressed very shortly in matrixes and in order to be able to extract information from the matrix one must know how it works. One way of presenting results from LFA to external stakeholders is to rewrite them. For example they choose some projects or measured results and summarize these in so called highlights of the year. The matrix used in Delta is found in Appendix 3.

Gamma

Except for the more formal reports to Sida the respondent cannot say that they continuously and systematically measure the effectiveness of their work. But they do have a system in order to control their work. They have plans stretching for four years,

which are further divided to plans stretching one year. These plans are analyzed and evaluated.

Right now their measurement is not standardized in a measuring system, but some of the projects are evaluated to be able to see how the local organizations proceed. It is up to each country or region to find suitable indicators to measure. For those projects being evaluated it is important that is not too much focus on numbers but neither not only one person's opinions. The respondent points out that it has to be balanced in order to receive meaningful information.

The measures are maybe not standardized or systematically measured, but the organization uses a self assessment model with eight areas to define performance and these are also evaluated. The areas are leadership, strength as public movement, straight profile and strong position, financial status, strong cooperative alliance, improvement of children's living standard, level of competence and capacity and level of children influence in the organization. To define these areas Gamma measures organizational capacity, for instance internal and external communication, board's capacity, significance in their policy etc. But as the respondent points out, this model could be used more and be further developed. It is still too much emphasis on where the money is spent instead of measures about the organization.

Except for the eight areas which are evaluated Gamma has implemented a Balanced Scorecard. Their Balanced Scorecard is divided into five different perspectives with specific indicators for each perspective. However, the respondent does not see it as a performance measurement framework but rather "*a way to sort information in different boxes*". We have enclosed their Balanced Scorecard in Appendix 4.

Omega

The organization evaluates their projects together with their partner organizations in order to learn from each other and in an attempt to improve. This evaluation is also the basis for the reports to for example Sida. The actual measures used represent three levels; individual, organizational and societal. Examples of measures given to us by the respondent are changes in living conditions, societal influence and economical status. Today these kinds of measures are implemented in their Latin America department but a modified version will soon be implemented in the Africa department as well. Moreover the measures only cover the organization's activities and projects, no internal measures are used.

The organization use something called a PME-system (planning, monitoring and evaluation). They started to develop the system for the Latin America department ten years ago, with help and inspiration from INTRAC. The system contains elements from the Logical Framework Approach and has been used in the Latin America department for five years. The measures that are used are depending on in which sector the work is carried out. Specific goals and indicators are set for each project or program. The final purpose with the system is to find ways to aggregate programs, but that far has not the organization developed the system yet. Omega fills in methodological sheets, which are

practical for evaluation and there are about ten different sheets. They consist of different scales and a concrete example is for instance the quality of the houses they build. There are also indicators that represent differences before and after finished work. The system also leaves room for so called case stories, which are more of narrative character.

The Balanced Scorecard has been introduced in East Africa department, but has not been that successful since it has a totally different approach than traditional project work.

Sigma

The organization is evaluating their projects according to Sida's guidelines. By going back to the place where the project took place they are able to do follow-ups and evaluate the whole project, for example which administrative costs there were and what was accomplished. The reports Sigma must to provide to Sida are well structured, but the respondent wants to clarify that it is not Sigma's own measures, the measures are Sida's. They also have an evaluation system called CPME (corporate planning and monitoring system) developed in not only Sigma here in Sweden, but also in their counterparts around world. The results from the measurement are used in their reports to Sida. However, sometimes there is a need for complementary information to fill the gap between Sida's system and the CPME-system. Important to mention is that these evaluations only cover Sigma's projects. Sigma has a model which they follow for each project and is presented in Appendix 5. Further Sigma has an interest in measure performance in order to have material that can be presented in their annual report. One way of measuring their performance is to have individual performance management discussions with employees within the organization.

Zeta

When measuring performance Zeta first of all focus on the quantitative measures, for instance number of members, number of people ordering their goods and number of participants in education programs. On their website they have well-laid statistics, for example number of homepage visitors, unique visitors and which search words that are used most frequent. However, the respondent is aware of the fact that these quantitative measures not always tell so much about the quality of their efforts.

During campaigns they use other measures. During for example their annual Environmental Week, they try to collect information through questionnaires as well as they are trying to find other important measurable indicators, as for example quantity of media attention. Further Zeta has campaigns during a certain time period in order to influence people to for example buy environmental friendly coffee instead of regular coffee. In order to measure how well their efforts has paid off they turn to the coffee companies and ask if there has been a change in consumer behavior. Sometimes they also make special interviews to collect data about their performance and efforts. Overall they do not have systematically way of measuring, except for the report they need to present to Sida.

5.5 Experiences

What are the respondents' experiences with performance measurement? We asked if the respondents had experienced any problems or possibilities with their way of measuring performance and how their performance measurement has developed through the years.

Delta

The respondent feels that there are some limitations with their LFA-system, but as long as the organization is aware of them it is alright. It has taken eight years to develop the LFA-system and now it is working satisfactory. The respondent believes that they are relatively well equipped in the performance measurement debate, as well as he feels confident in presenting the results. The only negative derived from developing this system as he sees it is the fact that it has been very time consuming and required a lot of resources.

“It has been a lot of try and error. We have done all sorts of mistakes on the way”

As the quotation indicates there have been some problems during the implementation process of LFA. One mistake made was that the measurement first was too focused on quantitative measures, such as number of member organizations or number of proposals, which actually did not tell so much about the organization's effectiveness. The use of a certain criteria map called SMART (specific, measurable, accepted, relevant and time specific) also lead to errors. Instead of finding indicators that represented the organization's goals, the indicator became too technical and did not match the goals. Moreover, Delta had some problems due to the fact that their partners' information from their performance measurement not always fulfilled Delta's demands on information. On the other hand Delta does not want to force their partners to use their system because it takes time to understand how the system works and their organization's indicators would probably only confuse and be interpreted differently by the other organizations. The gist of this is that it is hard to measure efforts that include other organizations. What also are difficult to measure are the direct results of activities, because the result of their activities may not appear before a couple of years later.

The respondent also has experienced that it is impossible to aggregate results from different projects and programs. For example if ten projects in different areas were carried out and four of those were successful and six were not, numbers would not say anything about actual achievements. He has learned that it is better to concentrate performance measurement to each separate project.

Delta is still experimenting with the so called highlight of the year and the narrative follow-ups. They are very important but on the other hand very resource demanding.

One personal highlight of the year for the respondent is when they collect and put together the information gathered from the performance measurement. Even if it does not always go strictly as planned, it is a confirmation on how the work precedes, good or bad. This is very important he says.

Gamma

The respondent has experienced that there is a different way of thinking in the nonprofit sector than before. Management tools from the business sector have proved to be important tools even in nonprofits, such as for example performance measurement. One example mentioned in the interview is how the content of the annual report has changed lately. Before it should contain the visions and goals of the organization, today it should also include internal organizational goals.

To deepen their knowledge about performance measurement Gamma has taken part of how the work proceeds in different countries, especially in England. They have worked together with big aid organizations, which have whole departments working with performance measurement. Also INTRAC have contributed with some knowledge.

The respondent believes that it is difficult to measure the impact of their projects. It requires a lot of resources in form of time and money. Today the organization does not have the resources required to follow up each project. She believes that sometimes it can even be unethical to report about individual human beings reality.

"we are not yet ready to introduce a measurement system, it requires introduction and education, and it has to be develop further in order to work"

The respondent's impression is that it is not many within the nonprofit sector who openly admits that it is hard to measure impact of the work and the fact that it is too many factors that affect the final result. She explains further that in order to understand how their organization can measure performance and what difficulties they meet it is important to understand that the organization mainly work to influence and support other organizations with similar goals. Since the organization educates local organizations she believes that a good approach is to measure how well they are able to educate and learn from own mistakes instead of measuring the impact they have on final result.

The respondent believe that there is a danger with performance measurement, meaning that nonprofits are more and more steered by donors and Sida's interest of results, than the actual receivers needs, which is way more important. Nevertheless it is not meaningless to measure performance and to improve the organizational capacity, but the measurement itself should not get the upper hand.

Omega

The development of performance measurement in Omega has been positive the last year. The respondent feels there is an interest in becoming better but that there is a lack concerning the use of performance measurement as a tool for internal evaluation. The respondent's own opinion is that it would be interesting to increase performance measurement within the organization and he does not see any reasons why nonprofits should not measure internal capacity, with the purpose of improving organizational effectiveness.

The respondent believes it is important to know for what reason the measures are used in order for the measurement to be any good. The respondent emphasizes that it is important to not only measure and gather information, but one also must analyze the collected material. One should not be satisfied with only completing the methodological sheets. The most important level to measure is the individual level since it is the foundation of the organizational level. If the individual level is weak the other levels become weak as well. However, earlier Omega focused too much on the individual level and still they were weak on organizational level. For that reason they have experienced that it is important to find a balance between the levels.

Further the respondent explains that it is hard to say whose efforts that have contributed to improvements. Moreover there has to be a balance between measurement and other activities. Measurement cannot take too much valuable time from helping the target group. Most difficult to measure is impact since it is hard to say if a positive and sustainable development has occurred. Before you can know if results have led to a sustainable development new projects already are going on.

Sigma

The organization is quite small looking at the number of employees, but still they run a relatively large organization. Taking this into consideration the respondent feels that they are relatively effective. The respondent points out that expect for the reports to Sida the organization does not have any other performance measurement right now. But after the interview she sends us a manual describing the CPME-system. The respondent feels that the most important thing to measure is the results of their projects. Moreover the respondent also believes it is important to measure how effectively the money is spent, but that it is complicated in nonprofit organizations. To exemplify she explains that a school build today may not give effects before a couple of years later.

Zeta

Easiest to measure according to the respondent is quantitative measures, everything that are accountable. It is much more difficult to measure for instance changes in attitudes. It is also difficult to measure actual results. For example if a phosphate ban has been carried out, it is not only the organization's efforts that have lead to the ban, other actors and factors are also involved. It is a complex environment.

As it has been for a long time, environmental issues are highly topical and it has meant a lot of work for the organization. Due to the scarce time resources the organization has to prioritize to fulfill the needs instead, without looking back and measure the effects and results of projects. The respondent believes that there is a need for improving their routines, to analyze and follow up the measure more, because it would probably pay off in the long run. Contrary to this they need to balance their scarce resources and time with measuring performance.

5.6 Future

Since performance measurement is a new phenomenon in nonprofits it is interesting to see if they are planning to develop it further.

Delta

Their performance measurement system is now in its consolidation phase and for the time being no major changes are planned for. They will continue to educate people not used to the system to not only put focus on the separate activities but also on the whole process. The challenge, as the respondent sees it, is to develop the narrative follow-ups. Narrative follow-ups would call for more resources, resources that maybe not are available today.

Gamma

The organization will join a group of other organizations in other countries, in which Gamma is the organization responsible for finding a common way to measure performance and for developing a performance measurement framework. The respondent believes that it is important that all organizations in the alliance have the same routines and that the organizations become more transparent. The system is partly based on what the organization does today, but it will be further developed and documented. The system under development is called a PME-system. The PME-system mostly deals with the narrative parts, including follow-ups, planning and how to evaluate local partner organizations, but also economical and administrative issues. It is not so much about specific measures. Although it is called a PME-system, the respondent clarifies that it is not a system as such, but rather a framework and it is up to the organizations how they want to use it.

Omega

The respondent believes that the future holds more focus on performance measurement in nonprofits, a development which he thinks is positive. The next step for the organization is to introduce the system that has been implemented and working in the Latin America to the Africa department as well. Omega is also going to deepen their cooperation with other organizations in order to create some consensus between the systems.

Sigma

The respondent expects an even greater external pressure on nonprofits to measure performance. As a consequence of the increasing pressure the board has taken a decision about introducing a performance measurement system. FRII has very recently developed a performance measurement framework for nonprofits which will be introduced in Sigma. Late January 2008 the work will start, with support from both FRII and Öhrlings PricewaterCooperHouse.

Zeta

With the support from other organizations and guidelines from Sida and FRII the organization is going to develop their performance measurement and better their routines. By cooperating with those who already possess knowledge and have some experiences the respondent says that *“it is probably going to be better”*.

6. ANALYSIS

In this chapter we are going to analyze our collected material. When trying to understand the civil society organizations' experiences with performance measurement we find it meaningful to not only study each component separately but to analyze how all parts work together in order to create an understanding for the organizations' performance measurement as a whole. We are going to compare the organizations with each other and also in relation to theory and earlier research.

6.1 Model for analysis

The model we use for analyzing is adopted from our theoretical framework since it covers our purpose with this study. It is used to describe the different components and the environment in which nonprofits operates. In order to create a better understanding and to provide a more complex picture we will also analyze the relation between the components. See Figure 6 for our model for analysis.

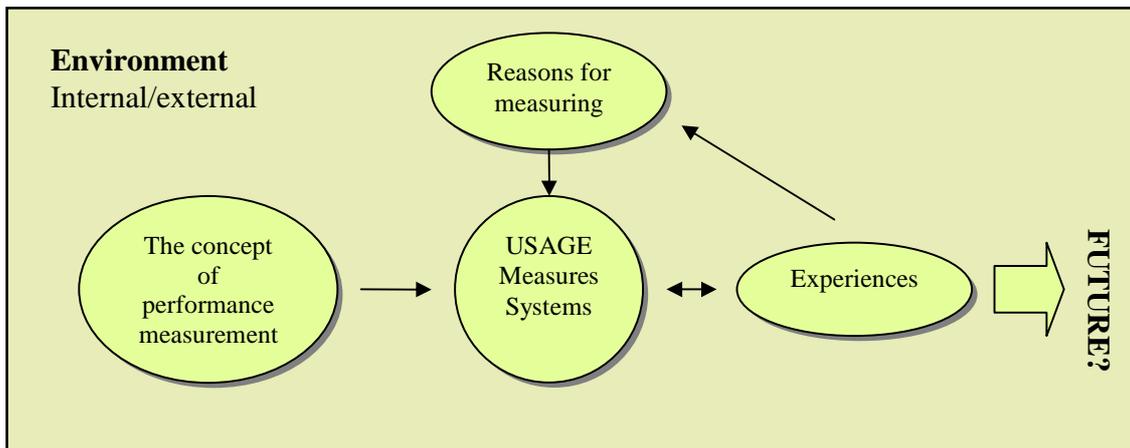
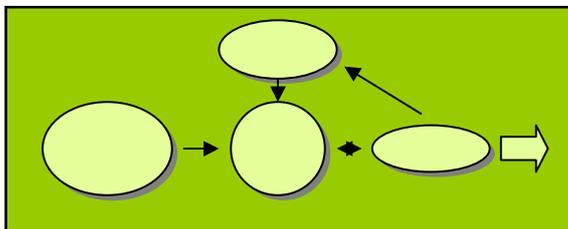


Figure 6. Model for analysis

6.2 The environment



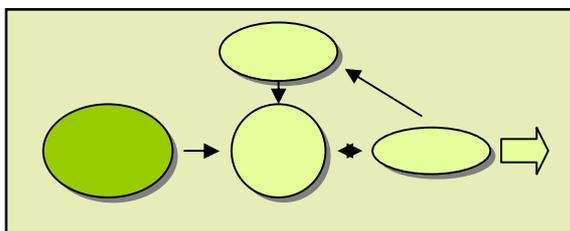
Many of the authors referred to in the theory chapter agrees on that the environment in which the nonprofit organizations operate in differ from the environment in which businesses operates in. This is also highlighted by our respondents. Due to the differences in environment between nonprofit organizations and businesses the conditions for performance measurement are not the same. Medina-Borja and Triantis state that it is important for nonprofits to take both the internal and external environment into

consideration when implementing performance measurement in nonprofits¹¹³. By our interpretations of the interviews the environment is not only something to take into consideration; it is evidently there all the time and set the frame for all organizations' activities. In our analysis we therefore assume that the environment in which the organization operates in affects several aspects of their performance measurement. For example we believe that it is of significance to how our respondents interpret the concept of performance measurement, why it is used (or if), how it is used and so on. In what way the environment have an effect will be developed further under each level.

We have earlier briefly described what we mean by environment but perhaps it is worth repeating. By the external environment we mean public attitudes, stakeholders and regulations etc. Apparently Sida is a very strong stakeholder to our studied organizations, but other partner organizations and advocacy groups are strong stakeholders as well. In order to fulfill their missions the studied organizations cooperates with other nonprofits and in many cases they are not the ones who do the work on site. Their task is often to provide education and funding to other organizations. This highly affects their performance measurement and what can be measured.

By the internal environment we mean for example available resources, attitudes among staff and organizational policies. Since performance measurement is both time-consuming and resource-demanding those with more resources have more opportunities to measure performance. However, that seems not to be the only reason why it differs how far developed the performance measurement is. Not surprisingly, in our study the organization with the most extensive performance measurement is one of the biggest of the studied nonprofits. But the number one biggest organization does not measure performance systematically and not nearly to the same extent as some of the smaller ones. The respondent in the latter organization is also the one that early during the interview pin point that there lays a danger in focus on Sida and other stakeholders' demands on information instead of focusing on their target group. This indicates that internal factors such as attitudes are of great influence.

6.3 The concept



There is no single way to define the concept of performance measurement. Researchers and people within organizations put their own meaning to the concept and it also changes over time. Earlier we have presented two different definitions of performance measurement;

*“the process of quantifying the efficiency and effectiveness of action”*¹¹⁴ and *“to what degree an organization fulfill its goals.”*¹¹⁵

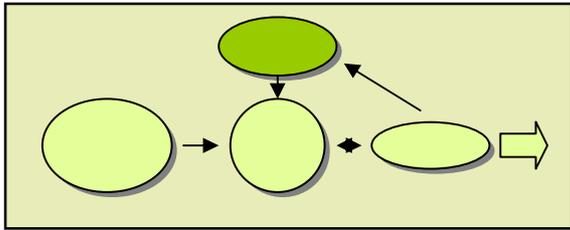
¹¹³ Medina-Borja and Triantis, p159.

¹¹⁴ Neely, Gregory and Platts. “Performance measurement system and design”, p. 1229

¹¹⁵ Forbes, “Measuring the Unmeasurable” p. 185-186

The concept of performance measurement is not self-evident in this context. Only one of the respondents talked in terms of inputs, outputs, outcomes and impact and that is the person representing the organization that has come furthest in their performance measurement. This person has also worked directly with performance measurement and LFA during a longer period of time, which means that he probably has a deeper insight into the subject. One reason for the concept not being used could be its strong connection with the business world. As one respondent point out it is not yet fully accepted to talk in terms of the business world. Although the word is not used as such, when discussing the concept during the interviews the respondents seem to give the same meaning as in theory, both in terms of whether stakeholder requirements are met and to what degree they have succeeded in reaching their goals. Moreover, they also seem to include the efficiency in which their activities are carried out.

6.4 Why measure performance?



Zimmermann and Stevens' study on nonprofits in South Carolina shows that the most frequent reason for measuring performance is requirements from external stakeholders.¹¹⁶ Not surprisingly this was the primary reason for measuring performance in our studied organizations

as well. Evidently there is a need to present what has been accomplished to those having an interest in the organization's success and failures even here in Sweden.

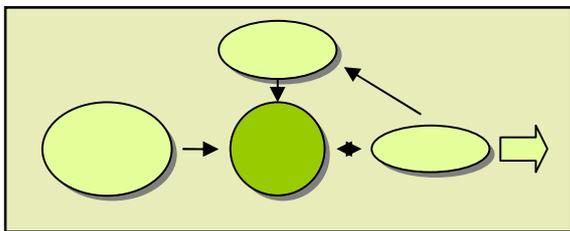
Many of the reasons that are mentioned during the interviews (as a mean to guarantee quality, a mean for standardization and to ensure to public what has been accomplished) indicate that performance measurement mainly is used to fulfill external demands. The respondent in Gamma expresses a concern that there will be too much focus on the external demands from Sida and other stakeholders and that there is a risk that the need of their target groups will be neglected. From this we draw the conclusion that the only reason for measuring performance should not only be to satisfy the stakeholders, but one should also be assure that it is beneficial for the receivers of services as well, for example by leading to improvements. One of the central aspects of performance measurement is to improve the organization by increasing the efficiency and effectiveness, only fulfilling external demands cannot contribute to improvements within the organization. The organizations seem to be aware of the fact that the measures only are useful if the collected data is analyzed by themselves and not only by those they are presenting it to. As the organizations gain more experience they learn how to analyze the collected data and how to use it in a way that lead to improvements.

We also have found reasons for not measuring performance. The fact that it is time-consuming and resource-demanding is of course one important factor. The reason why Zeta focuses on quantitative measures even though they are aware of the fact that it does

¹¹⁶ Zimmermann and Stevens, "The Use of Performance Measurement", p.320-321

not say something about the actual accomplishments is simply because they do not have enough resources to go back and measure outcomes and impact, instead they are concentrating on the new projects. Another reason for not measuring performance is that it is seen as more important to invest the money in helping the target group. In the study made by KPMG on businesses with a turnover rate exceeding 500 MSEK many of the investigated businesses experienced performance measurement to be too resource demanding and thus hard to motivate. By the light of this is not surprising that our studied nonprofits, none of them with a turnover rate exceeding 300 MSEK, sometimes find it difficult to motivate to measure performance.

6.5 Usage



Considering the fact that the primary reason for measuring is the requirements from Sida the usage are highly affected by this. The organizations need to have measures that match Sida's requirements. According to guidelines from Sida the Logical Framework Approach should be

used for project planning and reporting. However, it differs how widely the LFA is used among the organizations. In general the LFA is not seen as a performance measurement system. Instead it is seen as a tool for planning and evaluating projects. Some of the organizations only use it for their reports to Sida while others have developed it further and use it for other purposes as well. The respondent in Sigma points out that the LFA that is required by Sida consists of measures that are not the organization's own measures. This could be one reason why it is not used more in their organization, adopting other's measures can prove to be troublesome. Delta, however, has adapted and developed the LFA to match their organization. PME-systems based upon the LFA have been introduced in two organizations and is going to be introduced in a third organization. The initiative to the PME-systems derives from FRII.

Internal reasons for performance measurement affect which measures are prioritized by the organizations. To exemplify the respondent in Delta says that the highlight of the year is to gather results from performance measurement and he believes that it is of great importance to measure how well their projects turned out. That is why Delta is putting most of their efforts on measuring outcomes and impact on their projects. In Zeta a focus on quantitative measures is motivated simply by the fact that outcomes and impact are perceived as too difficult and too resource demanding to measure.

During two of the interviews we came across the Balanced Scorecard. The Scorecard had recently been introduced in both organizations. However, none of the respondents were overly optimistic. The respondent in Gamma views the Balanced Scorecard as a tool to sort information in different boxes, but not as a mean to follow-up the quality of their activities. The respondent in Omega explains that the implementation of the Balanced Scorecard in their organization was not successful because it does not address the fact the organization work in projects. It would have been interesting if this reasoning would have

been developed further but unfortunately the question was not raised during the interviews. Maybe Kaplan would have explained the failure on the fact that the managers in Omega do not possess enough knowledge about how it should be implemented.

Internal capacity measures are not used by any of the organizations. The LFA and also the PME-systems concentrate on projects and not on internal efficiency measures and on organizational capacity. The little use for internal measures can be explained by the fact that performance measurement very recently has been introduced and the organizations have not yet noticed this opportunity. Only two of the respondents express that it would be useful. Although, Medina-Borja and Triantis mention that there is a trend among nonprofits to use performance measurement as a tool for rationalization.¹¹⁷ Their research is made in the U.S and that could be the reason why there is a gap between the picture provided by them and the results in our study. The culture in Swedish nonprofit sector widely differs from the culture in U.S nonprofits, which must be taken into consideration. Nevertheless, Swedish nonprofits are growing bigger and they are becoming more alike businesses, something that is expressed by the organizations themselves. Therefore we believe that it is important even among these organizations to optimize their internal capacity.

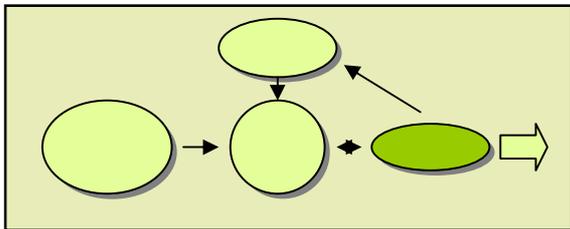
What is not clearly described in theory but something that we believe is fundamental for the success of performance measurement is that it must be continuous. If performance is not measured continuously one cannot see if the organization has improved or not. To be able to see if the organization has improved or not the results of the performance measurement need to be compared with earlier results. This is a weakness in for example Gamma, who in the current situation does not measure performance systematically. Examples of measures that are easy to compare are for instance input measures, such as number of completed projects, number of members etc. For instance Kendall and Knapp suggest measures on participation.¹¹⁸ If these numbers increase it indicates that the nonprofit grows. Gamma has such measures in their Balance Scorecard which could give them some information about their organization. But again, since they do not use the scorecard systematically the measures lose substance.

Evidently performance measurement and how it should be designed is highly affected by the LFA, and the further development of this to a PME-system, due to the fact that our studied organizations have turned to big aid organizations, FRII and Sida to find out how to measure. The LFA has been used by the bigger aid organizations and Sida during a longer time. None of the organizations have ever heard about Kendall and Knapps' POW framework. The reason for that is probably that the framework is developed in the U.K and it is not directly designed for our type of nonprofits.

¹¹⁷ Medina-Borja and Triantis, "A Conceptual Framework to Evaluate Performance", p. 149

¹¹⁸ Kendall and Knapp, "Measuring the Performance of Voluntary Organizations", p.127

6.6 Experiences



All of the respondents seem to agree on that the increased focus on goal achievement is a positive development. All agrees on that much can be gained by having a working performance measurement system. However, some carefully point out the fact that there has to be a balance between efforts put on measuring activities and efforts put on serving the target group. This fragile balance lie in the environment in which the organizations operate in – nonprofits are expected to put all their money and efforts on helping people rather than on organizational activities, like administration etc. At the same time they are expected to be able to show if their efforts and projects have had an effect.

We have identified a couple of other factors in the environment that has had a significant effect on their experiences of performance measurement. Some of these factors can be found in the distinguishing features of nonprofits. For example, during all interviews it becomes clear that the many partners involved is one reason why performance measurement is experienced as difficult. Partner organizations, Sida, and other donors have different demands on what should be measured. Closely connected to this is the fact that there are many factors that influence the results of a project. For instance other organizations involvement makes it hard to say whether it was the efforts of the organization that led to a change or if it depended on other factors.

Important to take into consideration when implementing performance measurement in these organizations is the fact that the studied nonprofits are often not the organization on site, but they cooperate with local organizations in order to reach their goals and mission. Their role is to provide information and education so that these local organizations can carry out the activities. The respondent in Gamma has experienced this as a restriction. Since they are only supporting the local organizations they cannot measure the actual work. She further points out that it probably would be better to measure how well they have managed to educate local organizations instead of trying to measure impact on mission.

Also something that characterize all organizations and complicate performance measurement is the fact that it can take years for results to be evident. One respondent states that the workload of their organization has increased lately and when the effects of a project is evident they already have begin other projects.

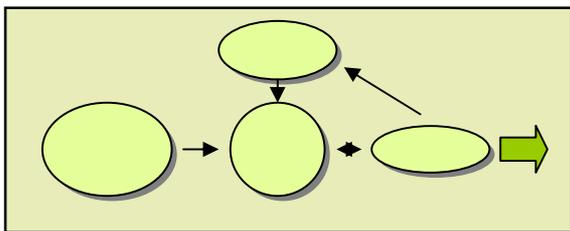
In order to improve their projects our respondents believe it is important to report back to partner organizations. Interesting is, that local organizations do not need to use the same measures as the studied organizations use. The respondent in Delta explains that their way of measuring takes time to understand and demanding partner organizations to use them would probably only cause more confusion than it would be useful. This is the main reason why these local organizations do not need to use their system. If we take this line

of reasoning and apply it to the relationship between Sida and studied organizations, it implies that they can find it difficult to use Sida's measures. It is maybe easy to fill out the matrix but it is probably more difficult to analyze the results, because the measures are not from the studied organizations point of view.

Since nonprofits have multifaceted stakeholders it is difficult to show the same results from performance measurement to all of them, so reports need to be adjusted to the recipients. For instance the more formal reports to Sida are too technical for other stakeholders not using the LFA model. This means that the results need to be at least rewritten to be understandable. Respondent in Delta explains that they try to satisfy all stakeholders, without being forced to write thousands of reports. In some cases maybe it is not enough by only rewriting, other measures need to be used to fulfill both external and internal demands. This indicates that the process is both time-consuming and resource-demanding.

Whether these difficulties can be overcome there seem to be different opinions among the respondents. Here we have noticed a tendency that the more performance measurement is used, the more positive are the respondents towards performance measurement.

6.7 Future



All respondents believe that there will be an even greater pressure to show what they accomplish in the future. For that reason the organizations are very interested in getting more knowledge about performance measurement and how it can be implemented in their

organizations. It is only in Delta that the performance measurement is in its consolidation phase. Since they have more experience and already have a lot of try and error they have had time to correct and adopt their performance measurement framework. In the other organizations it is still very much an ongoing process. Different frameworks have been introduced but they are not yet fully implemented and used. One strong indication on this is the fact that during one of the interviews we got the impression that the organization did not have a performance measurement system at all, but some time after the interview we were sent material describing a complete system.

What becomes evident during the interviews is that the organizations are starting to cooperate with other organizations to create a consensus in their performance measurement. One respondent say: *“everyone cannot have their own system and say that the others have to follow it, then organizations have to do the same work but in different shapes.”* Our impression from the interviews is that a common system would make things easier considering the fact that the organizations work together with different organizations and the results are dependent by all organizations' different performances. However, many researchers have agreed on that there is no universal way of measuring performance and even though the organizations are much alike, there are internal

differences (for example available resources) that can make the task of finding a common way to measure problematic.

In their search for a suitable performance measurement system many of the organizations also have turned to fundraising council FRII, which are working with a framework called the Code Report (Kodrapporten). FRII has developed it together with Öhrlings PriceWaterhouseCoopers and it is based on the LFA. The Code Report is a project in order to increase donors' and public's confidence and to increase nonprofits transparency.

Sawhill and Williamson state that performance measurement demands managerial skills in order to be beneficial.¹¹⁹ As we can see the knowledge in these organizations is increasing and much effort is put on increasing the knowledge, both from the organizations themselves and organizations working for better quality among nonprofits in general.

6.8 Final discussion

The cooperation with Sida has been a start for many of the studied nonprofits to develop their own performance measurement framework. By reporting back to Sida the organizations have gained experience and as they get more experiences with performance measurement they create a deeper understanding of the phenomenon. This means that new areas where performance measurement is useful are discovered. The respondent in Omega expressed for example that it would be interesting to not only measure their projects, but also measure their internal capacity in order to be more efficient. This indicates on a curiosity for applying performance measurement for other purposes. The distinguishing features of these organizations clearly set the frame for performance measurement and how it is designed. The LFA is specially designed for these kinds of organizations that are nonprofits working mainly in projects. Therefore it is no surprise that they use this framework. None of the organizations have found a way to aggregate the results from the different projects, which would give a broader picture in how effective the organization is as a whole, instead of just providing an insight in how well the separate projects turned out.

Many of the respondents express that the environment for the nonprofits is changing and becoming more and more alike businesses. For businesses it is important to have equity in order to have competitive advantages. Kendall and Knapp present something called equity measures, how the nonprofits are interpreted by societies.¹²⁰ It should be important for nonprofits, as it is for-profits, to gain equity. Nonprofits need to have the society's support in order to have an income. The respondent in Gamma is the only one of the interviewed that actually has such measures in their balanced scorecard.

Gupta and Gunasekaran state that only measuring what is easy to measure is not the answer for a good performance measurement system.¹²¹ For an organization it is easiest

¹¹⁹ Sawhill, and Williamsson, "Mission Impossible?", p. 384-385

¹²⁰ Kendall and Knapp, "Measuring the Performance of Voluntary Organizations", p.127

¹²¹ Gupta and Gunasekaran, "Costing in New Enterprise Environment", p. 337

to measure quantitative measures, it is also cheaper and less time-consuming. The nonprofit that foremost focuses on quantitative measures is Zeta, but the respondent clearly says that their organization would probably need to be better in measuring performance. Ideally nonprofits should measure impact and outcomes of the projects, because the reason why these organizations exist is to help people living under bad conditions. The better the project turned out and the more impact the organizations created the better. What does this say about performance measurement in nonprofits? As far as we have understood it is difficult to measure what has been achieved. In our theory chapter several authors agree upon on that performance measurement is more difficult for nonprofits due to their complex stakeholder situation and that nonprofits need to tailor their measures to their specific environment¹²². Anheier explains that the key difference between nonprofits and for-profits is the reason for existence; nonprofits exist for fulfilling their more social service based goals whereas for-profits strive for profit.¹²³ This is interesting in the way that the main purpose with performance measurement is to give insight in how well an organization achieve their goals. In a for-profit this is easy, because numbers are tangible and speak more or less for themselves. Nonprofits on the other hand have intangible goals. The question is then if it is meaningful to measure goal achievement for nonprofits or is it better to find another path? The studied organizations all have difficulties in measuring impact and outcome of their work, this could depend on the newness of the phenomenon, or perhaps measuring impact in nonprofits is as difficult as it seems and maybe Sawhill is right, when he says: “*Measuring mission success is like the Holy Grail for nonprofit – much sought after, but never found.*”¹²⁴

¹²² Sawhill, and Williamsson, Mission impossible?, p380-384, Kendall, and Knapp, “Measuring the Performance of Voluntary Organizations”, p.129, Medina-Borja, and Triantis, “A Conceptual Framework to Evaluate Performance”, p.159

¹²³ Anheier, p.107

¹²⁴ Sawhill, and Williamson, D, “Mission impossible?”, p. 377-379

7. CONCLUSION

In this chapter we will answer our problem definition; Why, how and with what experiences do Swedish Civil Society Organizations measure performance? We are also going to present suggestions for further research. Finally, we are going to discuss the quality criteria and our experiences from working with this thesis.

7.1 Answer to problem definition

In order to answer the problem definition we have divided it into the three different parts; Why? How? and With what experiences? We are presenting them one by one.

7.1.1 Why

Reasons for measuring that we came across during the interviews and after having taken part of material sent to us by the organizations:

- Required to by Sida, but the pressure to be able to show their achievements derives from other stakeholders as well. For example FRII is developing a model for performance measurement and their goal is that it should be used by all their member organizations in the coming future.
- To guarantee quality to different stakeholders, for instance their donors. It is also important to demonstrate performance in order to influence public attitudes.
- For planning, reporting and evaluation purposes.
- To be able to make adjustments and changes in plans and focus.
- Standardization of the own organization.
- To reach a better understanding of the organization's success and failures.

The strongest motivation to measure performance is as things stands today without doubt requirements from external stakeholders. Among the stakeholders Sida is the one that mostly requires that these organizations measure their performance. The organizations also want to fulfill these requirements since Sida is the biggest contributor for the most framework organizations.

7.1.2 How

All investigated organizations are developing and experimenting with performance measurement. However, one organization is way ahead of the other, their performance measurement currently in its consolidation phase. Since all organizations cooperate with Sida they all are familiar with the LFA, however to what degree it is implemented and used differ from organization to organization. Most of them only use it for their reports to Sida. Since it is Sidas measures, it might be difficult to implement the system further. The LFA framework requires resources and knowledge among the members in order to fulfill its purpose and it takes time to implement it. The purpose with LFA is as with all kind of performance measures to improve the organization, but as it is today the nonprofits do

not have the knowledge to analyze the LFA matrix any further, since it is Sidas measures and are satisfy with only reporting back.

Most of the organizations combine quantitative and qualitative measures. One of the organizations focuses on quantitative measures since those are easiest to measure, while the other organizations mainly focus on qualitative measures, for example outcomes and impact. The reason for focusing on quantitative measures is that there are not enough resources to measure outcomes since they require more time and resources. Qualitative measures are however more useful because they describe the quality of efforts, something all respondents are aware of. Narrative follow-ups and case stories do occur in most organizations. Moreover there is little focus on internal measures. However, two of the respondents reported seeing no problem with nonprofits measuring internal capacity as well.

Regarding performance measurement frameworks we came across something called the PME/CPME-system during three of the interviews, either it is being implemented or there are plans on implementing the system. PME stands for planning, monitoring and evaluation and has been developed from the LFA. Also the Balanced Scorecard has been introduced in two organizations. By one of the respondent it is not seen as a measurement tool and according to the other respondent the implementation of the scorecard has not been successful due to the fact that it proved to be inappropriate when working in projects.

7.1.3 With what experiences

Our interpretation from the interviews is that the respondents have recognized a need for performance measurement and they all express the importance of being able to show that their activities pay off. The respondents also express the fact the gap between the nonprofit sector and the business sector has narrowed down and nonprofits need to adapt more and more tools from the business sector. Evidently it is time-consuming and requires a lot of resources to measure performance and therefore many of the respondents emphasize the fact that there has to be a balance between money spent on measuring activities and money spent on activities helping their main target groups.

All respondents have experienced difficulties when trying to measure performance. We have identified three factors that make performance measurement difficult in these organizations:

- The fact that it can take years for results to be evident
- The many factors that influence the results of a project
- The many partners involved; donors, Sida, partner organizations etc.

Another thing that seems to characterize these organizations' performance measurement is that they increasingly cooperate with partner organizations to develop a common performance measurement framework. Many of the organizations also have turned to FRII, which is developing a framework called the "Code Report".

7.1.4 Contribution

In the starting chapters of our thesis we described how performance measurement is more commonly used in nonprofits. We expected it be a known concept among the managers in the organizations, and that it was to some degree already implemented. This picture did not accord completely with the results of our study. Performance measurement has been implemented to a certain degree and evidently how to be able to measure outcomes and impact are much discussed, but the concept as such has not gained ground yet. One reason for the gap between the picture described in the introduction and our results is that all former research was done in either US or U.K.

Considering the differences between the nonprofit sectors in the different countries our study has contributed to the understanding of Swedish civil society organizations' experiences of performance measurement. In our study we highlighted at which stage the nonprofits were in the process of implementing performance measurement system. We identified reasons for measuring and problem areas as well as used methods and performance measurement frameworks under development. We hope that our results will serve as a platform for further research, which also was our purpose with the study.

In the very beginning we asked the question whether the nonprofits organizations are ready to cope with the demands from the public to show what they accomplish. The answer would be that far from all are yet ready, but the learning process has started and much effort is put to be able to cope with these demands in the future.

7.2 Suggestions for further research

Since this study only touches on the surface of performance measurement in nonprofits, a deeper study is desirable. Such a study should perhaps include all framework organizations and also include more interviews within each organization. One should also strive for getting more detailed answers.

Considering the fact that only framework organizations to Sida are included in this study, investigating performance measurement in other types of nonprofits could be an interesting area of research. Maybe it could be interesting to compare such findings to findings from this study. By the light of this new study one could evaluate the influence from Sida to a larger degree.

A third interesting area of research is the Code Report, how it is going to be used and implemented in nonprofits and to what extent.

7.3 Quality criteria

We are going to discuss the quality and trustworthiness of our thesis on the basis of these criteria; credibility, transferability, dependability and confirmability. These criteria could

be discussed in qualitative studies instead of validity and reliability.¹²⁵ As we stated earlier we believe that one person's perception of reality differ from how another person perceives the same reality and therefore it is not possible to reach an objective picture of the social reality. It is for that reason we find these criteria to better suit our study.

Credibility is about whether the researchers have portrayed the respondents' viewpoints and perception of reality correctly.¹²⁶ To ensure the credibility we let the respondents take part of the English summary of the interviews. No one had anything they wanted to adjust. From one of the respondents we were sent additional material about their performance measurement. Since only factual additions were made we believe that the credibility of our study is good.

Taken chosen methodology into consideration it becomes obvious that no generalization in a statistical sense is possible, but in this study that is not what is strived for. Instead we want our study to increase the understanding for similar situations. *Transferability* raises the question whether our findings hold in another context or not¹²⁷. By providing background information the reader can decide in what situations the results can be applicable. We have provided the reader with background information about framework organizations in order describe the context in which these organizations operate in. A more detailed picture was difficult to provide since we decided to let the organization to be anonymous.

Dependability is if there is a detailed description of the research procedure, enabling the reader to decide whether the results can be justified.¹²⁸ We have tried to give detailed descriptions of the different stages in the research process and our motives for the different choices that we have made. Since it took some time to agree upon a subject we lost valuable time and the planning process was not as carefully done than what should be strived for. However, we have provided the reader with the reasons for doing things in a certain way and on the basis of these the reader are aware of and can decide to what degree this affected the results.

Minimizing the influence of the researcher's personal values increases the *confirmability*.¹²⁹ When describing our prior knowledge we have clarified that we had certain expectations from the start. The topic was chosen because of common interest of the nonprofit sector, suggesting that some personal values possible affected choices made during the process. Consulting our supervisor and letting him revise our interview questions is one step taken to minimize the influence from our personal values.

¹²⁵ Bryman and Bell, (2005), p.306

¹²⁶ Bryman and Bell, (2005), p.307

¹²⁷ Ibid, p.307

¹²⁸ Ibid, p.307

¹²⁹ Ibid, p.307

7.4 Final comments

When we started this project we knew relatively little about performance measurement and nonprofits meaning that we had a long learning process ahead of us. We realized after a while that the chosen topic was more complex than we first expected. The concept of performance measurement can be interpreted in many different ways and it sometimes was hard to draw the line from adjacent areas, like for example internal control, evaluation, planning etc. Since few of the respondents were familiar with the concept this line probably also was difficult to draw for them. Our experience is that we should in beforehand have formulated our definition of the concept so that we could have presented it during the interviews.

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APPENDIX 1

The original interview guide

INTERVJUGUIDE

1. Personen

Berätta om dig själv, vad du arbetar med i organisationen och dina tidigare erfarenheter?

Vilken position/ansvarsområden har du i organisationen?

Hur många år har du jobbat på organisationen?

Hur många år på samma position?

Vilka är dina tidigare erfarenheter?

2. Organisationen

När, hur och varför bildades organisationen?

Vilket år bildades organisationen?

Vem/vilka bildade organisationen?

Vilket behov avsåg organisationen att fylla?

Hur ser situationen ut idag?

Hur är organisationen uppbyggd?

Hur stor är organisationen – anställda/medlemmar/omsättning?

Vilka är era största inkomstkällor?

Vilka är era bidragsgivare?

Vilken är organisationens huvuduppgift?

Vad vill organisationen uppnå på lång sikt?

Vad vill organisationen uppnå på kort sikt?

3. Begrepp

Vad innebär begreppet prestationsmätning (performance measurement) för dig?
(Eg. att mäta vad som åstadkommit)

Vad anser du är utmärkande för ideella organisationer och prestationsmätning?

Varför?

4. Varför

Varför används prestationsmätning generellt anser du?

Varför används prestationsmätning i er organisation?

Vilka externa faktorer var av betydelse? Fanns det exempelvis några krav från Sida?

Fanns det några drivkrafter inom organisationen att börja med prestationsmätning?

Om det inte används – är det något som du anser skulle kunna vara aktuellt? Varför/varför inte?

5. Användning

Hur använder ni den prestationsmätning som ni gör i organisationen?

Hur används den inom organisationen – utvärdering/planering/underlag för belöning?

Använder ni prestationsmätning för att kunna jämföra mot andra liknande organisationer? I sådana fall varför?

Gentemot bidragsgivare, samarbetspartners etc.? Hur presenteras data för dem?

6. Prestationsmått

Vilka prestationsmått använder ni för att visa vad ni åstadkommit? Vad mäter ni och med vilka mått?

Exempel; till vilken grad en organisation har minskat hemlösheten efter en katastrof

Vad är viktigast att mäta anser du?

Hur mäter ni det?

Hur väljer ni mått? Vad styr valet av mått?

Samarbetspartners

Sida

Bidragsgivare

7. Prestationsmätningssystem

Vilka prestationsmätningssystem, dvs. system för att identifiera och koppla samman olika mått, som är utvecklade och anpassade för ideella organisationer känner du till?

Några av dem vi stött på under vårt arbete:

Ett av de system som vi stötte på när vi sökte information om prestationsmätning var the Balanced Scorecard, och att den finns anpassad för ideella organisationer - känner ni till den?

Känner ni till Production of Welfare-modellen? POW. Utvecklad av Kendall och Knapp.

LFA (logical framework approach)

Har något sådant specifikt prestationsmätningssystem implementerats i er organisation och varför just detta? Beskriv översiktligt ert system!

Hur kopplas måtten samman?

Vilka områden/vilka slags mått fokuserar den på?

Var hämtas kunskapen ifrån?

8. Erfarenheter

Hur har arbetet med prestationsmätning förändrats genom åren?

Är det någon skillnad på vad ni mäter idag och vad ni mätte för några år sedan?

Vilka problem och möjligheter har du upplevt i arbetet med prestationsmätning i er organisation?

Ser du några brister i sättet ni mäter på idag?

*Vad anser du är viktigt att ta i beaktande vid utformning av prestationsmått?
Varför?*

*Vad är lättast/svårast att mäta? **Varför?***

9. Planer framåt

Vilka förändringar planerar ni med avseende på det framtida arbetet med prestationsmätning i er organisation? Varför?

Hur kommer det fortsatta arbetet med prestationsmätning att se ut?

Kommer ni att införa några förbättringar?

Tror du det kommer att ställas högre krav på er organisation bland annat i och med Riksrevisionens granskning av Sida? Hur tror du de kommer att uttrycka sig?

APPENDIX 2

English translation of the interview guide

1. Person

Tell us about yourself, what is your position within the organization and what are your earlier work experiences?

What are your responsibilities?

How many years have you worked for the organization?

How many years with the same responsibilities?

2. Organization

When, how and why was the organization founded?

Which year was the organization founded?

By who/whom was the organization founded?

For what reasons was the organization founded?

How is the situation today?

How is the organization structured?

How big is the organization – employees/members/turnover?

Primary sources of income?

Who are your contributors?

Which is the main mission in the organization? What does the organization want to accomplish?

What does the organization want to accomplish in the long run?

What does the organization want to accomplish, short term?

3. Concept

What is the meaning of the concept of performance measurement according to you?

What do you consider as being characteristic for nonprofits and performance measurement?

Why?

4. Why

Why, in general, do you think that performance measurement is used?

Why is performance measurement used in your organization?

What external factors were of importance?

Were there any driving forces within the organization to start with performance measurement?

If it is not used – do you think that it is something that could be used? Why? Why not?

5. Usage

How do you use performance measurement in your organization?

How is it used in the organization – evaluation/planning/rewarding systems?

For benchmarking purposes?

Towards donors, partners etc? How do you present data for them?

6. Performance measures

Which performance measures do you use in order to show what you have accomplished? What do you measure?

Example; to what degree has your organization reduced the amount of homeless after a catastrophe?

What do you think is most important to measure?

How do you measure that? Why?

How do you choose measures? What steer the choice of measures?

Partners

Sida

Donors

7. Performance measurement frameworks

Which performance measurement frameworks, meaning frameworks identifying and putting together different measures, do you know about?

Balanced Scorecard?

Production of Welfare-model, POW?

LFA (logical framework approach)

Has any specific performance measurement system been implemented in your organization? If yes, please describe!

Which areas does the framework mainly focus on?

8. Experience

How has the performance measurement developed through the years?

Is there any differences in what is measured today compared to what was measured a couple of years ago?

What problems and possibilities have you experienced by using performance measurement in your organization?

Do you see any shortages in the way you measure today?

*When designing the performance measurement, what is important to have in mind according to you? **Why?***

*What is easiest/most difficult to measure? **Why?***

9. Future plans

Are you planning any changes for your performance measurement? **Why?**

How will the work with performance measurement look like in the coming future?

Any improvements planned?

Do you believe that in the future there will be a greater pressure on your organization, taking for instance the Swedish National Audit Office's inspection of Sida into consideration, to show what has been accomplished? How will this take form?

APPENDIX 3

Simplified LFA-Matrix in Delta

Programme:

Result: Partners' capacity has been strengthened		Partn 1		P 2		P 3	
		Year		Year		Year	
Type	Indicator	0	1	0	1	0	1
IDENTITY							
OCI1	Partner has expressed its basic values and articulated its mission. (y/n)						
ADMINISTRATIVE CAPACITY							
OPI1	Staff has received administrative training. (y/n)						
OCI2	Partner's financial report is clear. (L/M/H)						
INTERNAL DEMOCRACY							
OCI3	The board is independent from and does not include operative staff. (L/M/H)						
OCI7	Amounts women/men in leading positions. (w/m)						
GENDER MAINSTREAMING LEVEL							
OCI10	Partner has an action plan for promoting gender equality. (y/n)						
GENDER MAINSTREAMING PROJECT LEVEL							
OCI11	Partner's problem analysis is gender sensitive. (L/M/H)						
OCI12	Partner's strategies take						

	gender into consideration. (L/M/H)							
THEMATIC CAPACITY								
OPI3	Staff has received training on thematic issues (specify). (y/n)							
METHODOLOGICAL CAPACITY								
OPI4	Staff has received training in PME issues. (y/n)							
OCI18	Partner has a comprehensive strategy plan. (y/n)							
OCI19	Partner monitors and reports on indicators beyond outputs and draws conclusions thereof. (L/M/H)							
SOCIAL SUSTAINABILITY								
OCI20	Partner's 'target groups' exercise a considerable influence over the projects. (L/M/H)							
EXTERNAL COMMUNICATION CAPACITY								
OPI5	Staff has received training in external communication. (y/n)							
OCI21	Partner has elaborated a strategy for external communication. (y/n)							

APPENDIX 4

The Balanced Scorecard in GAMMA

Balanced Scorecard, GAMMA completed 07-01-08	
Perspective	Indicators
Children	<ul style="list-style-type: none"> - Number of delivered results, according to standards - Number of external published results
Financing	<ul style="list-style-type: none"> - Collected money - Finance in addition to Sida
Stakeholders	<ul style="list-style-type: none"> - Number of partner organizations, with required standards - Number of voluntaries in Sweden - Faith for organization - Faith for organization among “experts on children” - Impact in media in Sweden - Attitudes towards the alliance
Internal processes	<ul style="list-style-type: none"> - Share of administrative costs - Share of collection costs
Coworkers	<ul style="list-style-type: none"> - Number of coworkers argue having the right competence for the organization - Good and clear leadership - Responsible and good cooperation

APPENDIX 5

Matrix in Sigma

1: Identification	name, budget, period, etc.
2: Issues	a detailed description of the program issues that the program is trying to address
3: Previous experience	learning from recent evaluations
4: Program objective(s)	the SMART objectives that the program is trying to achieve. The indicators used to measure these objectives are identified in the baseline report or a subsequent baseline exercise.
5: Indicators	
6: Program Approach	a description of the program approach, activities and outputs which aim to achieve these objectives
7: Assumptions and Risks	assumptions made regarding program and potential risks to achieving objectives
8: Monitoring and Evaluation	how program progress will be monitored and evaluated
9: Resource Implications	an overview of the essential budgeting information and non-financial resources required.
10: Outputs and Funding	provides the long-term budget for each Country Program. Budgeting is done by output (activity). This budget estimates the extent of each activity (for example, 75 classroom constructions, 47 courses of Health Worker Training) and multiplies this by an estimate of the unit cost to give the total budget for each activity. This information together with the Program Approach will describe what Sigma is going to do, to what extent, how it is going to do it and approximately how much it will cost.

Adopted from Corporate Planning Monitoring and Evaluation (CPME) Working Paper received from Sigma