



Title: Performance management and evaluation in non-profit organisations: an embedded mixed methods approach

Name: Wadongo, Billy Indeche

This is a digitised version of a dissertation submitted to the University of Bedfordshire.

It is available to view only.

This item is subject to copyright.

**PERFORMANCE MANAGEMENT AND EVALUATION IN NON-PROFIT
ORGANISATIONS: AN EMBEDDED MIXED METHODS APPROACH**

BILLY Indeche WADONGO

PhD

February 2014

**PERFORMANCE MANAGEMENT AND EVALUATION IN NON-PROFIT
ORGANISATIONS: AN EMBEDDED MIXED METHODS APPROACH**

By

BILLY Indeche WADONGO
BSc. (Hons), MSc.

**A Thesis Submitted for the degree of Doctor of Philosophy in Management Accounting
of the University of Bedfordshire, UK**

FEBRUARY 2014

Performance Management and Evaluation in Non-Profit Organisations: An Embedded Mixed Methods Approach

Abstract

Performance management research in the private and public sector has received much attention in management accounting research; however, empirical studies on performance management in the non-profit sector remain scarce. This study proposes and validates a model that explains the relationships between contingency variables, performance management practices, and organisational effectiveness in the non-profit sector. The study employed a mixed methods research approach, which entailed a field study and a cross-sectional survey in the Kenyan non-profit sector. The field study was undertaken to understand the perceptions of NPO leaders on non-profit sector characteristics, organisational effectiveness, determinants, challenges, and benefits of implementation of performance management systems in the Kenyan non-profit sector. Thereafter, a cross-sectional survey (using mailed questionnaires and an online survey) was used to collect quantitative primary data.

Structural equation modelling was used to analyse the quantitative data. The structural equation modelling approach was adopted to test the hypothesised relationships among the contingency factors, performance management practices and organisational effectiveness. The findings indicate that performance management in NPOs can be categorised into three groups: performance planning, performance measurement and performance context. The NPOs emphasise mission statements and core values within the formal PM system. Although a number of private sector measurement frameworks are utilised, the NPOs mostly use logical framework, with emphasis on output and financial measures and team based targets with no clear rewards. The PM systems are resource intensive and they lead to goal displacement and narrow definition and measurement of organisational effectiveness.

The results further reveal that among the contingency variables, strategic orientation significantly predicted performance management practices and organisational effectiveness in non-profits. Among the performance management variables, performance planning, performance targets, and performance rewards significantly predict organisational effectiveness domains. Furthermore, performance management practices mediate the relationship between strategic orientations, technology, information technology, leadership and external environment and organisational effectiveness domains. However, organisational size was not significantly related to performance management practices or organisational effectiveness. To successfully implement and benefit from the PM system, non-profit organisations need to address the fit between contextual factors and the performance management system.

By employing a pragmatic, embedded, mixed methods approach this study provides empirical evidence of performance management practices that influence organisational effectiveness beyond the rhetoric of performance management theory. At the practice level, the findings will benefit Kenya government, non-profit organisations, donor agencies and performance evaluation practitioners.

Dedication

In memory of my grandfather

JOTHAM WADONGO

Table of Contents

Table of Contents

❏	ABSTRACT	I
❏	DEDICATION	II
❏	TABLE OF CONTENTS	III
❏	LIST OF TABLES	VII
❏	LIST OF FIGURES	IX
❏	ACKNOWLEDGEMENTS	X
❏	DECLARATION	XI
❏	LIST OF ABBREVIATIONS AND ACRONYMS	XII
❏	DEFINITIONS OF KEY TERMS	XIII
❏	END MATTER	XV
❏	LIST OF PUBLICATIONS AND CONFERENCE PAPERS	XVI
	CHAPTER 1	1
	1 INTRODUCTION	1
	1.1 BACKGROUND TO THE STUDY	1
	1.2 STATEMENT OF THE PROBLEM	3
	1.3 THE AIMS AND OBJECTIVES OF THE STUDY	5
	1.3.1 Objectives of the study	5
	1.3.2 Research questions	6
	1.4 RATIONALE AND SIGNIFICANCE OF THE STUDY	7
	1.5 NON-PROFIT SECTOR AND INTERNATIONAL DEVELOPMENT	8
	1.6 NPOS' CHARACTERISTICS IN DEVELOPING COUNTRIES	9
	1.7 THEORETICAL UNDERPINNINGS FOR THE NON-PROFIT SECTOR	11
	1.8 LOCATION OF THE STUDY	14
	1.9 CONTENTS AND STRUCTURE OF THE THESIS	15
	1.10 CONCLUSION	16
	CHAPTER 2	17
	2 LITERATURE REVIEW	17
	2.1 DEFINITION, SCOPE AND ROLE OF NON-PROFIT ORGANISATIONS	17
	2.2 PERFORMANCE MANAGEMENT PRACTICES IN THE NON-PROFIT SECTOR	19
	2.2.1 Performance management and measurement definition	20
	2.2.2 Performance management process in the non-profit sector	22
	2.2.3 Performance measurement frameworks	24
	2.3 ORGANISATIONAL EFFECTIVENESS AND PERFORMANCE IN NPOS	26
	2.4 CONTINGENCY VARIABLES AND PERFORMANCE MANAGEMENT	29
	2.5 PERFORMANCE MANAGEMENT AND ORGANISATIONAL EFFECTIVENESS	34
	2.5.1 Performance planning and organisational effectiveness	34
	2.5.2 Performance measurement and organisational effectiveness	35
	2.5.3 PM system context and organisational effectiveness	36
	2.6 MEDIATION EFFECTS OF PERFORMANCE MANAGEMENT PRACTICES	38
	2.7 GAPS IN KNOWLEDGE	39
	2.8 CONCLUSION	41
	CHAPTER 3	42
	3 THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT	42
	3.1 THEORETICAL FRAMEWORK DEVELOPMENT	42
	3.1.1 Contingency theory	45

3.1.2	Performance management and control framework.....	47
3.1.3	Organisational effectiveness.....	48
3.2	HYPOTHESES DEVELOPMENT.....	50
3.2.1	Contingency variables and performance management practices (Ha)	50
3.2.2	Performance management practices and organisational effectiveness (Hb).....	59
3.2.3	Contingency variables, performance management and organisational effectiveness (Hc) 62	
3.3	STRUCTURAL MODELS.....	63
3.3.1	Model 1 (Figure 3.2).....	63
3.3.2	Model 2 (Figure 3.3).....	64
3.3.3	Model 3(Figure 3.4).....	64
3.4	CONCLUSION	65
CHAPTER 4.....		66
4	RESEARCH METHODOLOGY	66
4.1	RESEARCH APPROACH.....	66
4.2	PHILOSOPHY AND PARADIGMS	67
4.2.1	Ontological assumptions of this study.....	69
4.2.2	Epistemological, axiological and rhetorical assumptions	70
4.3	THEORETICAL FOUNDATIONS	72
4.4	RESEARCH METHOD	73
4.4.1	Research design	73
4.5	RELIABILITY AND VALIDITY	78
4.5.1	Reliability.....	78
4.5.2	Validity	78
4.5.3	Internal and external validity	79
4.6	ETHICAL CONSIDERATIONS.....	80
4.7	FIELD STUDY DESIGN.....	81
4.7.1	Qualitative interviews.....	82
4.7.2	Focus group discussions.....	82
4.7.3	Sampling procedures	83
4.7.4	Designing interview protocol and recording.....	85
4.7.5	Data collection procedure.....	87
4.7.6	Reliability and validity in the field study	88
4.8	CONCLUSION	90
CHAPTER 5.....		92
5	FIELD STUDY DATA ANALYSIS AND FINDINGS	92
5.1	QUALITATIVE DATA ANALYSIS.....	92
5.1.1	Framework analysis.....	93
5.1.2	Familiarisation.....	94
5.1.3	Identifying and testing the thematic framework.....	94
5.1.4	Indexing and charting.....	95
5.1.5	Mapping and interpretation	97
5.2	FINDINGS	97
5.2.1	Non-profit sector characteristics	97
5.2.2	Performance management practices.....	100
5.2.3	Organisational effectiveness.....	111
5.2.4	Organisational determinants of PM systems.....	114
5.2.5	External environmental determinants.....	120
5.2.6	Challenges and benefits of performance measurement in NPOs.....	123
5.3	INTEGRATION WITH THE CROSS-SECTIONAL DESIGN AND SURVEY INSTRUMENT	130

5.4 CONCLUSION	132
CHAPTER 6.....	133
6 CROSS SECTIONAL SURVEY DESIGN	133
6.1 CROSS-SECTIONAL RESEARCH DESIGN	133
6.2 POPULATION, SAMPLE SIZE AND SAMPLE SIZE PROCEDURE	134
6.3 QUANTITATIVE DATA COLLECTION PROCEDURE	136
6.3.1 Secondary data collection.....	136
6.3.2 Questionnaire development.....	136
6.3.3 Administering the mailed and online questionnaire	139
6.4 MEASUREMENT OF STUDY VARIABLES	141
6.4.1 Organisational variables.....	141
6.4.2 External environment variables.....	145
6.4.3 Performance management practices.....	146
6.4.4 Organisational effectiveness.....	149
6.5 QUANTITATIVE DATA ANALYSIS METHODS	150
6.5.1 Data screening	151
6.5.2 Confirmatory factor analysis approach.....	153
6.5.3 Structural modelling.....	155
6.6 CONCLUSION	158
CHAPTER 7.....	159
7 CROSS SECTIONAL SURVEY RESULTS.....	159
7.1 DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS AND NPOs.....	159
7.2 DESCRIPTIVE STATISTICS OF THE MAIN VARIABLES.....	163
7.2.1 External environment determinant	163
7.2.2 Organisational determinants	164
7.2.3 Performance management practices.....	167
7.2.4 Organisational effectiveness.....	172
7.3 MISSING VALUES ANALYSIS.....	174
7.4 CONFIRMATORY FACTOR ANALYSIS	176
7.4.1 Unidimensionality	176
7.4.2 Validity and reliability	176
7.5 PATH ANALYSIS.....	181
7.5.1 Multivariate outliers, normality and bootstrapping	182
7.5.2 Modification indices.....	183
7.6 HYPOTHESES TESTING.....	184
7.6.1 Model 1: Mediation through performance planning (H1).....	184
7.6.2 Model 2: Mediation through performance measurement (Hb).....	188
7.6.3 Model 3: Mediation through PM system context (HC).....	194
7.6.4 Mediation effects of performance management practices.....	199
7.7 SUMMARY RESULTS FOR TESTING THE RESEARCH HYPOTHESES.....	201
7.8 CONCLUSION	205
CHAPTER 8.....	206
8 DISCUSSION.....	206
8.1 CURRENT PERFORMANCE MANAGEMENT PRACTICES IN THE KENYAN NON-PROFIT SECTOR	207
8.1.1 NPO characteristics and performance management practices	208
8.1.2 Organisational effectiveness.....	209
8.1.3 Performance measurement frameworks.....	212
8.1.4 Challenges of performance measurement	214
8.1.5 Benefits of performance measurement.....	217

8.2	LINKAGE BETWEEN CONTINGENCY VARIABLES AND PM PRACTICES IN NON-PROFIT ORGANISATIONS.....	218
8.2.1	Organisational determinants	218
8.2.2	External environment	228
8.3	PERFORMANCE MANAGEMENT PRACTICES EFFECT ON ORGANISATIONAL EFFECTIVENESS IN THE NON-PROFIT SECTOR	233
8.3.1	Performance planning practices and organisational effectiveness	233
8.3.2	Performance measurement practices and organisational effectiveness	238
8.3.3	PM system context and organisational effectiveness	248
8.4	MEDIATION EFFECTS OF PERFORMANCE MANAGEMENT PRACTICES IN THE NON-PROFIT SECTOR	252
8.4.1	Technology, performance management, practices and organisational effectiveness... ..	255
8.4.2	Information technology, performance management, practices and organisational effectiveness	256
8.4.3	Leadership, performance management, practices and organisational effectiveness.... ..	256
8.4.4	Strategic orientation, performance management, practices and organisational effectiveness	257
8.4.5	External environment, performance management practices and organisational effectiveness	259
8.5	CONCLUSION	260
CHAPTER 9	261
9	CONCLUSION AND RECOMMENDATIONS	261
9.1	RESEARCH QUESTIONS RE-VISITED	261
9.1.1	Non-profit sector characteristics and current performance management practices.....	263
9.1.2	Contingency variables, performance management practices and organisational effectiveness	265
9.1.3	Main findings.....	272
9.2	CONTRIBUTION TO KNOWLEDGE.....	274
9.2.1	Theoretical contribution	274
9.2.2	Methodological contribution	276
9.2.3	Empirical contribution.....	278
9.3	RESEARCH IMPLICATIONS TO PRACTITIONERS AND POLICY MAKERS	279
9.4	LIMITATIONS OF THE STUDY	281
9.5	SUGGESTIONS FOR FURTHER RESEARCH	283
9.6	FINAL CONCLUSION	284
REFERENCES	286
APPENDICES	311
10	311
10.1	APPENDIX 1 KENYA COUNTRY AND NGO SECTOR STATISTICS	311
10.2	APPENDIX 2: RESEARCH ETHICS FORMS, RESEARCH PERMIT, AUTHORISATION, INTRODUCTION LETTERS....	313
10.3	APPENDIX 3 INTERVIEW PROTOCOL, FGD GUIDE AND MEASUREMENT OF VARIABLES	322
10.4	APPENDIX 4 SNAP SURVEY QUESTIONNAIRE.....	341
10.5	APPENDIX 5 FRAMEWORK MATRIX.....	349
10.6	APPENDIX 6: FACTOR SCORE MATRIX	362

List of Tables

Table 3.1 Performance management and control framework	47
Table 4.1 Paradigms and philosophical assumptions	68
Table 4.2 Summary of interviews and FGD respondents' characteristics.....	85
Table 5.1 NPO sector characteristics.....	98
Table 5.2 NPO sector definition, activities and uniqueness	99
Table 5.3. Performance measurement definition	101
Table 5.4 Mission and vision, goals, objectives, strategies and plans in NPOs	102
Table 5.5 Performance planning, key success factors and core values	103
Table 5.6 Strategic planning process approach and communication method	104
Table 5.7 Performance measurement frameworks, indicators and data collection tools	105
Table 5.8 Performance targets, rewards and sanctions	107
Table 5.9 PM system information flow systems and PMS dynamism	108
Table 5.10 PMS information use and PMS strength and coherence.....	110
Table 5.11 NPO effectiveness definition, examples, attributes and domains	112
Table 5.12 Organisational determinants	114
Table 5.13 External environment determinants	120
Table 5.14 Challenges of performance measurement in NPOs.....	125
Table 5.15 PM benefits and recommendations	128
Table 7.1 Demographics of the sample.....	161
Table 7.2 Organisational characteristics	162
Table 7.3 External environment determinants	163
Table 7.4 Organisational determinants	165
Table 7.5 Performance planning practices.....	167
Table 7.6 Performance measurement practices	169
Table 7.7 PM system context	171

Table 7.8 Organisational effectiveness	173
Table 7.9 Validity and reliability of the CFA model.....	178
Table 7.10 Reliable indicators of the latent variables	179
Table 7.11 Correlations of independent variables.....	181
Table 7.12 Outliers	183
Table 7.13 Contingency variables and performance planning practices (Model 1)	187
Table 7.14 Contingency variables and performance measurement practices (Model 2).....	193
Table 7.15 Contingency variables and PMS context practices (Model 3)	198
Table 7.16 Summary of Mediation effects of Performance management practices	200
Table 7.17 Contingency variables and performance management practices (Ha) .	202
Table 7.18 Performance management practices and organisational effectiveness (Hb)	203
Table 7.19 Mediation effects of PM practices on contingency variables and organisational effectiveness (Hc)	204
Table 9.1 Summary results for testing the first set of research hypotheses (Ha)..	267
Table 9.2 Summary results for testing the second set of research hypotheses (Hb)	269
Table 9.3 Summary results for testing the third set of research hypotheses (Hc).	271

List of Figures

Figure 3.1 Theoretical framework	45
Figure 3.2 Mediation through performance planning	64
Figure 3.3 Mediation through performance measurement.....	64
Figure 3.4 Mediation through PM system context	65
Figure 5.1 Example of tree node representing the theoretical framework	95
Figure 5.2 An example of a framework matrix extracted from NVIVO 9.2	96
Figure 7.1 Overall summary of missing values.....	175
Figure 7.2 Missing value patterns.....	175
Figure 7.3 Most frequently occurring patterns	175
Figure 7.4 SEM results of structural model 1: mediation through performance planning	185
Figure 7.5 SEM results of structural model 2: mediation through performance measurement.....	191
Figure 7.6 SEM results of structural model 3: mediation through PM system context.....	196
Figure 8.1 Performance management and organisational effectiveness	212
Figure 8.2 Validated theoretical model.....	253

Acknowledgements

I thank Prof Magdy for not only giving me an opportunity to pursue a PhD but also being a fantastic DOS, thesis supervisor and a friend throughout the four years. Am grateful to Prof. Ram Ramadhan and Dr. Franc Etu-Menson for their support during my PhD candidature at various periods they served as Director of Studies.

I am grateful to University of Bedfordshire for the PhD bursary, without which this thesis would not have been accomplished. I thank the research participants for their time and participation in this study. I Thank UOB RGS staff for their continued support through the four years in particular I appreciate Kim Porter for the enormous support during my candidature. In addition am grateful to my research assistants, Faith Mutheu, Irene and Jemmimah for your dedication to this research project. I appreciate Sheila Karimi for your immense assistance in leading the data collection team and remaining a true friend. I recognise the assistance I received from Mr Owino the research manager, NGO coordination board. I also thank the team (Beatrice, Antonnaite and Susan) that assisted me in organising the focus group and transcribing the data led by Dr. Okeyo David. Am grateful to Dr Vanessa Liston for her invaluable advice at the start of this research project and survey instrumentation. I thank the thesis proof-readers Kathryn and Sally for giving the thesis a much needed second eye. I thank my colleagues at the University of Bedfordshire for the academic support in particular Sadhar, Naveed, Roopa and Larry.

My parents Moses Wadongo and Sarah Wadongo I humbly salute you for giving me the resources early in life to pursue education and encouraging me throughout my academic career. I thank my fiancée Faith Gakii for being patient for the last few years and apologise to your daughter, Amanda Koki Mwenje for not being there for to welcome you to this crazy world.

I am indebted to my friends here in UK (Harun, Davis, Nat, Rose, Primrose, Leah, Pedro, Kinyua, Mukira, Lucy, Becca, and Renee), White house patrons and Facebook friends, if it were not for you guys I could have completed this thesis 2 years Earlier. In particular, Harun Kamau thanks for your warm welcome to Luton and your friendship over the years.

I appreciate the support and positive influence of Mr Khaemba (Former principal -FSK), Prof. Edwin Odhuno, Dr Oscar Kambona, Prof. Monica Ayieko, Prof. Othuon, Dr. David Okeyo, Dr Eric Fwaya, Mr Oyawa, Mr Aloo, Ms Irene Ayieko, and Mrs Elizabeth Otieno-at various stages of my academic and professional growth.

Lastly, I will like to thank the larger Wadongo family for the support and prayers during this period.

Deo credo

+++++

B. I Wadongo

Declaration

I declare that this thesis is my own unaided work. It is being submitted in partial fulfilment of the degree of Doctor of Philosophy, at the University of Bedfordshire. It has not been submitted before for any degree or examination in any other University

Billy Indeche Wadongo

Name of the Student

Signature

Date 19/02/2014

Director of Studies

***Prof. Ram Ramanathan
Professor of Operations Management &
Director Business and Management Research Institute
University of Bedfordshire, UK***

Thesis Advisor

***Prof. Magdy Abdel-Kader
Prof. of Management Accounting &
Ashcroft Foundation Chair of Management accounting
Lord Ashcroft International Business School
Anglia Ruskin University, UK***

External Examiner

***Professor David Dugdale
Emeritus Professor of Management Accounting
University of Bristol, UK***

Internal Examiner

***Dr Syamarlah Rasaratnam,
Senior Lecturer in Accounting
Luton Business School
University of Bedfordshire, UK***

List of Abbreviations and Acronyms

% -Percentage	ML -Maximum Likelihood
AGFI -Adjusted goodness-of-fit index	MSEM -Multilevel structural equation modelling
AMOS -Analysis of Moment structures	NFI -Normed Fit Index
AVE -average variance extracted	NGOs - Nongovernmental Organisations
B -Regression Weight	NNFI -Non- Normed Fit Index,
BSC - Balanced scorecard	NPO - Non Profit Organisations
C.R - Critical Ratio	OLS -ordinary least square regressions
CBOs - Community Based Organisations	PDA - Personal digital assistant
CFA - Confirmatory Factor Analysis	PDR -Personal Development Review Tool
CFI - Comparative Fit Index	<i>PDR</i> - <i>Personal Development Review Tool</i>
CMIN/DF -Relative Chi-square	PLS -Partial Least Square
CMIN -Chi-square	PMCF -Performance Management and Control Framework
Cor -Correlation	PMF -Performance Measurement Framework
CSOs -Civil society organisations	PM -Performance Management
D.E -Direct effect	PMP -Performance Management Practices
DFID -UK Department for International Development	PMS -Performance Management System
ERP -Enterprise resource System	POW -Production of Welfare
FGD -Focus Group Discussions	P -Significance level
FIML -Full information Maximum Likelihood	R² - Variance explained(adjusted R square)
GDP -Gross domestic Product	RMSEA -Root Mean Square Error of Approximation
GFI -Goodness-of-Fit Index	RMSR -Root Mean Square Residual
HDI - Human Development Index	RQ -Research question
H -hypothesis	S.D -Standard deviation
I.E -Indirect effect	S.E -Standard error
IBM SPSS - Statistical Package for the Social Sciences	SEM -Structural Equation Modelling
ICT -Information communication Technology	T.E -Total effect
IT -Information Technology	TLI -Tucker-Lewis index
KSF -key success factors	UK -United Kingdom
M =Mean	UNDP -United Nations Development Program
MANOVA -multivariate analysis of variance	USAID -the U.S. Agency for International Development
MAR -missing at random	USA -United States of America
MCAR -missing completely at random	VCOs -Voluntary and Charitable organisations
MIMNOE -Multidimensional and integrated model of non-profit organisational effectiveness	χ² -Chi-square
MI -Modification Indices	

Definitions of Key terms

A paradigm or sometimes known as a 'worldview' is a philosophical position of interrelated assumptions shared among researchers that provides a framework which guides the researcher about selection of tools, instruments, participants and methods used in the study

Community based organisations (CBOs) are NPOs organised and owned by the community, with limited funding and small-scale operations with an aim of providing social empowerment and promoting advocacy.

Contingency Theory- There is no universally appropriate performance management system that applies equally to all organisations in all conditions but particular features of the system and its effectiveness will depend on specific organisational and contextual factors

Contingency variables-Future organisational and environment contextual factors, event, or circumstances that are possible but cannot be predicted with certainty in the non-profit sector

Embedded design occurs when the researcher collects and analyzes either qualitative or quantitative data before, during, or after a traditional quantitative or qualitative design to enhance the overall design.

Environmental competitiveness in the non-profit sector is characterised by intense competition for staff and volunteers, external funding, new innovative projects and community resources.

Environmental dynamism frequent changes in the regulatory, socioeconomic, political and technological environment faced by an organisation

Environmental unpredictability is as the ability for the NPOs managers to foresee stakeholder's requirements and accountability demands mainly regulators and board of directors, public, government donors, volunteers and beneficiaries.

Information Technology (IT) include operations automation level, IT application level, modern communication technologies and use of specialised softwares

Organisational Culture refers to beliefs, norms and values that influence the behaviour of people who work in non-profit organisations

Organisational effectiveness is broader and captures organisational performance plus the plethora of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility

Organisational leadership is defined as the roles and processes that "facilitate setting direction, creating alignment and maintaining commitment in groups of people who share common work" to achieve in direction, alignment and commitment

Organisational size- refers to components approach mainly the size of the budget or number of staff.

Organisational structure refers to coherent patterns of interrelated organisational attributes of hierarchical arrangement of lines of authority, communications, centralisation, formalisation and autonomy, rights and duties of an organisation reflecting identifiable organisational form.

Organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

Performance can be defined as the past, present or future accomplishment of a given organisational task or dimension measured against preset known standards of accuracy, completeness, value, or time.

Performance management (PM) practices are formal and informal customs related to specification of aims, methods, procedures and controls within a particular system that generates information for management use

Performance measurement practices involve identification and definition of key performance domains and indicators, performance targets, data collection methods and rewards and incentives.

Performance planning practices includes how the organisation goes about defining and communicating mission, vision, objectives, goals, key success factors, strategies and plans.

Philosophy foundations of research refer to 'the conceptual roots undergirding the quest for knowledge'

PM system context practices refer to the practices related to a set of underlying contextual issues, which permeate(s) the performance management such as information flow systems, performance information use, PM system dynamism and PM system strength and coherence.

Strategic orientation is as how organisations interpret and respond to three organisational problems namely product innovation problem, administrative problem and operational problem

Technology refers to the way the organisation's work processes function to convert inputs into outputs, which include materials, machines, tools, people's tasks, software and knowledge as well technological complexity, task uncertainty and technological interdependence associated with works tasks.

The non-profit sector comprises of entities that are organisations, self-governing, private, voluntary, non-profit distributing and operate for public benefit.

Voluntary and Charitable Organisations (VCOs) are non-profits providing social services, advocacy, relief and social development.

Social enterprises are profit-making organisations aimed at addressing a unique social problem, such as co-operatives, housing associations, and development trusts.

End Matter

List of References

List of Appendices

Appendix 1 NPO Statistics

Appendix 1.1: Kenya Country Profile of Human Development Indicators

Appendix 1.2: UNDP Human development Index

Appendix 1.3: Trends in the Growth of NGOs in Kenya

Appendix 1.4 NGOs' contribution to the Country's economy

Appendix 1.5 Table 10.2 EXTRACT FROM 2009/10 ANNUAL RETURNS

Appendix 2 Ethics Documents

Appendix 2.1 Research Ethics Scrutiny form)

Appendix: 2.2 Research Permit

Appendix 2.3 Research ID

Appendix 2.4 UKBA Letter

Appendix 2.5 Interview Introduction Letter

Appendix 2.6 FGD Introduction Letter

Appendix 2.7 Introduction Letter Survey

Appendix 2.8 Thank You Letter-Survey

Appendix 3 Data collection

Appendix 3.1 Interview Protocol

Appendix 3.2 FGD Guide

Appendix 3.3: Measurement of Variables

Appendix 4 Survey Questionnaire

Appendix 5 Framework Matrix

Appendix 5.1 NGO definition and Characteristics Matrix

Appendix 5.2 Performance Planning Practices Matrix

Appendix 5.3 Performance Measurement Practices Matrix

Appendix 5.4 PMS context practices Matrix

Appendix 5.5 Strategic performance planning process and challenges Matrix

Appendix 5.6 NGO effectiveness Matrix

Appendix 5.7 Determinants of PMS Matrix

Appendix 6: Factor Scores

List of Publications and Conference papers

Working papers and manuscripts

- Re-examining performance management and measurement in NGOs: A managerial perspective (*Management Accounting Research*)-With Magdy Abdel-Kader
- Performance measurement systems in the Voluntary sector: Determinants, Challenges and Benefits (*Accounting and Business Research*)
- Strategic Orientation, Performance Measurement and Organisational effectiveness in the third sector(American Accounting Association -AAA-2014 Midyear conference)
- Contingency Theory, Performance Management and Organisational Effectiveness in the Third Sector: A Theoretical Framework (*International Journal of Productivity and Performance Management*)
- Strategic Performance Planning and Organisational Effectiveness in the Non-Profit Sector; A contingency perspective
- Are NGOs well placed to understand the needs of the poor? Evidence from Spatial dispersions of NGOs in Kenya.(with Vanessa Liston, Trinity college, Dublin)

Book and Book Chapters

- **Wadongo B.** and Abdel-Kader M. (2011) Performance management in non profit organisations, in Abdel-Kader M. (2011) *Review of Management Accounting Research*; Palgrave Macmillan Publishers Limited, Hampshire, England

Conference and workshop presentations

Wadongo B Strategic Performance Planning and Organisational Effectiveness in the Non-Profit Sector; A contingency perspective (Management Accounting Research Group-MCA 2013)

Wadongo B & Abdel Kader (2013) Contingency Variables, Performance Management Practices and Organisational Effectiveness in non-profit sector European Accounting Association, May 6th to May 8th Paris 2013

Wadongo B & Abdel Kader (2013) Performance Management Practices and Organisational Effectiveness in the Non-Profit Sector American Accounting Association (AAA) Annual meeting August 3–7, 2013 Hilton Anaheim and the Anaheim Marriott in Anaheim, CA

Wadongo B & Abdel Kader (2012) “Determinants, challenges and benefits of performance management systems in NGOs”. Performance Management Association, July 9th 2012 Cambridge University

Wadongo B, Abdel-Kader and Franc. Etu Menzoni (2012) “Re examining performance management practices: Evidence from the NGO sector. British Academy of Management Conference, Sept 2012 Cardiff Business school,

Wadongo B. (2012) “Empirical Validation of a Performance Management and Control Framework for Non-profits”, Management Control Association Conference, November 2012 Aston Business school

Wadongo B. and Abdel-Kader M. (2012) “Determinants and effects of performance management practices in nongovernmental organisations”, in proceedings of British Accounting Finance Association 2011 conference, Hilton Hotel Brighton, 16-19 April 2012, Brighton UK

Wadongo B., Abdel-Kader M. and Sermpinis G. (2011) ‘Performance management practices in Kenya; Memoirs of NGO leaders’ University of Bedfordshire conference on 5th and 6th July 2011 Luton Campus

Wadongo B. and Abdel-Kader M. (2011) "Performance management practices in non profit organisations, in proceedings of British Accounting Finance Association 2011 conference, Aston Business School, 12-14 April 2011, Birmingham UK

Wadongo B (2010) "Governance and performance management in civil society in Kenya', East Africa governance workshop at Strathmore Governance Centre (SGC), Strathmore University, Kenya on 4th November 2010

Doctoral Colloquiums Papers

Wadongo B (2013) Performance Management in Non-Profit Organisations Doctoral Colloquium of the European Accounting Association, Paris 2013 2-5 May 2013

Wadongo B (2012) 'Performance management practices Nongovernmental organisations: Evidence from the NGO sector" :British accounting and Finance Association Doctoral Colloquium at Aston Business School on 15th April 2012

Wadongo B (2011) "Determinants and effects of performance management practices in nongovernmental organisations" British accounting and Finance Association Doctoral Colloquium at Aston Business School on 12th April 2011

CHAPTER 1

INTRODUCTION

This thesis proposes and validates a model that explains how performance management practices (PM) affect organisational effectiveness in the Kenyan non-profit organisations (NPOs). This chapter introduces the study, highlighting the research problem, the objectives, scope and assumptions. The rest of the chapter is structured as follows:

- Background to the study
- The statement of the problem
- The aims of the study and objectives
- The rationale and significance of the study
- Non-profit sector and international development
- NPOs in developing countries
- Theoretical underpinnings for the non-profit sector
- The location of the study
- Contents and structure of the thesis
- Conclusion

1.1 Background to the study

Performance management is a complex concept that has received much attention in the management accounting literature. Since the 1960s, performance management has been used in private and public organisations and more recently in the NPOs, not only to address challenges faced by these organisations, but also to improve productivity and service delivery. Performance can be defined as the past, present or future accomplishment of a given organisational task or dimension measured against pre-set known standards of accuracy, completeness, value or time. Effective performance management requires coordination of key activities and related practices undertaken within a system supported by a measurement framework (De Waal, 2003; Rouse and Putterill, 2003). PM practices are formal and informal customs related to specification of aims, methods, procedures and controls within a particular system that generates information for management use (Leeuw and van den Berg, 2011).

Performance measurement in the private and public sectors has received much attention; however, performance management in the '*non-profit sector*'¹ seems to be gaining attention (Yap and Ferreira, 2011). Non-profit organisations are effective change agents in socioeconomic sectors and international development, having evolved from 'relief and welfare' organisations to the current sustainable development systems. The researcher adopts Salamon et al.'s (2010) structural operational definition, which suggests that the non-profit sector comprises organisations that are self-governing, private, voluntary and non-profit-distributing and that operate for public benefit. Theoretical and empirical studies focusing on design and adoption of performance management systems in private and public sectors are more common than those completed in the non-profit sector (Wadongo and Abdel-Kader, 2011; Ebrahim and Rangan, 2010).

Performance management is of growing importance to NPOs, as much of the funding comes from corporate donors, governments and individual contributors who are accustomed to the for-profit bottom-line orientation. Consequently, there is increased demand for design and implementation of performance management systems (PMS) in order to demonstrate effectiveness, accountability and legitimacy. Demonstrating effectiveness in NPOs is critical due to their contribution to national economies and social welfare and intensity of competition for funding and resources in the sector. In addition, there is an increased demand for accountability and efficiency from various stakeholders such as donors, academia, the state and the public (LeRoux and Wright, 2010; Boland and Fowler, 2000).

Regardless of the recent growth and importance of the non-profit sector, particularly in developing countries, research focusing on performance management in this sector lags behind (Moxham, 2009; Chenhall, 2007). Thus, the aim of this study is to develop and validate a model that explains how performance management practices affect the non-profit organisations' effectiveness in Kenya using an embedded mixed method. Against this background, the research problem is presented in the next section.

¹ Also referred to as 'non-governmental organisations (NGOs)', the 'third sector', the 'voluntary sector', 'civil society organisations (CSOs)', the 'social economy', the 'social sector', the 'charitable sector', 'not-for-profit organisations (NPOs)', 'interest groups', 'advocacy networks', or 'social movements', depending on context.

1.2 Statement of the problem

There is growing interest in performance management in NPOs from both practitioners and scholars, particularly design and implementation of performance management systems (PM systems). Over the last decade, at least 20 PM systems for NPOs have emerged, ranging from the balanced scorecard for NPOs (Kaplan, 2001) to the input-impact model (Epstein and Buhovac, 2009). There has been significant development of PM systems, yet little is known of the actual systems utilised in organisations as prior research focuses on design aspects (Leeuw and van den Berg 2011). The authors of these systems implicitly or explicitly underline the applicability of the systems to the non-profit sector. However, to date it appears there is modest empirical evidence to demonstrate the systems' effectiveness or their practical applications in the sector (Taylor et al., 2009; Campos et al., 2011). In addition, some authors have reported unsuccessful implementation of these frameworks, arguing that they do not address the performance management needs of NPOs and consequently question the usefulness of performance management in the non-profit sector (Kaplan, 2001; Ritchie and Kolodinsky, 2003; Micheli and Kennerley, 2005; Moxham, 2010; Campos et al., 2011).

The last decade has been characterised by continuous calls for empirical research on performance management in the NPOs, not only from the management accounting field but also from international development and public administration perspectives (Lindgren, 2001; Kaplan, 2001; Chang, 2006; Chenhall, 2007; Keating et al., 2008; Ferreira and Otley, 2009; Yap and Ferreira, 2011). For instance, Pollit (2005) laments the shortage of comparative empirical research into the "actual practices" of performance management beyond the "surface rhetoric of performance measurement". Similarly, LeRoux and Wright (2010, p. 350) point out that:

in theory, managers develop and implement performance measurement systems to document performance and support decision making ... however, there is a distinct lack of research specifically examining whether and to what extent performance information is used by non-profit managers to make strategic decisions.

Radnor and McGuire (2004 p.64) concluded "performance measurement in the public sector is closer to fiction than to fact" due to the parallel systems which make performance measurement into a 'form-filling' or "box-ticking" exercise.

The current research problem is the gap between theoretical performance management development and actual practices in organisations as highlighted by both researchers and practitioners.

Review of the literature reveals limited performance management research in NPOs, despite its importance to NPOs and numerous calls for research and utilisation of management control systems in NPOs (Chenhall et al., 2010; Chenhall, 2007). For this reason, Yap and Ferreira (2011) call for more studies to gain an in-depth understanding of performance management practices in NPOs.

Previous studies have found variability in PM practices among NPOs in terms of definition, implementation, reporting and management of performance. Empirical studies investigating determinants of PM practices among NPOs remain limited compared to studies completed in the private and public sectors (Moxham, 2009; Thomson, 2010; Carman, 2007). The effects of contingency factors such as information technology, strategy, technology and perceived environmental uncertainty on PM practices in NPOs have not been widely investigated.

A number of non-profit studies have found positive relationships between performance measurement and organisational accountability (Bromberg, 2009; Benjamin and Misra, 2006), organisational legitimacy (Soobaroyen and Raja, 2007; Goddard and Mussa, 2006; Fowler, 2009) and organisational learning (Campos et al., 2011; Benjamin and Misra, 2006; Buckmaster, 1999), strategy implementation (Atkinson, 2006) and organisational decision-making (Martin and Ernst, 2006; LeRoux and Wright, 2010; Samples and Austin, 2009). Although organisational effectiveness is seen as the key motivation for using formal PM systems, empirical studies that examine the linkage between performance management and organisational effectiveness in NPOs remain scarce with conflicting findings (Taylor et al., 2009; Buckmaster, 1999; Lindgren, 2001). Thus, there is limited compelling evidence to generalise this linkage (LeRoux and Wright, 2010). In addition, there is a need to understand performance management in other cultural and organisational contexts and thus contribute to the growing body of PM literature by helping to test generalisability of PM concepts (Pollit, 2005; Rejc, 2004). Regardless of the enormous contribution of NPOs in developing countries, particularly in sub-Saharan Africa, relevant studies in this context are so far still lacking.

Previous qualitative and quantitative studies have explored and explained evolution and adoption of performance measurement systems in NPOs based on *new institutional theory*, *professional theory* and *resource dependency theory* (Teelken, 2008; Thomson, 2010; LeRoux and Wright, 2010); however, studies utilising a mixed methods approach based on *contingency theory* in a system fit approach remain scarce (Chenhall, 2007). Thus, a gap exists in the literature regarding exploring PM practices from managers' perspectives through field study and subsequently explaining the linkages between contingency variables, PM practices and effectiveness through structural modelling. Thus, this study is designed with the aim of addressing the above research problem.

1.3 The aims and objectives of the study

The aim of this study is to develop and validate a model that explains how the fit between contingency factors and comprehensive PM practices affects organisational effectiveness in NPOs. In particular, this study provides empirical evidence of determinants of PM practices and their influence on organisational effectiveness in Kenyan NPOs using an embedded mixed methods design. The following objectives are set in this study.

1.3.1 Objectives of the study

1. To identify the current performance management practices in NPOs in Kenya.
2. To validate a structural model that explains how performance management practices affect organisational effectiveness in the Kenyan non-profit sector.
3. To examine the linkage between contingency variables and performance management practices in NPOs in Kenya.
4. To investigate to what extent performance management practices affect organisational effectiveness in NPOs.

1.3.2 Research questions

1. How do NPOs' leaders define and understand non-profit sector characteristics and organisational effectiveness? **RQ1**
2. How do the NPOs' leaders define performance measurement and what are the current performance management practices in NPOs in Kenya? **RQ2**
3. Does the proposed model of contingency variables, performance management practices and organisational effectiveness fit the data? **RQ3**
4. What is the relationship between contingency variables and performance management practices in Kenyan NPOs? **RQ4**
5. What is the linkage between performance management practices and organisational effectiveness in NPOs in Kenya? **RQ5**
6. What are the mediation effects of performance management practices on the relationships between contingency variables and organisational effectiveness? **RQ6**

To address the above questions, this study employs a mixed methods research approach utilising a field study and a cross-sectional survey to increase validity and reliability of the study. This research approach is structured within the post-positivism worldview and contingency theory theoretical lens that underpins an embedded research design, which directs the plan for conducting the study. A preliminary field study is completed to understand NPO leaders' perceptions on key study variables as well as the research context. A cross-sectional survey is adopted to test the hypothesised relationships among the contingency factors, PM practices and organisational effectiveness using a structural equation modelling approach. Qualitative and quantitative data is collected, analysed and interpreted sequentially, thus allowing integration to occur at the stages of data collection and discussion of results. The study is carried out under the following assumptions: a) the interview schedules and questionnaires are answered properly, accurately and without major personal bias; b) the respondents to the questionnaires are qualified to assess, evaluate and comment on PM practices; and c) the sample organisations surveyed are representative of the general population of NPOs registered in Kenya.

1.4 Rationale and significance of the study

In recent years, NPOs have become major players in international development, particularly in developing countries. Therefore, there is increased demand for design and implementation of PM systems in order to demonstrate effectiveness. Despite the enormous contribution of NPOs and development of PM systems, research into the determinants and effects of current performance management practices in the sector lags behind, as stated in section 1.2 above. Thus, this study addresses the research problem (see section 1.2) contributing to the ongoing debate of relevance of performance management in the non-profit sector. A review of the literature in chapter 2 reveals that several contingency factors have not been investigated in the non-profit sector; in particular, environmental uncertainty, environmental dynamism, organisational structure, strategy, and technology have largely been ignored. Thus, there is a need for a study that adopts structural equation modelling to fit a model using several contingency variables. Few studies advance knowledge of NPO effectiveness through empirical analysis (Lecy et al., 2011). Integrating insights across disciplines, this thesis strengthens cumulative knowledge of definition, conceptualisation and empirical measurement of NPO effectiveness domains. In the literature, the influence of performance management on organisational effectiveness remains contested due to conflicting findings in existing studies. Thus, this study demonstrates that performance management variables predict organisational effectiveness domains. The recent research points to the potential use of performance management as a mediating variable of relationship between contingency variables and organisational effectiveness in a system fit approach; however, few past studies have pursued this potential. This thesis develops and validates an antecedent mediation model of contingency variables, PM practices, and organisational effectiveness in the non-profit sector.

SEM is one of the least-utilised methods in management accounting research. However, the recent developments in structural equation modelling techniques and software have produced a range of goodness of fit tests for evaluating competing structural models (Arbuckle, 2011). Therefore, this thesis makes a methodological contribution by employing structural equation modelling to validate the proposed model. This study further responds to previous calls to integrate several research disciplines by combining the management accounting perspective and the non-profit management perspective. Finally, the research context (a non-profit sector in

a developing country) enables the researcher to test generalisability of performance management frameworks in other contexts.

At the practice level, the study findings will benefit Kenya's government, NPOs, donor agencies and other stakeholders. The findings of this study are useful to the stakeholders in implementing policies that address the performance management, accountability, regulatory and annual reporting challenges faced by the third sector. These results provide knowledge required to design an integrated performance management system suitable for the non-profit sector. To summarise, this is important as it not only increases academic knowledge in the management accounting field but also makes a significant contribution to practice in this important area.

1.5 Non-profit sector and international development

Over the last decade, NPOs have become major players in international development, particularly in developing countries (Liston, 2008). NPOs are effective change agents in socioeconomic sectors such as education, microcredit, non-formal education and primary health care. According to Korten (1987) in VanSant (2003), NPOs have evolved over the years from being, first, relief and welfare, to small-scale local development and are currently sustainable development systems. Initially charities working as relief organisations were trusted because of the stakeholders' homogeneous social and religious values. However, over the years NPOs have expanded to become more larger and more numerous professionalised agencies with multiple stakeholders and thus increased demands for performance measurement (LeRoux and Wright, 2010). Although both the public sector and the non-profit sector provide services often overlooked by the private sector, NPOs respond to collective unique disadvantaged community or group needs and interests, while the public sector responds to majority preferences (Feiock and Andrew, 2006).

In 2010, the sector was worth \$2.2 trillion in operating expenditures based on 40 countries in which data was available (Salamon et al., 2010). According to Salamon et al.'s earlier (2004) report, in 2003 the global non-profit sector was a \$1.3 trillion industry, which employed over 40 million people with an estimated annual growth of 10% per annum and served billions more in developed and developing economies. In sub-Saharan Africa, NPO expenditure was expected to increase with

average annual growth of 12% per annum, ahead of the Middle East and North Africa and South Asia. The sector is even more important and bigger in Least Developed Countries such as Kenya, where it was valued at UK£1.35 billion in 2010 (Kenya National Bureau of Statistics, 2010). In Kenya, the sector accounted for 5% of the country's GDP (approximately UK£1.35 billion) and employed some 250,000 people in 2010 (Kenya National Bureau of Statistics, 2010). According to an NGO Coordination Board (2010) report, international NPOs in Kenya received most of the funds (69%) donated compared with national NPOs (31%). It is evident that most donations to international NPOs were from the United States (44%), the United Kingdom (21%), Kenya (12%), Germany (9%) and the Netherlands (8%). The growth of NPOs in sub-Saharan Africa and particularly in Kenya is due to dissatisfaction with the performance of central government in delivery of public services; thus, donors increasingly seek to channel development funding through the non-profit sector.

Despite the above growth, there is little agreement on the definition and boundaries of entities constituting the sector. Furthermore, several authors have bemoaned the number of high-profile scandals that have hit the sector around the globe. LeRoux and Wright (2010) cited examples of poor financial practices of the American Red Cross during the 9/11 attacks in the US. Similarly, Mueller et al. (2006) reported misuse of funds in a non-profit for children and literacy in New Zealand. Thus, performance management is of growing importance to NPOs due to funding insecurity, multiple stakeholder requirements and demands for effectiveness and accountability and ways of restoring eroding public trust.

1.6 NPOs' characteristics in developing countries

The United Nations (UN) categorises countries into developed and developing countries. Developing countries tend to have a lower Human Development Index (HDI), high population growth, and lower levels of income and industrialisation. These features affect the characteristics and efficient operation of non-profits and the public sector in developing countries. In developing countries, NPOs remain relevant, as they are known to encourage alternative development strategies compared to government and business organisations due to poverty and government failure to deliver services. NPO characteristics such as lack of government bureaucracy, flexibility and grassroots support cause their activities to be impact-oriented, emphasising self-sustainability and community participation

(Olujide, 2005). The non-profit sector interventions focus on the poorest of the poor, usually located in remote areas and involve beneficiary participation in project design to ensure acceptance and compatibility with local cultures and conditions. NPOs in developing countries have been lauded for their efforts in providing equitable, cost-effective services alleviating poverty. Some indigenous NPOs are well known for utilising external funding effectively while delivering efficient services, thus gaining community legitimacy. However, many NPOs have implemented multiple programs in different sectors, thus leading to inefficient allocation of resources as they lack the organisational and managerial competencies required to integrate their efforts. This diversity has been driven by the funders' requirements for integration of multiple projects and activities to achieve long-term community outcomes.

In the last 10 years, accountability and effectiveness have become central concerns in NPOs in developing economies for several reasons, including visible scandals, growing competition with for-profit service providers, increased commercialisation and the engagement of NPOs to fulfil functions previously performed by the state (Benjamin and Misra, 2006; NGO Coordination Board, 2010). Unlike in developed countries, these NPOs in developing countries perceive internal self-performance evaluation as irrelevant due to low performance pressure and emphasis on external performance evaluation processes (Olujide, 2005). Nevertheless, performance management is critical to the NPOs, to enable them to measure performance at an operational level and remind themselves of their original intentions in the development and social context.

NPOs in developing countries continue to face institutional, financial and program sustainability problems, incoherent and ineffective regulation, unpredictable funding and donor dependency (Mimba et al., 2007; Shivji, 2007; Kunguru et al., 2009; Jillo, 2009). Other constraints include poor public culture, institutional fragmentation, the influence of international organisations and lack of institutionalised training, incentives and sanctions systems. These institutional and capacity constraints negatively affect implementation of performance management systems in developing countries, therefore making it impossible for them to benefit from the system (Ohemeng, 2009). Based on the above challenges, coupled with a large amount of external funding from Western countries including the USA, there is an urgent need for empirical studies to inform development and implementation of performance management systems that are relevant, balanced,

integrated, strategic and improvement-oriented to address addressing the specific characteristics of NPOs in developing countries.

1.7 Theoretical underpinnings for the non-profit sector

NPOs share important underlying characteristics that differentiate them from private and public sector organisations, including profit maximisation objectives, revenue sources, goals, high transactions costs, multiple stakeholders and reliance on trust, social capital and voluntarism. Some of the key theoretical underpinnings for the sector discussed in the literature include the public nature of the products and services, dependency on social capital, multiple stakeholders, asymmetric information, incomplete contracts and monitoring and incentive systems (Speckbacher, 2003; Taylor et al., 2009; Beamon and Balcik, 2008; Kendall and Knapp, 2000; Chenhall et al., 2010). Revenue sources are a key factor differentiating non-profits and for-profit organisations (Moore, 2000). For-profits derive their revenue from sale of products and services to customers, while non-profits get their revenue from monetary and non-monetary contributions from government, individuals and corporations. The implication is that in for-profit organisations, customers pay for goods for their own benefit while non-profits secure revenue from funders who do not expect any benefit in return (Henderson et al., 2002).

In a conventional economy, the public sector ensures efficient resource allocation based on public preferences and those who demand differentiated goods are catered for by the private sector at a premium cost. However, the “public good” nature of NPOs’ products and services does not reflect the true market value or price, thus competition and price cannot be used as a measure of performance (Kendall and Knapp, 2000). The interventions are produced at less-than-optimal level in the market as the NPO expenditures only reflect the social (production) costs but not the social (market) value. Thus, the public good properties of the NPOs’ services make it challenging to measure the NPOs’ outputs, as the outcomes are widespread.

Social capital as an intangible resource has been central to the non-profit sector for many years. It results from networks between people in the organisation rather than physical or human capital. People’s formation of and involvement in NPOs represents socio-capital or generates it as a by-product (Kendall and Knapp, 2000;

Chenhall et al., 2010). NPOs are well known for involving voluntarism in the implementation of their projects. The NPOs use volunteers to reduce project costs and to ensure participation by community members. In developing countries, most youths opt to volunteer for instrumental reasons aims due to high unemployment rates. While volunteering and membership is desirable in NPOs, it causes great challenges to performance management, as the volunteers are more than just “human resources” with incomplete contractual rights. They partly assume ownership rights to the organisation’s ideas and success. Furthermore, they are not compensated at the market value; thus, the NPOs cannot demand a certain level of performance by enforcement of rewards and penalties. Traditionally, NPOs’ managers have depended on informal processes based on shared trust, norms and values to develop and sustain social capital, rather than on coercive or formalised procedures. However, recent stakeholder accountability and effectiveness demands, coupled with rapid growth of the sector, have dictated the adoption of formal management controls and practices borrowed from the private sector that sometimes conflict with the intrinsic values of the NPOs (Chenhall et al., 2010).

In organisations, owners of human and physical capital make specific investments to create value with expectations of acceptable share returns. The reliance for organisational success on specific investments and incomplete contractual relationships among multiple stakeholders poses challenges in managing these investments (Rajan and Zingales, 1998). Whereas the “traditional property rights view” assumes that residual right of control is with the owners, as other stakeholders are protected by complete contracts, the “modern perspective” assumes that stakeholders who make large and important specific unprotected investments should have primary decision rights. According to Speckbacher (2003), multiple stakeholders in NPOs make unprotected specific investments based on incomplete contracts with the expectation that NPOs will fulfil their implicit claim and thus return value on their investments. Based on the specific investments, the stakeholders can either be primary or secondary stakeholders. Primary stakeholders make the largest specific investment in the organisation and their investment is protected by giving them information and decision rights to interpret the mission and make decisions in the case of conflict (Speckbacher, 2003). For-profit organisations have homogenous stakeholder groups, who make specific investments, explicit claims and interests and have residual and decision rights; thus they guide organisations’ objectives and intentions. On the other hand, non-

profits have heterogeneous multiple stakeholders with shared values but with conflicting interests and implicit claims. Although different stakeholders are motivated to work together sometimes, they hold different values and priorities (Beamon and Balcik, 2008; Kendall and Knapp, 2000), hence managing trade-offs between stakeholders is challenging to NPOs. Performance management is useful in balancing the stakeholder's investments and expected share, thus establishing the extent to which the implicit claims are met through stakeholder-oriented strategic performance measurement systems (Speckbacher, 2003; Neely et al., 2001). Therefore, the performance management system is key to provision of information about the nature of the claims and redefinition of trade-offs in cases of conflict. However, the challenge is to identify a stakeholder group that has a residual right, interpret organisation mission, define performance standards and measures and measure effectiveness.

Although technological and traditional property rights views of the firm, which provide the basis of performance measurement and owners' incentives for performance are not completely transferable to non-profits, Speckbacher (2003) argues that they address the question of how organisational goals can be translated into organisational actions through monitoring and incentives systems that are applicable to non-profits. Monitoring systems are applicable to non-profit measurement so long as there is clarity of goals and measures. However, other characteristics of NPOs mentioned earlier, such as lack of primary owners, asymmetric information, the absence of market prices, the subjective nature of inputs and outcomes and reliance on limiting financial reporting systems, make monitoring processes complicated and costly (Kendall and Knapp, 2000).

The above theoretical underpinnings for the sector pose both challenges and opportunities for applicability of private sector performance management principles to the sector. For instance, the inherent and unique characteristics of the sector pose significant challenges to selecting appropriate performance metrics and developing measurement systems (Micheli and Kennerly, 2005; Sawhill and Williamson, 2001; Beamon and Balcik, 2008). Thus, distinctive characteristics of for-profits and non-profits result in unique performance management needs as well. To conclude, both researchers and practitioners need to understand how modern performance management tools could integrate with the NPO characteristics to optimise effectiveness of individual organisations.

1.8 Location of the study

The study is conducted in NPOs registered and operating in Kenya, a developing country in sub-Saharan Africa. The Kenyan non-profit sector is chosen as it represents an active, organised, and regulated sector in a politically stable developing country. The researcher's prospects of negotiating access to participants influenced the choice of the location. Kenya lies in East Africa between 5°N and 5°S. It covers an area of 582,644km² and has a population of over 39 million. According to the United Nations Development Program (2010) Human Development Report, the Human Development Index (HDI)² for Kenya between 1980 and 2010 rose by 0.5% annually from 0.40 to 0.47 leaving Kenya ranked 128 out of 169 countries (see Appendix 1.2). Kenya's huge debt burden and inadequate financial resources have slowed down the country's race to meet the Millennium Development Goals. This has been attributed to the withholding of external aid to the government in the last decade, which has increased government borrowing, resulting in higher servicing costs. Other challenges facing the country are population increase, particularly in urban areas; effects of 2008 post-election violence; increases in food and energy costs in 2010; extremes of flooding and successive drought occasioning disruptions to livelihoods of the poor; and HIV/AIDS, whose prevalence has gone down but absolute numbers of those infected and affected remain high (see Appendix 1.1). Thus, the stakeholders face the challenge of designing and implementing poverty reduction programs that target the poor effectively on a long-term basis.

In the past 30 years, NPOs have become central to poverty alleviation work in Kenya. Most NPOs started their activities around the 1970s and 1980s in response to larger developmental needs following the disappointing bilateral government-to-government aid programs. The hope was that NPOs would succeed in taking assistance to grassroots rural communities. This shift to direct NPO funding resulted in the mushrooming of NPOs (Liston, 2008). In 1993 there were 250 non-governmental organisations (NGOs) registered with the NGO Council of Kenya. In 10 years this figure multiplied by a factor of almost 10 to 2232 in 2001. The sector recorded significant growth between 2001 and 2009. The sector has been growing

² 'Each year since 1990 the UNDP Human Development Report has published the Human Development Index (HDI) which was introduced as an alternative to conventional measures of national development, such as level of income and the rate of economic growth. HDI represents a push for a broader definition of well-being and provides a composite measure of three basic dimensions of human development: health, education and income'.

at the rate of 400 organisations per year (Appendix 1.3) with about 7500 organisations currently registered with the NGOs Coordination Board.³

These NPOs are spread all over the country and vary from small organisations operating locally to international organisations with regional programs. They range from organisations run by small teams of volunteers to mega organisations with hundreds of fully paid staff and all sorts of professionals and sophisticated systems and processes. They reflect diversity in their activities from welfare to environment and human rights, gender to agriculture and education. NPOs in Kenya encompass organisations from those with modest budgets of a few thousand shillings to those managing over a billion Kenyan shillings per year (NGO Coordination Board, 2010) (see appendices 1.4 and 1.5).

1.9 Contents and structure of the thesis

The remainder of this thesis is organised in eight chapters.

The next chapter provides a review of the literature on performance management relevant to the non-profit context. This chapter seeks to demonstrate the relative dearth of research on performance management practices in the non-profit sector.

Chapter 3 aims to develop a theoretical framework and develop hypotheses based on the key arguments and findings from the literature review of contingency variables, performance management practices and organisational effectiveness. The thesis has four categories of hypotheses.

Chapter 4 discusses the research methodology used in this study from the philosophical foundation to research design, data collection and data analysis.

Chapter 5 presents and discusses the qualitative data analysis and findings. The framework analysis method was used to analyse the data with the help of NVIVO 9.2 software.

³ 'The NGOs Coordination Board was established by NGOs Co-ordination Act No. 19 of 1990 and became operational in June 1992. The Board has the broad mandate of regulating the activities of all NGOs in Kenya including maintaining a register on their precise sectors and affiliations and location of their activities. It is also responsible for receiving and analysing annual reports from the NGOs; advising the Government on the activities of NGOs and providing policy guidelines to help NGOs harmonise their activities with national development plans'.

Chapter 6 addresses the cross-sectional survey design. It outlines the survey design, quantitative data collection and analysis. Chapter 7 presents the cross-sectional survey results, including descriptive and inferential statistics, to address the research questions.

Chapter 8 discusses the results in view of research questions, previous studies and implications for practice. Finally, chapter 9 concludes the thesis, summarising the empirical findings as well as highlighting the thesis's contributions to the field of management accounting.

1.10 Conclusion

This chapter introduced the study, describing the background and highlighting the research problem and the objectives of the study. The chapter assisted the researcher to justify the need for the study and its significance to researchers and practitioners. The chapter also provided an overview of the non-profit sector's characteristics, particularly in the developing countries and the need for performance management. The chapter enables the researcher to set the research context and scope of the study, which forms the basis of the literature review chapter. The next chapter presents the literature review relating to the key variables.

CHAPTER 2

LITERATURE REVIEW

Over the last decade, performance management literature in the management accounting field has been dominated by the design and adoption of performance measurement systems in public and private organisations and their implications for organisational performance, utilising diverse theoretical viewpoints and methodologies. Thus, this chapter seeks to demonstrate the relative dearth of research on performance management in the non-profit sector. This literature review is presented in the following key sections:

- Definition, scope and role of non-profit organisations
- Performance management practices in the non-profit sector
- Organisational effectiveness and performance in NPOs
- Contingency variables and performance management
- Performance management and organisational effectiveness
- Mediation effects of performance management practices
- Gaps in knowledge
- Conclusion

2.1 Definition, scope and role of non-profit organisations

Non-profit organisations include a diverse array of entities or organisations that occupy the space between the family, the market and the state and which form a distinct non-profit sector (Salamon et al., 2004; Lecy et al., 2011; Olujide, 2005). Although the definition of the sector varies across the world, Salamon et al. (2004) argue that the sector can be defined based on 'economic support', 'legal status' and the 'purposes' of the organisation. Thus, a non-profit organisation can be defined as:

an association with a legal status which is non-profit (making), is financially independent of government and is actively engaged in the political, social and economic transformation of society ... (with an aim) to mobilise people for self and national development beyond mere basic needs. (Olujide 2005, p. 63)

Even though non-profits are required to demonstrate that they operate for public benefit for tax exemption purposes, there is no clear understanding of what is meant by public benefit (Moxham, 2009). Hence, Vincent and Harrow (2005) conclude that agreement has not been reached among researchers on what is meant by non-profits and not all non-profits are charities.

The definitions of the non-profit sector are often contested because the boundaries around the sector remain vague and poorly understood (Kendall and Knapp, 2000). In an attempt to define boundaries, Taylor et al. (2009) argue that the sector consists of social enterprises and voluntary and charitable organisations (VCOs). Social enterprises are profit-making organisations aimed at addressing a unique social problem, such as co-operatives, housing associations, development trusts and VCOs are non-profits providing social services, advocacy, relief and social development. In developing countries, NPOs are sometimes categorised based on activity, content, scale and program types. In Kenya, all these organisations are defined as the *non-profit sector* or *the NGO sector* independent of the other two sectors, i.e. the state (dominated by power and politics) and the private sector (dominated by capitalism and economics) which include VCOs, CBOs and Social enterprises. Community based organisations (CBOs) are NPOs organised and owned by the community, with limited funding and small-scale operations with an aim of providing social empowerment and promoting advocacy.

The main roles of NPOs are to attract resources, establish priorities and allocate resources to beneficiaries. However, protection from market rigidity, with no bottom line or stock market price to measure performance, or exposure to public elections, leads to a greater uncertainty in NPO roles and achievements (Kendall and Knapp 2000; Shivji, 2007). NPOs engage in three broad types of activities: *relief activities* – relief for victims of large-scale emergencies; *development activities* – longer-term aid, focusing on community self-sufficiency and sustainability; *advocacy* – NPOs that work to secure equality for marginalised groups, including articulating people’s rights and obtaining the services they require (Beamon and Balcik, 2008; Taylor et al., 2009). Some studies have found differences in performance measurement due to the different roles and activities. According to Thomson (2010), NPOs operating in food, recreation, community development and *other* service categories reported lower levels of measurement. Carman (2007), using a comparative framework, concluded that differences in evaluation practice could be attributed to differences in community-based organisations’ (CBOs’) service fields

and clients and the nature of the service. Richie and Kolodinsky (2003) recommend identification and testing of performance measures across a range of NPOs in search of commonalities between sectors and activities.

NPOs have traditionally been divided into local, national and international groupings. There is some evidence that local non-profits face heavy accountability and performance measurement requirements compared to international NPOs (Mueller, 2006). It is believed that the local NPOs lack capacity and effective governance systems to effectively implement projects. Furthermore, older, better-established NPOs have more effective performance management systems compared to young NPOs (LeRoux and Wright, 2010; Carman, 2009). Thus, there is a need to understand how NPO characteristics influence PM practices in the Kenyan non-profit sector. To address this gap, the researcher will use field study to explore the definition, scope and structure of the Kenyan non-profit sector in order to understand the contextual influence on PM practices and effectiveness. This thesis aims to address the following questions: *how do non-profit leaders in Kenya define the NPOs and their scope and roles? How do NPOs' characteristics influence PM practices in the Kenyan non-profit sector?*

2.2 Performance management practices in the non-profit sector

According to Lebas (1995), performance management creates the context for measurement and is continually supported by performance measurement. He highlighted the pitfalls researchers may run into by separating performance measurement from performance management.

All those who have focussed exclusively on measurement, without understanding that measures are only telling what the consequences are of the decisions that created the context for performance, [have] missed the opportunity to gain control over – to gain mastery of – the process of creating performance and success for the firm or for the organisational unit under scrutiny. (Lebas 1995, p. 35)

Effective performance management systems include performance measures that are all-inclusive, empowering, relevant and reflective of cause-and-effect relationships creating a basis for discussion, thus supporting continuous performance improvement and decision-making (Lebas, 1995). Broadbent and Laughlin (2009) argue that “PMS are concerned with defining, managing and

controlling both the achievement of outcomes or ends as well as the means used to achieve these results at a societal and organisational [level], rather than individual level” (p. 195). Performance management can broadly be summarised into three phases as performance planning, performance measurement and PM system context. *Performance planning practice* includes how the organisation goes about defining and communicating mission, vision, objectives, goals, key success factors, strategies and plans. *Performance measurement practices* involve identification and definition of key performance domains and indicators, performance targets, data collection methods and rewards and incentives. Finally, *PM system context* comprises practices related to contextual factors such as information flow systems, performance information use, PM system dynamism and PM system strength and coherence. The particular depth and specificity of the system will depend on the individual organisation.

2.2.1 Performance management and measurement definition

Performance management in the non-profit sector has not been widely studied in comparison to performance measurement. This leads to increased challenges in defining the term performance management as used in the sector. Therefore, the researcher relies on the definition in the private and public sector. According to Mackie (2008), the term performance management describes a range of managerial activities devised to monitor, measure and correct individual and organisational performance through diverse management controls. Performance management integrates the management of both individual and organisational performance. Bunton (1997, p. 35) defines performance management as:

the use of performance measurement information to help set agreed-upon performance goals, allocate and prioritise resources, inform managers to either confirm or change current policy or program directions to meet those goals and report on the success in meeting those goals.

In the same breath, Verbeeten (2008) defines performance management as specifying goals, allocating decision rights and measuring and evaluating success. Leeuw and van den Berg (2011) differentiate between strategic and operational performance management, lamenting that operational aspects have received little attention in research. They define operational performance management as the definition, implementation and utilisation of performance measures by shop-floor employees as they execute daily operations in organisations. Performance

management could be defined based on two distinct functions: first, *intra-organisational* performance management encompassing internal management controls to specify, measure and correct organisational subunits and individual performance in order to achieve the mission. The second function is *extra-organisational* performance management, which communicates performance to stakeholders for the purposes of accountability and governance (Cutt, 1998; Mackie, 2008).

Notwithstanding the vast amount of literature on and attention given to performance management, it is often used interchangeably with performance measurement, including performance reporting, performance monitoring and evaluation (Ohemeng, 2009; Pollit, 2005; Carman, 2007). Performance measurement is diversely defined in non-profit literature, similar to the diverse definition of the sector itself. Some of the definitions cited in the literature include project performance evaluation (Poister, 2003), evaluation of individual, group and organisation performance (Ferreira and Otley, 2009) and monitoring economy, efficiency, effectiveness and efficacy (Teelken, 2008; Fine and Snyder, 1999). Others include monitoring workload and productivity (Ammons 1996), outcome measurement (Wainwright, 2003; Benjamin and Misra, 2006; Moxham, 2009) and program evaluation (Miller, 2007; Carman, 2007; Zimmerman and Stevens, 2006).

In addition to the diverse definitions, a review of literature indicates that researchers and practitioners struggle to differentiate between performance measurement and performance management. For instance, the findings from Carman's (2007) study suggested that some CBOs did not distinguish between reporting, monitoring, management practices and evaluation. In his book, Poister (2003) interchangeably uses the term performance monitoring to refer to performance measurement. Zimmerman and Stevens (2006) imply that evaluation means performance measurement in the non-profit sector. According to Folan and Browne (2005) and Moxham (2010), this lack of agreement on the definition among authors (resulting from multidisciplinary research) creates confusion and limits the comparability of research findings. Thus, this study aims to understand how managers in the Kenyan non-profit sector define performance measurement and management. This thesis aims to address the following question: *How do managers in the Kenyan non-profit sector define and understand performance measurement and management?*

2.2.2 Performance management process in the non-profit sector

There is growing interest in performance management in non-profits from both practitioners and scholars, particularly in design and implementation of PM frameworks. A review of the literature reveals that about 20 performance measurement frameworks have been developed for the non-profit sector in the last 10 years. Although a number of authors suggest analogous models to describe aspects of performance management, this literature review focuses on about six generic models relevant to the study.

Lindgren (2001) depicts performance management in the non-profit sector as a five-stage process involving definition of vision, goals and objectives; construction of key performance indicators; setting measurable performance standards, performance targets and benchmarks; performance measurement and reporting and related resources; and finally performance information use for decision-making. Santos et al. (2008) argue that the successful accomplishment of four tasks represents effective performance management. These tasks include design of the measurement system, the measurement process to monitor performance against targets, analysis of the results for decision-making, improvement process through corrective actions and the PM system update. According to Mackie (2008), a common approach to performance management involves five distinct steps: definition and communication of mission and vision; translations of intentions to objectives, indicators and targets; employee ownership and acceptance of the system; measurement of the indicators; performance-reinforcing mechanisms through appropriate rewards and penalties. Leeuw and van den Berg (2011) present four phases of performance management which include the definition of a PM system; implementation of the system; data collection and reporting systems; and management of performance, such as continuous improvement, communication and rewards. Ferreira and Otley, (2009) drawing on Simon's (1995) concept of 'levers of control', extend the Otley (1999) framework to a performance management and control framework which entails 12 questions that can assist assessment of performance management in organisations.

Despite the above PM model developments, previous studies have drawn attention to the gap between theoretical performance management development and actual practices in organisations. For instance, Pollit (2005) laments the shortage of comparative empirical research into the “actual practices” of performance management beyond the “surface rhetoric of performance measurement”. Similarly, LeRoux and Wright (2010, p. 350) point out that:

in theory, managers develop and implement performance measurement systems to document performance and support decision making ... however, there is a distinct lack of research specifically examining whether and to what extent performance information is used by non-profit managers to make strategic decisions.

Radnor and McGuire (2004 p.64) concluded that “performance measurement in the public sector is closer to fiction than to fact” due to the parallel systems which make performance measurement into a “form-filling” or “box-ticking” exercise. Although improving effectiveness is seen as the key motivation for using formal PM systems, empirical studies that examine the linkage between performance management and effectiveness remain scarce with conflicting findings (Taylor et al., 2009; Buckmaster, 1999; Lindgren, 2001). It is understood that NPOs face challenges in performance measurement that are distinct from those faced by for-profit organisations due to the nature of their operations. Thomson (2010, p. 5) intuitively asks the question “Can requiring non-profits to measure outcomes force them to overcome the barriers to adoption and use of performance measurement? Alternatively, will the obstacles be insurmountable, thereby minimising the effect of mandates?”. Fischer (2001) provides a framework for examining these challenges and identifies two specific pitfalls of performance measurement: “(1) issues that arise as a result of the agency context for evaluation and (2) issues that result from the structural limitations of the outcomes measurement model” (p. 564). Lindgren (2001) describes two types of pitfalls, namely *content or technicalities of performance measures* and *pitfalls by use of measures*. There is a need for empirical studies to gain an in-depth understanding of PM practices in the non-profit sector including the challenges and benefits. Thus, this study adopts a modified version of Ferreira and Otley (2009)’s ‘Performance Management and Control Framework’ to examine PM practices in NPOs in Kenya. This thesis aims to address the following question: *What are the current performance management practices in the Kenyan non-profit*

sector? What are the challenges and benefits of performance measurement in the Kenyan non-profit sector?

2.2.3 Performance measurement frameworks

Although performance measurement frameworks and systems are interchangeably used in the literature, Rouse and Putterill (2003) argue that frameworks form a starting point for development of performance measurement systems through clarification and specification of boundaries and key dimensions, respectively. Folan and Browne (2005) classify performance measurement frameworks into structural and procedural frameworks with the same classification later adopted by Beamon and Balcik (2008) in their study of performance measurement frameworks in relief non-profits. An effective performance measurement system consists of the measurement process and a relevant framework. Performance measurement process in the voluntary sector has been discussed, with various authors suggesting identical processes, steps, or tasks. A balanced measurement system should not only specify the process but the dimensions of performance, objectives, indicators, targets, data collection process, rewards and sanctions and corrective action (Henderson et al., 2002; Buckmaster, 1999; McLaughlin and Jordan, 1999; Tom and Frentzel, 2005). While the measurement process is widely agreed upon, debate exists over which frameworks are suitable for non-profits. The literature review reveals the existence of several frameworks. For the purposes of this study, the frameworks are labelled either *program-specific*, *multidimensional*, or *individual* performance frameworks.

Program-specific frameworks⁴ focus on the measurement of program inputs, outputs, impacts and outcomes generally referred to as *logical frameworks*. Researchers and practitioners have extended these frameworks to outcome measurement tools and impact measurement tools to reflect the measurement of long-term community impacts or outcomes. The temporal logic models assist NPOs and funders in design, implementation and evaluation of projects based on a number of assumptions regarding success of a project on a particular process.

⁴ The examples of logical framework and impact measurement models include 'generic programme logic model' (Poister, 2003), 'Logic Model tool' (McLaughlin and Jordan, 1999), 'Outcome Measurement Model' (Buckmaster, 1999), 'input-impact model for measuring performance of not-for-profit organisations' (Epstein and Buhovac, 2009) and 'Hierarchy of cause and effect for program performance measurement'. (Tom and Frentzel, 2005)

They emphasise goals, inputs and outputs. The outcome or impact measurement tool focuses on systematic collection and analysis of information to identify meaningful long-term trends or changes in the beneficiary community because of the project intervention. Thomson (2010) noted that although NPOs specify these outcomes in their models, most of the organisations they surveyed are not able to collect data on the outcome indicators.

Multidimensional models measuring diverse effectiveness and performance domains have been proposed to address weakness of goal attainment approaches such as logical frameworks. The balanced scorecard (BSC), adapted from the Kaplan and Norton framework, places mission and strategy at the heart of the framework as opposed to profitability. Cutt (1998) presents an adapted BSC emphasising cost-effectiveness rather than profit. He argues that performance measurement systems should serve as a starting point of organisational governance and management control. Kaplan (2001) proposes an adapted balanced scorecard for non-profit organisations which elevates the role of *strategy* in non-profit balanced scorecards, placing an overarching *mission, objective and strategy* at the top of the scorecard. Kendall and Knapp (2000) propose an adapted production of welfare (POW) framework that organises performance indicators around eight *performance domains*, each with at least two indicator sets; however, they emphasise the significance of manager's *choice* over both the intermediate outputs of organisation and process itself. Neely et al. (2001) present the performance prism framework, relevant to the public and non-profit sectors, which adopts a stakeholder view of performance measurement. Dashboard has been developed to address the needs of social enterprises, as some voluntary organisations participate in profit-generating activities to support their programs (Paton, 2003). Finally, Beamon and Balcik (2008) propose a performance measurement framework for human relief NPOs consisting of *resource metrics*, *output metrics* and *flexibility metrics* and view effectiveness as a set of interdependent relationships between various domains.

Managing individual performance is one of the most frustrating challenges faced by organisational leaders. To address this challenge, human resource PM frameworks have been put forward, such as performance contracting, personal development review tool (PDR) and 360-degree feedback. *Performance contracting* includes routine goals (job-related performance expectations), stretch goals (project-directed actions that challenge competencies and knowledge) and development goals (self-

development actions that enhance an individual's value to the organisation) (Behn and Kant, 1999; Smith and Lipsky, 1995). Similarly, the *personal development review tool (PDR)* is a formal means by which an individual sets out the goals, strategies and outcomes of formal and informal learning and training (Magnussen, 1997; Rughani, 2001). In contrast, *360-degree feedback* is a system or process in which employees receive confidential, anonymous feedback from the people who work around them, including the employee's manager and peers and (Fleenor et al., 2008). Although staffs PM frameworks are important in organisations, they are certainly more beneficial if they are incorporated in the wider performance management process.

The above PM frameworks vary depending on the theoretical perspective. The majority of the proposed program-specific frameworks originate from non-profit and international development literature. The staff PM frameworks originate from the human resource field. The multidimensional models are adapted from the accounting and business management perspective. Out of the 20 frameworks reviewed, only four emerged from the management accounting perspective. The authors of these frameworks implicitly or explicitly underline the applicability of the frameworks to the non-profit sector. However, to date it appears there is modest empirical evidence to demonstrate the frameworks' effectiveness or practical application in NPOs (Taylor et al., 2009; Campos et al., 2011). There is a lack of plausible systematic evaluation and research evidence of efficacy of such models in the non-profit sector (Moxham and Boaden, 2007); given this, Thomson (2010) argues that sector differences require meticulous research of applicability of performance measurement in the third sector. Clarkson et al. (2010) demonstrate that use of various aspects of PM systems varies between countries and context; there needs to be understanding the extent to which these frameworks have been implemented in developing countries, particularly in Kenya. The above discussion leads to the question: *Which performance measurement frameworks are implemented in the Kenyan non-profit sector?*

2.3 Organisational effectiveness and performance in NPOs

Organisational effectiveness as a measure of organisational success has attracted scholarly attention for decades (Mausolff and Spence, 2008; Lecy et al., 2011), however, there is little agreement on how to define and measure what constitutes organisational effectiveness. In essence, organisational effectiveness represents the

outcome of organisational activities while performance measurement consists of an assessment tool to measure effectiveness. Several authors have offered conceptualisation and measurement of the concept of effectiveness (Herman and Renz, 2008; Sowa et al., 2004; Lecy et al., 2011). Beamon and Balcik (2008) define effectiveness as the extent to which clients' needs are being met while defining efficiency as being how effectiveness is achieved in relation to resources used. Organisational effectiveness is the extent to which an NPO accomplishes its mission (Benjamin and Misra, 2006) and meets its objectives and goals (Kronkisky, 2007). Richards et al. (2009, p. 5) distinguish organisational performance and effectiveness as follows:

Organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

Organizational effectiveness is broader and captures organizational performance plus the plethora of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility.

This study focuses on organisational effectiveness, as it represents the achievement of the NPOs' intentions. Theories on effectiveness measurement have been summarised into four measurement approaches, namely *goal attainment*, *systems resource approach*, *reputational approach* and *multidimensional approach* (Yankey and McClellan, 2003; Lecy et al., 2011; Kronkisky Charitable Foundation, 2007; Herman and Renz, 1997, 2004, 2008). *Goal attainment*, as one of the earlier approaches, emphasised that organisational effectiveness in NPOs could only be measured by progress towards achieving goals (Yankey and McClellan, 2003). However, the approach was criticised since NPOs lack single and specific goals (Lecy et al., 2011; Kronkisky, 2007). To address this limitation of the goal attainment approach, the *systems resource approach* was proposed, emphasising organisational survival. Under this approach, organisation effectiveness is viewed as the ability of non-profits to utilise their environment to gain scarce and valuable

resources (mostly financial resources) to achieve goals (Ritchie and Kolodinsky, 2003). The model has been critiqued for its focus on objective financial variables such as expenditure and revenue to measure effectiveness, hence the emergence of the reputational approach. The *reputational approach* relies on the subjective measures of perception of multiple key stakeholders to measure organisational effectiveness in NPOs (Herman and Renz, 2004). It is based on the belief that organisational legitimacy will enable an NPO to operate in a particular complex sector. The approach has been criticised due to stakeholders' lack of consensus on effectiveness, particularly in NPOs where there are no primary stakeholders with decision rights. To address the weaknesses of previous approaches, *multidimensional models* of effectiveness were put forward, incorporating aspects of goal attainment, system resources and reputational dimensions of effectiveness at different organisational levels (Kendall and Knapp, 2000; Kaplan, 2001; Sowa et al., 2004). Despite the potential benefits of multidimensional models, research has shown that they are difficult to implement in practice, particularly in NPOs, due to their complexity, information overload and lack of resources and experience in such systems on the part of NPOs (LeRoux and Wright, 2010; Moxham, 2009; Carman, 2007). As observed by Herman and Renz (2008), effectiveness in one dimension does not imply that the NPO is effective overall.

Sowa et al. (2004) present a multidimensional and integrated model of non-profit organisational effectiveness (*MIMNOE*) to assess organisational performance for non-profits. The hierarchical model outlines two primary and distinct dimensions of organisational effectiveness: management effectiveness and program effectiveness. *Management effectiveness* includes measures of *capacity* (structure and process) and the *outcomes* of these management systems and organisational activities. *Program effectiveness* refers to measures that relate to the *capacity* (structure and process) of the program, as well as the *outcomes* created by the intervention. Similarly, Lecy et al. (2011) summarise four multidimensional domains of NPO effectiveness as *organisational management*, *program design and implementation*, *responsiveness to environment* and *partnerships and networks* incorporating goal attainment, resource systems and reputational measurement approaches. The organisational management domain focuses on activities, processes and outcomes of NPOs' own governance and core management systems. The program design and implementation domain focuses on design, implementation and outcomes of the specific projects and programs related to the goal attainment approach (Lecy et al.,

2011). The domain responsiveness to the environment relates to NPOs' capacity and outcomes in relation to resource mobilisation, resistance to political influence and other negative external influences, to ensure future survival and sustainability. Partnerships and networks incorporate capacity and outcomes of collaboration with private organisations, government and international donors in either horizontal or vertical forms across economic sectors. The above four domains capture complex relationships among the indicators of effectiveness. Multiple and independent conceptualisations of effectiveness pose a number of challenges for researchers measuring effectiveness in general and particularly in this study. Thus there is a need to understand how the managers define and measure effectiveness in the Kenyan non-profit context. The key questions to be addressed are: *how do managers define organisational effectiveness* and *what are the key measures of organisational effectiveness in the Kenyan non-profit sector?*

2.4 Contingency variables and performance management

Prior research identifies contingency variables (organisational and external environment) influencing adoption of performance management systems and choice of performance measurement tools and practices in public, private and non-profit sectors. The various *organisational factors* that influence the adoption of performance management in systems in organisations include size, organisational structure, strategy, technology, culture and leadership. *External environment* is a significant contingent factor that includes a degree of environmental unpredictability or uncertainty, the degree of competition or hostility exhibited and the environmental dynamism or turbulence faced by the organisation. This section reviews these variables in relation to the non-profit sector context.

The literature review reveals a positive relationship between *organisational size* and performance management practices (Zimmerman and Stevens, 2006; Thomson, 2010; LeRoux and Wright, 2010; Carman, 2009). Non-profits with small budgets and low numbers of staff exhibit significantly lower performance measurement than those with large budgets and more staff. Unlike in the private sector, where measures of organisational size levels are standardised (Gupta, 1980), measures of organisational size (number of staff or size of the budget) in the non-profit sector seem to be arbitrary, hence the need for further empirical research. *Organisational structure* is another contingency variable, various aspects of which have been positively linked to adoption of performance management systems in management

accounting research (Ferreira and Otley, 2010; Chenhall, 2007). In addition, organisational structure has been closely linked to organisational strategy (Brown and Iverson, 2004), performance measurement (Poole et al., 2001) and organisational success (Kushner and Poole, 1996) in the non-profit sector. Although organisational structure has been linked to organisational effectiveness (Kushner and Poole, 1996) as well as organisational decline (Galaskiewicz and Bielefeld, 1998), there seems to be a shortage of evidence on the impact of fit between organisational structure, strategy and PM practices on organisational effectiveness in a systems approach.

Organisational strategy is believed to play a key role in adoption and implementation of performance management systems (McAdam and Bailie, 2002; Maltz et al., 2003) and organisational effectiveness (Siciliano, 1996; Brown and Iverson, 2004) in organisations. Furthermore, recent studies (Spencer et al., 2009; Teeratansirikool et al., 2013) in for-profit organisations reveal that strategic orientation has an indirect effect on performance through performance measurement. Strategic intentions of the NPOs influence the relative importance of and managements' preference for certain performance measures (Waweru and Spraakman 2009). Strategic orientation interacts with external environment and other organisational variables, to influence performance measurement and organisational effectiveness (Edwards, 1999; Waweru and Spraakman, 2009; Crittenden, 2000; Akingbola, 2006; Brown and Iverson, 2004). Although some studies have extended Miles and Snow's strategic typologies to the non-profit sector linking it with operating environment (Akingbola, 2006) and organisational performance (Brown and Iverson, 2004) a review of literature reveals that linkage to PM practices in the non-profit sector remains unexplored. Thus, there is a need to explore the relationship between external environment, strategic orientation, performance management and organisational effectiveness in the Kenyan non-profit sector.

Organisational leadership is defined as the roles and processes that "facilitate setting direction, creating alignment and maintaining commitment in groups of people who share common work" to achieve direction, alignment and commitment (VanVelsor et al., 2010, p.2). The role of leadership is significant to addressing performance management challenges in the non-profit sector. External environment factors interact with leadership characteristics, including managers' education and functional training, effective governance and leader professionalism

and managerial styles and beliefs (Alexander et al., 2010). For instance, a study by Moynihan and Ingraham (2004) indicated that leadership and professionalism had an impact on the extent of performance information use. Previous studies have found relationship between organisational leadership, PM practices and organisational effectiveness (Ackroyd et al., 2007; LeRoux and Wright, 2010; Moynihan and Ingraham, 2004; Teelken, 2008). Thus, there is a need to investigate relationship between leadership, external environment, PM practices and organisational effectiveness.

Organisational culture refers to beliefs, norms and values that influence the behaviour of people who work in non-profit organisations (Poole et al., 2001). Studies indicate that organisational culture is a predictor of technology, management support and staff involvement, which in turn influence outcome measurement (Poole et al., 2001). Organisational culture influences performance measurement, leadership and organisational effectiveness (Campbell, 2002; Teelken, 2008; de lancer Julnes and Holzer, 2001; Thomson, 2010; Sarros et al., 2010; Duke and Edet, 2012). Based on action research in manufacturing firms, Bititci et al. (2006) establish a relationship between organisational culture, management style and dynamism of PM system. Although cultural context across countries influences adoption of performance management systems, Chenhall (2007) concludes that organisational culture may be of more importance to adoption of PMS in non-profit organisations even though it is neglected in the literature.

Technology refers to the way the organisation's work processes function to convert inputs into outputs, which include materials, machines, tools, people's tasks, software and knowledge. From the contingency perspective, the generic types of technology that influence adoption and utilisation of performance management systems include technological complexity, task uncertainty and technological interdependence (Chenhall, 2007). In the non-profit literature, technology is defined as the requisite knowledge, skills, information tools, systems and resources necessary to implement performance measurement (Poole et al., 2001; LeRoux and Wright, 2010; Thomson, 2010). This interaction is further associated with organisational structure and external environment (Poole et al., 2001; Hage and Aiken, 1969). Chenhall's (2007) review reveals that previous studies on technology have largely been completed in the manufacturing sector, with recent extension to service and government sectors. Thus, there is a need to examine the relationship

between technology, information technology, structure, external environment and performance management and organisational effectiveness.

Information technology (IT) includes operations automation level, IT application level, modern communication technologies and use of specialised software, which is positively related to planning and outcome measurement. Information and communication technology (ICT) as an aspect of technology has also been discussed as key to implementation of PMS by assisting or hindering data collection and subsequently performance measurement. However, the level of adoption is dependent on organisational size, resources allocated and strategic alignment (Finn et al., 2006). Thus, there is a relationship between technology, size, information technology, strategy, PM practices and organisational effectiveness (Chenhall, 2007; Khandwalla, 1977; Poole, 2001; Pasupathy and Medina-Borja, 2008; Te'eni and Young, 2003). Although IT clearly plays an important role in management control (Berry et al., 2009), this relationship with PM practices has not been studied extensively in the non-profit sector (Maria and Gaspar, 2010).

Environmental competitiveness is mainly associated with the private sector organisations. However, NPOs need to respond to the increasing market pressures and competitiveness in the sector. Hubbard (1997) stated, "Whilst non-profits do not have a commercial orientation, they are in fact in a competitive situation" (p. 79). Environmental competitiveness in the non-profit sector is characterised by intense competition for staff and volunteers, external funding, new innovative projects and community resources. The type of competitive environment determines the need for interactive information and communication of strategic threats and uncertainties (Waweru and Spraakman, 2009). A hostile or competitive environment is positively associated with formal controls and budgets (Kaplan, 2001; Ferreira and Otley, 2010; Chenhall 2007). Literature from management accounting indicates that changes in the competitive environment are associated with strategy, organisational design and technology, all of which are associated with use of non-financial indicators in organisations (Baines and Langfield-Smith, 2003). Competition for funding has been associated with performance measurement practices in NPOs (LeRoux and Wright, 2010; Speckbacher, 2003; Zimmerman and Stevens, 2006; Carlson et al., 2010). In addition to the competition for external funding, NPOs in developing countries compete for -, innovative projects, community resources and volunteers. Thus, there is a need to

examine correlations between environmental competitiveness and environmental unpredictability, dynamism and PM practices and effectiveness in the Kenyan non-profit sector.

Environmental dynamism, which includes tense economic and political climates, regulatory concerns and a rapidly changing technological environment, often poses challenges to the non-profit sector, thus affecting performance. As environmental dynamism is highly uncertain, an organisation faces frequent changes in the regulatory, socioeconomic, political and technological environment. Environmental dynamism has been associated with strategic orientation, organisational structure, adoption of performance management systems and organisational effectiveness, with conflicting findings (Waweru and Spraakman, 2009; Galli, 2011; Yurenka, 2007). A turbulent or dynamic environment is positively associated with formal controls and budgets (Kaplan, 2001; Ferreira and Otley, 2010; Chenhall, 2007). Although environmental dynamism has been associated with performance management systems in general organisational theory literature and accounting research, this relationship remains to be explored in the non-profit context.

Environmental uncertainty or unpredictability is associated with design and implementation comprehensive performance management systems (Kaplan, 2001; Ferreira and Otley, 2010). Environmental uncertainty or unpredictability is associated with adoption of broad, flexible, externally focused management control systems emphasising non-financial measures (Kaplan, 2001). Diverse stakeholder requirements and accountability demands pose particular challenges to measuring performance due to their uncertainty (Poister, 2003; Moxham, 2010). External requirements and accountability demands refer to directives generated and imposed by external stakeholders, commonly regulators, public, government donors, volunteers, beneficiaries and boards of directors (Lee, 2004; Carman, 2007). The stakeholders demand that non-profits measure performance for a range of purposes, including organisational learning, monitoring and evaluation and that they inform public policy. According to Lee (2004), NPOs have a compulsory external financial reporting accountability to government agencies and state regulators. Funders reporting mandates have received much attention in the literature compared to other stakeholder groups, as they require detailed documentation of performance information from non-profits. On the contrary, Christensen and Ebrahim (2006) argue that upward accountability requirements of donors do not necessarily yield improved mission achievement. Although a

considerable proportion of management accounting research in the private sector supports the notion that environmental uncertainty is positively associated with performance management systems (Chenhall, 2007), research in the non-profit sector remains limited (LeRoux and Wright, 2010). In particular, the relationship between unpredictability of stakeholder requirements and accountability and performance measurement in the non-profit sector needs to be examined.

A review of the literature reveals that size, culture and leadership have been relatively well covered in theoretical and empirical studies, while technology, information technology, structure, strategic orientation and external environment have not been widely studied as contingencies of PM practices in the non-profit sector. Therefore, this study attempts to address the question: *What is the relationship between contingency variables and performance management practices in the Kenyan non-profit sector?*

2.5 Performance management and organisational effectiveness

A number of non-profit studies have found a positive relationship between performance measurement and organisational effectiveness (Alexander et al., 2010; LeRoux and Wright, 2010; Moxham and Boaden, 2007; Mausolff and Spence, 2008; Teelken, 2008; Grossman and McCaffrey, 2001). On the other hand, other studies have concluded that performance measurement in NPOs detracts from organisational performance and continuous improvement (Moxham, 2009; Benjamin and Misra, 2006; Poister, 2003; Moxham, 2009). Thus there is a need to examine to what extent PM practices influence organisational effectiveness in the non-profit sector.

2.5.1 Performance planning and organisational effectiveness

Several authors argue that strategic performance planning leads to improved organisational effectiveness in either for-profit or not-for-profit organisations (Blackmon, 2008; Franklin, 2011; Bryson, 1988). However, a few studies available in the general management field report conflicting findings, with some studies reporting a positive relationship (Campbell, 1997; Bart and Baetz, 1998) and others reporting no significant relationships (Klemm et al., 1991; Coats et al., 1991). For instance, Bart and Tabone (1998, p. 54) concluded that “the fact that there is no reliable and recognised base of research on mission statements is somewhat amazing because the virtues of having a well-articulated mission statement are

extolled in almost every current management textbook”. Although performance management systems have been adapted to reflect performance planning aspects, there seem to be few rigorous academic studies that have empirically confirmed the relationship between performance planning practices and organisational effectiveness in the non-profit sector (Ghoneim and El-Baradei, 2008; Stone et al., 1999; Crittenden et al., 2004; Smith et al., 2001; Desmidt and Prinzie, 2009). To address this gap, this study investigates the relationship between performance planning practices and organisational effectiveness.

2.5.2 Performance measurement and organisational effectiveness

The relationship between performance measurement practices and organisational effectiveness in NPOs is well covered in the literature. Previous studies have found a positive relationship between performance measurement and financial performance (Siciliano, 1997; Samples and Austin, 2009), program effectiveness (Mausolff and Spence, 2008; Zimmerman and Stevens, 2006), achievement of goals (Henderson et al., 2002), goal clarity (Berman and Wang, 2000) and decision-making effectiveness (LeRoux and Wright, 2010).

The above literature review reveals empirical evidence on benefits and the importance of performance management systems and practices. On the other hand, the literature suggests negative effects of performance measurement due to inherent limitations of performance measurement frameworks (Leat, 2006; Moxham and Boaden, 2007). Other studies have concluded that performance measurement in NPOs is detracting from its organisational performance (Moxham, 2009) and limiting performance improvement (Benjamin and Misra, 2006). Similarly, Carman and Fredericks (2008, p. 51) find that some managers view measurement as a marketing and promotional tool and others regard it as a resource drain and distraction. Moxham’s (2010) study indicates that performance measurement is not attached to continuous improvement. Evidence from the case study research by Moxham and Boaden (2007) questions validity of current measurement systems, suggesting that it tends to increase bureaucracy in NPOs, detracting from activities, service delivery efficiency and effectiveness. Although LeRoux and Wright (2010) report a positive relationship between performance measurement and perceived strategic decision-making, not all NPO managers are convinced of the benefits of performance measurement. In agreement, Mueller et al. (2006) argue that additional time and resources expended on performance

measurement will distract managers, staff and volunteers from delivering their key intentions. The conflicting findings necessitate more empirical evidence. The effect of performance measurement frameworks and performance indicators on organisational effectiveness is well covered. However, the effect of other components such as performance targets, data collection methods and performance rewards on NPO effectiveness remains to be examined.

2.5.3 PM system context and organisational effectiveness

Practices in the PM system context are practices related to a set of underlying contextual issues, which permeate the performance management system. The *information flow system* in organisations needs to be examined in detail in order to create a connection between performance data, subsequent management actions and organisational effectiveness (Franco-Santos et al., 2007). Although information flow is advocated for internal organisational effectiveness, a qualitative study by Kong (2008) reveals that information flow and sharing facilitated the building of relational capital, particularly with donors; however, relationships with other stakeholders were generally underdeveloped. It is worth noting that the role of information flow systems in organisational effectiveness remains under-researched. In theory, performance measurement systems are implemented to measure performance and *make use of performance information*. Performance information use influences organisational decision-making, changes in program priorities and focus of program as well as budget allocations (Poister and Streib, 1999). A study by Kaplan (2001) concludes that the information collected from the balanced scorecard helps non-profits with linking mission, strategy and operations, strategic focus and aligning organisational resources to the objectives, reducing costs, improving customer satisfaction and increasing organisational effectiveness. Neely et al. (2001) conclude that the prism framework provides information that facilitates the NPOs to identify balanced measures reflecting stakeholders' interests and needs. According to Moynihan (2005), use of performance management systems is targeted towards narrow process improvement (single-loop learning) rather than a broad understanding of policy choices and effectiveness (double-loop learning), even though the latter is more critical for long-term organisational effectiveness. A study by Mausolff and Spence (2008) found a relationship between use of information for organisational learning and program effectiveness. However, Alexander et al. (2010) argue that performance information use in NPOs remains unclear despite the recent empirical evidence.

PMS dynamism is advocated in order to improve organisational effectiveness as reported in the literature. A recent case study by Korhonen et al. (2012) concludes that PM dynamism occurs at four different levels in organisations: in setting the role of performance measures for decision-making in general, in the use of measures, in the selection of measures and within the components of single measures. PM dynamism leads to the use of updated measures, which could lead to more efficient strategy implementation. Henri (2010) concludes that the relationship between PMS dynamism and organisational performance is dependent on the fit between level of internal and external changes and the periodic reviews of performance indicators. Changes in the internal and external environment lead to the emphasis of formal controls within the PM systems of large non-profit organisations (Yap and Ferreira, 2011). Some of the triggers of change identified include the growth of the organisation, external events and the implementation of an ERP system. The review of literature reveals that PM dynamism and organisational effectiveness is not widely addressed in the management accounting literature (Henri, 2010; Malina and Selto, 2004) and even less in NPOs. *The strength and coherence* of the links within PMS components and other organisational processes is crucial to successful implementation and alignment. The combination and interaction of components will have an effect on organisational outcomes (Ferreira and Otley, 2009). Although strength and coherence are important aspects of PMS, research focusing on effects of PMS strength and coherence remain scarce in the literature. Generally, an examination of the literature reveals a lack of studies examining the relationship between the PM system context and organisational effectiveness in NPOs.

To conclude this section, the relationship between performance measurement and organisational effectiveness is well established. However, the relationship between performance planning and PM system context and organisational effectiveness remains to be investigated. Although the assumption in performance management theory is that useful PM practices lead to enhanced organisational effectiveness, some authors argue that there is no compelling evidence that this linkage exists due to a number of other spurious variables. Alexander et al. (2010, p. 5) conclude that “evidence is inconclusive regarding the substantive consequence of performance management. The ‘dots’, or causal linkages, connecting performance measurement and performance have not been fully mapped”. Hence there is a need for studies to focus on behavioural effects of PM systems which in turn facilitate

organisational success (De Waal, 2003; Chenhall, 2007; Ferreira and Otley, 2010; Leeuw and van den Berg, 2011). Drawing upon management accounting contingency theory, this study attempts to address the question: *What is the relationship between performance management practices and organisational effectiveness in Kenyan NPOs?*

2.6 Mediation effects of performance management practices

From the extant literature discussed in this chapter it appears PM practices mediate the relationships between contingency variables and organisational effectiveness (Gerdin, 2005; Henri, 2004; Mausolff and Spence, 2008; Teeratansirikool et al., 2013). For instance, using the structural equation modelling approach, Mausolff and Spence (2008) examine the direct and indirect linkage between competence, performance measurement, results, organisational learning and program effectiveness. Citing psychological studies, they argue that performance feedback leads to individual and organisational learning. Using a panel data analysis of 2000 and 2002 NGO reports filed in the USA, Mausolff and Spence (2008) confirm that the performance measurement, organisational learning and program effectiveness path is significant in the 2002 data. However, when they control for organisational competence, the linkage between performance measurement and organisational learning becomes significant in both years. Ferreira and Otley (2009) and Kendall and Knapp (2000) conclude that contingency variables (external and internal) affect design and implementation of performance management systems within organisations. On the other hand, Edwards (1999, p. 364) cautions that “NGO performance (effectiveness) is the outcome of a dynamic interaction between external influences (context) and internal influences (organizational choices)”.

The above arguments point to the conclusion that the PM practices in NPOs need to be examined from a systems approach emphasising effect of fit between contingency variables and the PM systems on multiple effectiveness domains. However, there seem to be few empirical studies testing the mediation effects of PM practices in NPOs. Thus, the question to be addressed is: *To what extent do performance management practices mediate the relationship between contingency variables and organisational effectiveness in the Kenyan NPOs?*

2.7 Gaps in knowledge

This literature review confirms initial concerns that management accounting is contributing little to understanding performance management in the non-profit sector (Chenhall, 2007). A review of literature indicates that performance measurement research in the voluntary sector has been neglected despite numerous calls for application of private and public sector performance measurement and management concepts to the voluntary sector. Analysis indicates that the majority of the empirical studies in the non-profit sector have been undertaken in the United States and United Kingdom with a few from developing and other countries (Wadongo and Abdel-Kader, 2011). This indicates that there is a need for more studies in developing countries due to the enormous importance of the sector in these economies.

There seem to be a variety of research methodologies adopted in studying performance management in the sector. However, the majority of the studies are qualitative, using case studies (e.g. Yap and Ferreira, 2011), theoretical reviews (e.g. Lecy et al., 2011) and action research (Sawmill and Williamson, 2001; Kaplan, 2001). Quantitative method studies utilising surveys and archival methods are limited (e.g. Mausolff and Spence, 2008; LeRoux and Wright, 2010) and far fewer studies use mixed methods (e.g. Thomson, 2010). According to the literature reviewed by Lecy et al. (2011) and Stone et al. (1999), performance measurement research in NPOs has been mainly case-study-based and suffers from limitations including not capturing what is happening across the board in the sector and is thus lacking in empirical generalisations. A further harsh criticism of qualitative studies is from Mausolff and Spence (2008), who argue that, although previous case studies reported benefits of performance measurement, these successes could be isolated incidents due to unique NPO circumstances, rather than an inherent effect of performance measurement. Furthermore, some studies have reported dysfunctional effects of performance measurement. According to LeRoux and Wright (2010), large-scale quantitative studies are still lacking in strategic performance management within NPOs. Thus, there is a need for studies using the mixed methods approach to demonstrate reliability, validity and generalisability of PM practices across NPOs. Furthermore, many studies adopt institutional theory (Lindgren, 2001; Moxham, 2009) and few studies use selected aspects of

contingency theory (see Zimmerman and Stevens, 2006) without explicit reference to contingency theory to explain variability of PM practices in NPOs.

Unlike in the private and public sectors, where a variety of contextual variables influencing the use of performance management systems have been empirically studied (Chenhall, 2007), in the non-profit sector only a few factors have been individually studied, such as leadership, resources, size and funding mandates. In particular, environmental uncertainty, environmental dynamism, organisational structure, strategy and technology have largely been ignored.

A recent theoretical review of NPO effectiveness research by Lecy et al. (2011) identifies two major methodological limitations. First, few studies advance knowledge through empirical analysis; rather, most are conceptual/theoretical, advancing new models and not testing the theoretical assumptions. The lack of empirical analysis has limited the usefulness of literature; thus, they call for more studies that are empirical. Second, the studies fail to offer adequate definition of the NPO effectiveness construct, often relying on one dimension or subfield such as productivity, market share, beneficiary satisfaction or financial performance. Although Lecy et al. (2011) synthesise these disparate fields into four major domains, they fail to offer specific indicators and measures of these dimensions.

There are increasing calls for empirical verification of performance management benefits, importance and impact in the sector (Silva and Ferreira, 2010; Lindgren, 2001; Moxham and Boaden, 2007; Moxham, 2009; Thomson, 2010; Chenhall, 2007). In the non-profit performance measurement literature, the importance or benefits to organisational effectiveness of using performance measurement has been widely speculated on, but there is still a lack of empirical evidence to confirm these claims (Teelken, 2008). Some studies label emphasis on performance measurement as unwanted destruction having dysfunctional negative effects on mission achievement due to the volume of resources required (Moxham, 2010). Among the PM system components there seems to be limited research into determinants and effects of performance planning practices and PMS system context practices compared to performance measurement practices. Clearly, there is a need for this mixed methods empirical research on performance management in the Kenyan non-profit sector. Therefore, this study aims to address the above gaps by investigating the determinants and effect of PM practices on NPO effectiveness using a systems approach of contingency theory.

2.8 Conclusion

The literature reviewed in this chapter indicates that contingency variables of performance management practices in the NPOs have not been comprehensively explored in the management accounting field. There are limited empirical studies on effect and role of PM practices on NPO effectiveness domains. Regardless of the enormous contribution of the voluntary sector to developing countries, studies focusing on performance management systems in non-governmental organisations in developing nations are so far still lacking. Finally, most of the studies on performance measurement in NPOs focus on theoretical advancement or qualitative studies. The next chapter discusses the theoretical framework.

CHAPTER 3

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

This chapter builds a theoretical framework and develops hypotheses based on the key arguments and findings from the literature review (chapter 2). The theoretical framework guides the researcher in determining the key variables, type of statistical relationships linking the variables and theoretical assumptions from the contingency theory perspective. It also forms a basis for the hypotheses and choice of appropriate research methods to address the research question. The theoretical framework is based on the contingency theory of performance measurement. The thesis has four categories of hypotheses. The first category of hypotheses comprises 17 hypotheses related to the correlations among the independent variables. The second category of hypotheses includes nine hypotheses related to the second objective, which seek to examine the linkage between contingency variables and PM practices in NPOs. The third category of hypotheses includes three hypotheses related to the third objective, which seek to investigate to what extent PM practices affect organisational effectiveness in NPOs. The final category includes three hypotheses, which aim to establish the extent to which PM practices mediate the relationship between contingency variables and organisational effectiveness. This chapter is structured as follows:

- Theoretical framework development
- Hypotheses development
- Proposed structural models
- Conclusion

3.1 Theoretical framework development

A performance management system is usually considered as part of the wider management control system within the organisation (Chenhall, 2007; Ferreira and Otley, 2009; 2010). The contingency theory suggests that the use and effectiveness of a management control system are dependent on the context in which the organisation operates. A variety of theoretical fits have been used to categorise contingency-based research in the management accounting field: selection

approach, congruence (matching fit or misfit), interaction fit, systems approach, intervening variable approach and structural modelling.

Selection approaches examine pairs of contingency variables and performance management variables without reference to performance (Luft and Shields, 2003; Chenhall, 2007). *Congruence approaches* examine how certain combinations of levels of contingency variable and performance management system lead to higher organisational effectiveness than other combinations (Chenhall and Chapman, 2006; Ferreira and Otley, 2010). The *interaction fit approach* examines the influence of particular aspects of the context on the nature or strength of the relationship between performance management and organisational effectiveness (Chenhall and Chapman, 2006; Chenhall, 2007). The *systems approach* examines how contingency variables and multiple aspects of PMS interact in a variety of ways to enhance organisational effectiveness (Donaldson, 2001; Selto et al., 1995; Chenhall, 2007; Sowa et al., 2004). The *intervening variable approach* examines the relationship between PMS and organisational effectiveness through an intervening contextual variable (Bisbe and Otley, 2004; Shields et al., 2000).

The review of literature indicates that most studies that investigate contingency variables of management control systems seem to rely on selection, congruence and interaction fit approaches of selected contingency variables (Chapman, 1997). Earlier, Van de Van and Drazin (1985, p. 358) argue that "...a major limitation of many studies has been an overly narrow focus on only one or a few contextual dimensions, which limit the studies from exploring the effects of multiple and conflicting contingencies on organisation design and performance". This selection fit of one factor at a time is believed to be problematic due to shared commonality between the contingency variables (Ferreira and Otley, 2010; Dent, 1990; Fisher, 1995; Otley, 1980).

Fisher (1995, p. 24) proposes that "the ultimate goal of contingency control research should be to develop and test a comprehensive model that includes multiple control systems, multiple contingent variables and multiple outcome variables". Hence, the *structural modelling approach (SEM)* simultaneously estimates relationships between contingency variables, performance management and organisational effectiveness, decomposing the effects into indirect effects functioning through the performance management and direct effects that capture all remaining effects of contingency variables on organisational effectiveness

(Gerdin, 2005; Henri, 2004; Mausolff and Spence, 2008; Smith and Langfield-Smith, 2004; Baines and Langfield-Smith, 2003). The main weakness of the SEM approach identified in the literature is the likelihood of equifinality – which means more than one equally good model may fit the data (Selto et al., 1995; Chenhall and Chapman, 2006; Garson, 2012). However, it has been argued that equifinality reflects the inability to identify all relevant variables in the model (Donaldson, 2001). This problem was addressed by including as many contingency variables as possible in the theoretical framework. In addition, the recent developments in structural equation modelling techniques and software have produced a range of goodness of fit tests for evaluating competing structural models (Arbuckle, 2011).

Despite the existence of several theoretical modelling approaches, there is a consensus that the specification of structural relations and the nature of the causality between the variables should be based on the substantive theoretical justifications (Chenhall, 2007; Luft and Shields, 2003). It is worth noting that examining the linkage between performance management variables and organisational effectiveness has been criticised in earlier literature due to the small effect it is likely to have on organisational effectiveness and claims of causality issues in regards to use of performance management techniques and organisational effectiveness (Otley, 1980; Chenhall, 2007; Ferreira and Otley, 2010). Past performance can also influence the adoption and use of PMS leading to non-recursive models. However, the extant literature reviewed in chapter 2 validates the premise that the desire and intention of design and implementation of PMS in NPOs are to respond to contextual challenges in order to improve organisational effectiveness, thus providing the theoretical underpinning for empirically testing such an assumption.

The researcher uses a structural modelling approach to develop and validate a theoretical model of contingency variables, PM practices and organisational effectiveness in the Kenyan non-profit sector. The structural path parameter estimates between the variables are interpreted cautiously, not to imply causality but to indicate predictive ability of PM practices on organisational effectiveness. The intention of the researcher is not to prove causality, rather to validate a model that explains how the fit between contingency factors and PM practices predicts organisational effectiveness in NPOs. Further, the theoretical framework is based on the performance management and control framework (Ferreira and Otley, 2009), the contingency theory of performance measurement (Rejc, 2004) and the

organisational effectiveness domains model (Lecy et al., 2011). The theoretical framework is presented as a structural model (Figure 3.1). The organisational and external environmental determinants are the *exogenous independent contingency* variables. PM practices are the *endogenous mediating* variables. Organisational effectiveness is the *dependent endogenous* variable. Other factors not considered in this study are explicitly modelled as *exogenous residual* in the structural models in section 2.3.

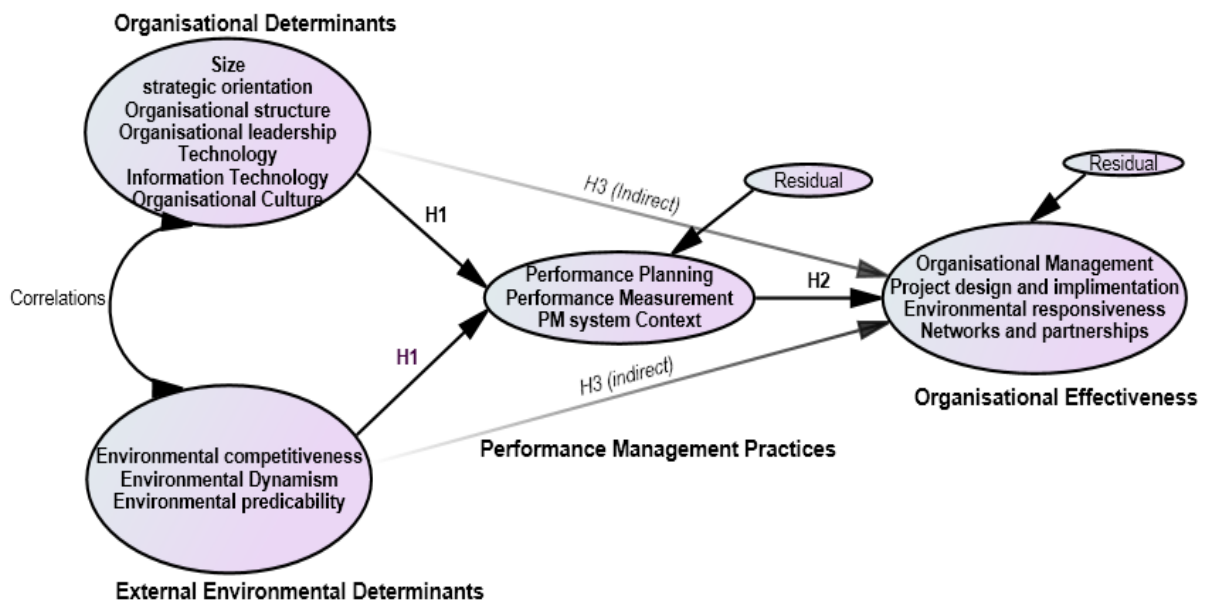


Figure 3.1 Theoretical framework

3.1.1 Contingency theory

Contingency theory emerged from the organisational design literature in the 1960s to 1970s. The contingency theory of performance management is based on the argument that there is no universally appropriate performance management system that applies equally to all organisations in all conditions, but particular features of the system and its effectiveness will depend on specific organisational and contextual factors (Otley, 1980; Rejc, 2004; Ferreira and Otley, 2010; Speckbacher and Offenberger, 2010; Kendall and Knapp, 2000). In particular, Speckbacher and Offenberger (2010) conclude that ‘non-profit-specific’ attributes or ‘the non-profit character of an organisation’ influences the appropriate design of its management control system. Similarly, Silva and Ferreira (2010) and Lecy et al. (2011) observe that organisational effectiveness of non-profit organisations mainly

depends upon the environment and organisational context. Chenhall (2007) and Rejc (2004) discuss the relationships between key contingency variables and management control systems in particular performance measurement.

Even though, over the years, correlations between contingency variables and management control systems have been empirically confirmed, several problems have been highlighted with regard to use of contingency theory in management accounting research. Some of the weaknesses of previous research include study of a single variable or two variables through selection fit and reliance on interaction effects, which is problematic due to commonality between the contingency variables. Ferreira and Otley (2010) point out that studies utilising contingency theory suffer from methodological and theoretical weaknesses such as too few variables, model under-specification and measurement error leading to conflicting findings.

The other criticism is that causation is assumed between contingency variables and PMS but the relationships are not explained in depth to rule out other factors. For instance, other factors such as highly profitable industry, government support, and risk-averse managers' tendency to adopt what others do if it seems to work are not taken into consideration as possible explanations of the significant relationships. Furthermore, the relationships are assumed to be linear and effects to be symmetrical, while some relationships may be curvilinear when multiple contingencies and measures of effectiveness are considered (Betts, 2011). According to Chenhall (2007), lack of replication of studies to other contexts like the non-profit sector and lack of focus on current aspects of PMS seem to be limiting the ability to update and generalise the contingency theory across disciplines. For instance, it was clear from the literature review in chapter 2 that the influence of strategic orientation, technology and perceived environmental uncertainty on PM practices has not been examined in the non-profit sector.

Despite the limitations of the contingency theory, it remains a plausible theory for understanding the relationship between contextual variables and PM practices in a highly complex and dynamic non-profit sector. To address the above concerns the researcher adopted structural equation modelling to fit a model using the following contingency variables: organisational size, technology, structure, strategy, leadership, culture, environmental competitiveness, environmental dynamism and environmental unpredictability.

3.1.2 Performance management and control framework

Ferreira and Otley (2009), drawing on Simons' (1995) concept of 'levers of control', extend the Otley (1999) framework to a more comprehensive performance management and control framework that provides a broad basis for studying PM practices not only in profit-making organisations but also in the non-profit sector. Ferreira and Otley expand Otley's (1999) initial five issues (questions) to 12 – eight of which relate to *functional* issues (determinants and results) of PMS design with a further four capturing the underlying *contextual and cultural* factors – explicitly referred to in Ferreira and Otley (2005) but removed in the final Ferreira and Otley (2009) model. The 12 questions are summarised in Table 3.1.

Table 3.1 Performance management and control framework

<i>Vision and mission, organisational objectives and purposes</i>	Mechanisms used to communicate them to managers, employees and other members
<i>Key success factors</i>	Identification of key factors for future success and how they are brought to attention of managers and employees
<i>Organisational structure</i>	Recognition of impact of organisational structure on design and use of PMS and strategic management process
<i>Strategies and plans</i>	How strategies and plans are adapted, generated and communicated to managers and employees
<i>Key performance measures</i>	Key financial measures and non-financial measures used by organisations and how they are assessed
<i>Performance targets setting</i>	Challenging performance targets and process of setting targets
<i>Performance measurement and evaluation</i>	Processes for evaluating individual, group and organisation performance and its consequences. Formal and informal processes
<i>Rewards for performance</i>	Financial and non-financial rewards that are in place for management and employees for achieving the targets and penalties for failure
<i>Information flows and feedback systems</i>	Systems and networks that organisation have developed to support feedback
<i>Performance information use</i>	Type of use (diagnostic and interactive) made of information collected from PMS at different hierarchical levels
<i>PMS dynamism</i>	The way in which PMS is modified in light of changes in the organisation and environment – is it proactive or reactive?
<i>Strength and coherence</i>	Links between PMS components and the performance information use

It has been argued that this generic framework is not only useful in exploring PM systems but can also facilitate data collection from multiple organisations (Silva and Ferreira, 2010; Broadbent and Laughlin, 2009; Yap and Ferreira, 2011). PMCF is unique because it puts forward core issues that can be considered in design, implementation, analysis, and evaluation of control systems. It is flexible enough to be used in various organisations or hierarchy levels, which is useful in NPOs due to their multiple independent projects.

The weakness of PMCF is that, although it recognises aspects of context and cultural issues, it distances itself from contingency theory and other environmental factors while including organisational structure in the framework (Broadbent and Laughlin, 2009). Although Ferreira and Otley (2005, p. 41) clearly point out that it has been “shown that variables relating to external environment, strategy, culture, organisational structure, size, technology and ownership structure have an impact on the control system”, they fail to consider some of the contextual factors. Broadbent and Laughlin (2009) point out that the framework fails to capture the organisational context’s complexity (particularly in NPOs) and fully account for how the context influences the functional characteristics of the PMS or how they can reshape them. Although the model has been utilised in research in private sector organisations, its use in NPOs remains limited (Yap and Ferreira, 2011). Finally, the model has not been previously applied to quantitative studies as it has only been used in case study research (see Yap and Ferreira, 2011).

Due to the diverse nature of PM frameworks proposed and the inconsistent level of deployment in NPOs, the researcher adopts the PMCF to explore PM practices in NPOs in Kenya. The utilisation of this framework in the current study builds on the previous research and demonstrates the applicability of the framework to the non-profit sector. The researcher argues that by using this framework in the context of the third sector, future studies can generate valuable insights into PM practices in these organisations and this is an avenue for future research. PM practices in NPOs can be summarised in three interrelated phases: performance planning, performance measurement and PM system context. Therefore, this study identifies and discusses current practices related to performance planning, performance measurement and performance context in the Kenyan NPOs.

3.1.3 Organisational effectiveness

Organisational effectiveness refers to the capacity and outcomes of past organisational activities while PM practices consist of tools and processes related to planning, measurement and control of organisational effectiveness. As discussed in chapter 2, Lecy et al. (2011) suggest four organisational effectiveness domains: organisational management, program design and implementation, responsiveness to environment and partnerships and networks.

The organisational management domain focuses on activities, processes and outcomes governance and core management systems within NPOs associated with the systems resources approach and reputational approach. It refers to organisational and managerial actions, capacity and activities collectively referred to as determinants or drivers and outcomes or results (Sowa et al., 2004; Lecy et al., 2011). This may include financial and non-financial performance, board effectiveness, organisational learning, innovation, service quality, human resource systems, fiscal health, employee satisfaction and other core systems (Brown and Everson, 2004; Kendall and Knapp, 2000; Ritchie and Kolodinsky, 2003; Verbeeten, 2008; Sowa, 2004). The program design and implementation domain focuses on design, implementation and outcomes of the specific projects or programs related to the goal attainment approach (Lecy et al., 2011). Program effectiveness includes capacity and outcomes of specific interventions, services, or products that include measuring projects' effectiveness and efficiency, inputs, processes, capacity, processes, outputs, outcomes and impacts and participation and equity perspectives of the projects (Poister, 2003; Balabanis et al., 1997; Sowa et al., 2004; Kendall and Knapp, 2000).

The responsiveness to the environment domain relates to NPOs' capacity and outcomes in relation to resource mobilisation and resistance to political influence and other negative external influences, to ensure future survival and sustainability (Lecy et al., 2011). Resource mobilisation involves anticipation of change and building of socio-networks that ensure sustainability and resistance to external negative influences such as poor policy trends, global and political norms and donor relationships. Thus, how the organisation co-opts or resists such changes and other management fads (such as audit culture, transparency, performance management, new public management, impact measurement and globalisation) and donor structure influences its overall effectiveness (Townsend et al., 2002; Townsend and Townsend, 2004). The partnerships and networks have become common avenues for service delivery due to the challenges in the external environment and funders' requirements. The collaborations include a wide range of cultures, values and opportunities. Thus, the success of the NPO and the project depends on capacity and outcomes of a number of partnerships, resources, networking, causal outcomes attributable to partnerships and support of other organisations, thus becoming an important domain for effectiveness (Brinkerhoff and Brinkerhoff, 2002; Lewis et al., 2003; Lecy, 2011). Thus, this study empirically

examines organisational effectiveness using capacity and outcomes indicators of the above four interrelated domains.

3.2 Hypotheses development

This study hypothesises relationships between contingency variables, PM practices and organisational effectiveness based on the literature review. The hypotheses are discussed in three categories. The first category includes the hypotheses that are related to the contingent variables that affect PM practices. The second category describes the hypotheses that are related to influence of PM practices on organisational effectiveness. The third category includes the hypotheses related to mediation effects of PM practices.

3.2.1 Contingency variables and performance management practices (Ha)

A review of literature reveals that size, structure, culture, leadership and resources have been extensively covered in theoretical and empirical studies, while technology, external environment (uncertainty, competitiveness and dynamism) and strategic orientation have not been studied as contingencies of PM practices in the non-profit sector. Management accounting research has utilised the concept of perceived environmental uncertainty (PEU) as an indicator of influence of external environment on the organisations (Chenhall, 2007; Ferreira and Otley, 2010). However, in the current study external environment is conceptualised to include degree of environmental unpredictability, the degree of competition and environmental dynamism faced by the organisation.

3.2.1.1 *Organisational size*

Organisational size has been associated with various aspects of performance management. Zimmerman and Stevens (2006) report a significant relationship between the size of the budget and use of performance measures. Moxham (2009) concludes that non-profits with small budgets and low numbers of staff exhibited significantly lower performance measurement practices than those with large budgets and more staff. Likewise, Thomson (2010) observes that outcome measurement was significantly associated with size of budget and number of staff. Smaller charities prefer altruistic and other less quantifiable indicators as compared with larger charities (Harrow et al., 1999). The above studies suggest a

positive relationship between size and PM practices in the non-profit sector. Thus, it can be hypothesised that:

- *There is a positive relationship between organisational size and usage of broad PM practices*

3.2.1.2 **Organisational structure**

Contingency theory suggests that variety of structural patterns observed in organisations coupled with strategy and PMS influence organisational effectiveness. On the relationship between structure and strategy, Brown and Iverson (2004) report that prospectors have broader, more inclusive structures, whereas defenders tend to have tighter, more focused structures. According to Poole et al. (2001), staff participation in planning and decision-making influences NPOs' ability to complete outcome measurement. Furthermore, staff and volunteer commitment to the structure is more important for organisational success. Organisational structure not only influences performance measurement but also organisational success, decline and failure (Kushner and Poole, 1996; Brown and Iverson, 2004; Galaskiewicz and Bielefeld, 1998). In essence, there is a correlation between organisational structure and organisational strategy as well as PM practices and organisational effectiveness. Thus, it can be hypothesised that:

- *There is a correlation between organisational structure and strategic orientation*
- *There is a relationship between organisational structure and usage of broad PM practices*
- *There is a relationship between organisational structure and organisational effectiveness*

3.2.1.3 **Strategic orientation**

Contingency research highlights the complex interaction between external environment, strategic orientation and structure and how it influences performance management and organisational effectiveness. Strategic orientation plays an important role in the adoption and implementation of comprehensive performance management systems. Researchers emphasise the need for strategy to reflect the distinctive non-profit sector environment and organisational structure (Akingbola, 2006; Stone et al., 1999). Brown and Iverson's (2004) study reveals that *prospectors* emphasise innovation and broader structures, whereas *defenders* emphasise efficient, lean service coupled with more focused structures. By contrast, Akingbola's (2006) study reveals that *defenders* introduce more services than *analysers* do, in response to changes in the external environment such as

government regulation, funding requirements and changes in customer needs. Irrespective of the strategic orientation of the organisation, contingency-based research predicts that particular performance measurement systems will be more suited to particular strategies (Waweru and Spraakman, 2009). Similarly, Maltz et al. (2003) suggest that the final set of performance measures would depend on the firm's strategy. McAdam and Bailie (2002) find that performance measures linked to strategy are more effective. Kaplan and Norton (1996) claim that performance measurement has a critical role in translating strategy into action. Thus, strategic orientation plays an important role in the adoption and implementation of comprehensive performance measurement systems.

Prior research shows a positive relationship between strategic orientation and organisational effectiveness (Bryson, 1988; Miles and Snow, 1978; Doty et al., 1993). For instance, defenders and prospectors report better performance than *reactors* in Brown and Iverson's (2004) study. Crittenden (2000) concludes that less successful organisations appear to lack key strategic management attributes regarding direction or execution. It can be noted that strategic orientation allows managers to influence the external environment, organisational structure, culture, technologies and performance management to ensure organisational effectiveness in NPOs (Chenhall, 2007). Thus, it is hypothesised that:

- *There is a positive relationship between strategic orientation and usage of comprehensive PM practices*
- *There is a correlation between strategic orientation and external environment variables*
- *There is a relationship between strategic orientation and organisational effectiveness*

3.2.1.4 **Organisational leadership**

Previous studies have found relationship between organisational leadership, performance management and organisational effectiveness. LeRoux and Wright (2010) and Moynihan and Ingraham (2004) find that organisations that are more professionalised exhibit increased use of performance information thus having a positive effect on strategic decision-making effectiveness. Good board governance has been associated with effective performance management, decision-making and organisational effectiveness. A review of literature by Herman and Renz (2008) finds a relationship between strong judgements of board effectiveness, utilisation of modern performance management tools and organisational effectiveness in NPOs. Similarly, LeRoux and Wright (2010) report a relationship between board effectiveness and use of performance information in decision-making. A survey by

Carman (2007) reports that the board's role and interest in performance data influences the extent to which these reports contain performance measurement information. Although external environment dynamism is an important factor influencing performance management in non-profits, it clearly interacts with organisational leadership to ensure organisational effectiveness (Fiedler, 1996; Hmieleski and Ensley, 2007; Alexander et al., 2010). Thus, there is a relationship between leadership, external environment, PM practices and organisational effectiveness. It can be hypothesised that:

- *There is a positive correlation between organisational leadership and usage of broad PM practices*
- *There is a positive correlation between organisational leadership and organisational effectiveness*

3.2.1.5 **Organisational culture**

Although previous research has focused on influence of national cultures on management control systems (Hofstede, 2001; Berry et al., 2009), it is argued that a strong internal organisational culture and its interaction with leadership may dominate national culture in work situations and thus influence actual PMS implementation (Chenhall, 2007). Teelken (2008) concludes that employees' acceptance of the PMS implementation process mainly depends on the dominant organisational culture. Successful implementation of a performance management tool is dependent on staff technical training and willingness, resources, effective leadership, governance mechanisms and the way in which it is embedded in the organisational culture (Campbell 2002). A recent survey in Nigeria reveals a positive relationship between soft organisational culture variables and NGO performance (Duke and Edet, 2012). In particular, outcome orientation; commitment of members to a common set of values, beliefs and philosophy; involvement of employees in decision-making; individual autonomy; people-orientation; and customer focus are found to be significant. Sarros et al. (2010) find that organisational culture (soft) mediates the relationship between leadership and innovation in the Australian non-profit sector. Poole et al. (2001) report that organisational culture has an impact on outcome measurement through the mediating influences of management support and technology. Bititci et al. (2006) establish a relationship between organisational culture, management style and dynamism of performance measurement system. From the above studies, it can be concluded that organisational culture interacts with leadership and technology to

influence performance measurement and organisational effectiveness. Thus, it is hypothesised that:

- *There is a positive correlation between technology and organisational culture*
- *There is a correlation between organisational culture and organisational leadership*
- *There is a positive relationship between organisational culture and usage of broad PM practices*
- *There is a positive relationship between organisational culture and organisational effectiveness*

3.2.1.6 **Technology**

From the contingency perspective, the generic types of technology that influence adoption and utilisation of PMS include technological complexity, task uncertainty and technological interdependence. Technology is closely related to organisational structure (Hage and Aiken, 1969) and external environment (Chenhall, 2007). In the non-profit sector, technology – defined as the requisite knowledge, skills, information tools, systems and resources necessary to implement performance measurement – is positively correlated to implementation of PMS (Poole et al., 2001; LeRoux and Wright, 2010; Thomson 2010; De Lancer Julnes and Holzer, 2001; Jain, 1996). Organisations exhibiting high technological complexity, high task variability with low task analysability and high technological interdependence will require a broad PMS. This system encourages informal controls, less reliance on accounting and financial performance measures, high flexibility to customer requirements and employee participation; and easy coordination between processes and regular performance reports (Chenhall, 2007). Mausolff and Spence (2008) report that NPOs with greater technological competence are more effective at performance measurement and organisational learning thus posts superior organisational effectiveness. Although NPOs are required to standardise their operations and ‘routinise’ their grassroots operations to reduce costs through private-sector-like management systems (Jain, 1996), a study by Edwards (1999) concludes that flexible organisational choices at the grassroots level greatly improve achievement of NGO objectives. Thus, there is linkage between external environment, strategy, structure and technology and use of formal performance management systems. Thus, it is hypothesised that:

- *There is a correlation between technology and organisational structure*
- *There is a correlation between technology and external environment*
- *There is a positive relationship between technology and usage of comprehensive PM practices*
- *There is a relationship between technology and organisational effectiveness*

3.2.1.7 *Information technology*

Technology has been expanded to include automation level, IT application level, modern communication technologies and use of specialised softwares, which has been positively related to planning and performance measurement (Chenhall, 2007; Khandwalla, 1977). However, the level of adoption is dependent on organisational size, resources allocated and strategic alignment (Finn et al., 2004). Adoption and effectiveness of information technology in NPOs is not only dependent on contextual variables such as values and culture, but also influences advocacy, organisational learning and accountability outcomes (Lewis and Madon, 2004). According to Te'eni and Young (2003), adoption and integration of ICT in the non-profit sector will have important effects on the reach, richness and affiliation of information flow. Pasupathy and Medina-Borja (2008) report benefits of Excel, Access and Visual Basic IT programs in implementation of performance measurement and evaluation in NPOs. Poole et al. (2001) lament the fact that IT infrastructure and shortage of staff IT skills are technical barriers to outcome measurement. There is increased adoption of ICT in non-profits because of increased access to the Internet and increased levels of technology training (Finn et al., 2004). Thus, there is a relationship between information technology and technology, size, strategic orientation, PM practices and organisational effectiveness.

Thus, it is hypothesised that:

- *There is a positive correlation between information technology and organisational culture*
- *There is a positive correlation between technology and information technology*
- *There is a positive correlation between organisational size and adoption of Information technology*
- *There is a correlation between strategic orientation and adoption of information technology*
- *There is a positive relationship between information technology and usage of broad PM practices in NPOs*
- *There is a positive relationship between information technology and organisational effectiveness*

3.2.1.8 *Environmental competitiveness*

Environmental competitiveness is a significant contextual factor in the contingency research. A hostile or competitive environment is positively associated with formal controls and budgets (Ferreira and Otley, 2010; Chenhall, 2007). Changes in the

competitive environment are associated with strategy, organisational design and technology (Baines and Langfield-Smith, 2003; Chenhall, 2007), all of which are associated with changes in use of non-financial indicators. In the NPOs, competition for funding has been associated with performance measurement practices (LeRoux and Wright, 2010; Speckbacher, 2003; Zimmerman and Stevens, 2006; Carlson et al., 2010). NPOs with diverse revenue sources may be more effective at performance management as funding diversity promotes stability and resilience, autonomy, risk-taking and effective decision-making (Kaplan, 2001). Conversely, funding diversity may limit performance management as NPO managers are challenged in decision-making by reconciling the diverse expectations of their multiple stakeholders with the reality of there being no primary shareholder (Speckbacher, 2003). For instance, Bielefeld (1992) reports that increased perceived funding uncertainty in NPOs influences the degree of strategic decision-making and action. Zimmerman and Stevens (2006) find no significant relationship between non-profits' use of performance measures and their intention either to not renew current funding or to seek new funding. Le Roux and Wright (2010) claim that NPOs in a highly competitive environment might be less effective in strategic decision-making. Similarly, LeRoux and Goerdel (2009) find that high levels of competition encourage non-profit managers to focus on reputation-building through service quality, rather than allocate resources to activities that may help NPOs further their mission in the end.

Thus, it is hypothesised that:

- *There is a negative correlation between environmental competitiveness and environmental unpredictability*
- *There is a positive correlation between environmental competitiveness and environmental dynamism*
- *There is a positive correlation between environmental competitiveness and information technology*
- *There is a positive correlation between environmental competitiveness and technology*
- *There is a relationship between environmental competitiveness and usage of broad PM practices*
- *There is a relationship between environmental competitiveness and organisational effectiveness*

3.2.1.9 *Environmental dynamism*

Environmental dynamism has been associated with adoption of PMS and organisational effectiveness with conflicting findings (Waweru and Spraaakman, 2009; Galli, 2011; Yurenka, 2007). A turbulent or dynamic environment is positively associated with formal controls and budgets (Kaplan, 2001; Ferreira and Otley, 2010; Chenhall, 2007). Although it is argued that economic and political structures are a determinant of NGO performance (Riddell and Robinson, 1996), a study by Edwards (1999) reports that differences in socioeconomic environment (poverty levels and human needs) do not account for variation in organisational effectiveness. Like the socioeconomic environment, political and security environment stability plays an essential role in the future overall performance and effectiveness of non-profits (Galli, 2011). Changes in the external technological environment may be distinct disadvantages to a sector facing financial and resource constraints, limited technical expertise and lack of access to information on the tools available. On the other hand, adoption of new technologies can help non-profits efficiently manage scarce resources through cutting overhead costs and expanding their strategic goals. At the same time, previous studies find that interaction between environmental dynamism and organisational leadership influences organisational effectiveness. A study by Jansen et al. (2009) indicates that fit or misfit between environmental dynamism and PMS moderates the impact of strategic leadership effectiveness on innovation outcomes. Rapid economic changes in the global environment require organisations to take advantage of effectiveness of their own management teams in order to remain competitive (Fiedler, 1996). Similarly, Hmieleski and Ensley (2007) demonstrate the value of adjusting leadership behaviour in accordance with environmental dynamism. It can be concluded that environmental dynamism has been associated with strategic orientation, leadership, performance management systems and organisational effectiveness. Thus, it is hypothesised that:

- *There is a relationship between environmental dynamism and usage of broad PM practices*
- *There is a positive correlation between environmental dynamism and organisational leadership*
- *There is a negative correlation between environmental unpredictability and environmental dynamism*
- *There is a relationship between environmental dynamism and organisational effectiveness*

3.2.1.10 *Environmental unpredictability*

Management accounting research suggests that high levels of perceived *environmental uncertainty* (PEU) are associated with design and implementation of comprehensive, broad, flexible, externally focused PMS emphasising non-financial measures (Kaplan, 2001; Ferreira and Otley, 2010). Environmental unpredictability was conceptualised as the ability to predict stakeholders' requirements and accountability demands – mainly regulators and boards of directors, the public, government donors, volunteers and beneficiaries. According to Poister (2003) and Moxham (2010), diverse stakeholder requirements and accountability demands pose particular challenges to measuring performance due to their uncertainty. Although studies by de Lancer Julnes and Holzer (2001) and Yang and Hsieh (2007) conclude that external requirements and external mandates respectively do not have a significant effect on adoption of performance measurement in non-profits, Thomson (2010) emphasises the importance of directly examining the effect of increased funding mandates on increased performance measurement use in NPOs. Thomson's (2010) research findings support the claim that reporting requirements from funders have improved use of performance measurement in NPOs. While Zimmerman and Stevens (2006) find a significant relationship between agencies using performance measurement and those required to do so by some outside source, Campbell's (2002) study finds that funders questioned excessive expenditure on performance measurement and lack of 'scientific rigour' in data collection on key indicators. Organisational leadership and culture may influence how the organisation predicts, co-opts or resists such stakeholder requirements and accountability demands and other performance management aspects and its impact on overall effectiveness (Townsend et al., 2002; Townsend and Townsend, 2004; Lecy et al., 2011; Shivji, 2007). Since Kenyan NPOs face increasingly predictable stakeholder requirements and accountability demands, it is likely that they will tend to use PMS to address stakeholders' needs. Thus, it is hypothesised that:

- *There is a positive relationship between environmental unpredictability and usage of comprehensive PM practices*
- *There is a correlation between environmental unpredictability and organisational culture*
- *There is a correlation between environmental unpredictability and organisational structure*
- *There is a correlation between environmental unpredictability and organisational leadership*
- *There is a relationship between environmental unpredictability and organisational effectiveness*

3.2.2 Performance management practices and organisational effectiveness (Hb)

Several studies have investigated the relationship between performance management and organisational effectiveness, with some studies reporting a positive effect (LeRoux and Wright, 2010; Alexander et al., 2010) while other studies conclude that performance management in NPOs detracts from organisational performance and continuous improvement (Moxham, 2009; Benjamin and Misra, 2006). This study investigates relationships between performance planning, performance measurement and PM system context and organisational effectiveness.

3.2.2.1 *Performance planning and organisational effectiveness*

Performance planning practices relate to the specification and communication of mission and vision; objectives, purpose and goals; strategic activities and plans; key success factors and core values. Previous studies have found positive relationships between these aspects and organisational effectiveness and performance in not only for-profit organisations but also in NPOs (Griggs, 2003; Blackmon, 2008; Franklin, 2011). Some studies report a positive relationship (Wilson, 1992; Medley, 1992; Campbell, 1993; Bart and Baetz, 1998) while others conclude that there are no significant relationships (Klemm et al., 1991; Coats et al., 1991). Ghoneim and El-Baradei's (2008) findings support the existence of a role of strategic planning in organisational performance in NPOs. Siciliano (1996) suggests that organisations that use a formal approach to strategic planning achieve higher levels of financial and social performance. On the other hand, Bart and Baetz (1998) report that the presence of financial goals in a mission statement is negatively correlated with financial performance but statement of organisation purpose and specification of values is positively related with performance. Bart and Tabone (1999) report positive correlation between managers' satisfaction with the quality of contents of the mission statements and organisational performance. Brown and Yoshioka's (2003) study concludes that employees' positive attitudes towards mission statements are related to employees' satisfaction and loyalty to the NPO, while Griggs (2003) does not find any significant relationship between strategic planning and job satisfaction. However, Griggs finds a positive relationship between intensity of strategic planning and organisational objective fulfilment and central life interests in disability-based NPOs. Effective internal

communication of the mission statements was positively related to organisational performance in NPOs (Desmidt and Prinzie, 2009). Thus, it can be hypothesised that:

- *There is a positive relationship between performance planning practices and organisational effectiveness domains*

3.2.2.2 ***Performance measurement and organisational effectiveness***

Performance measurement practices include the extent to which NPOs utilise performance measurement frameworks, performance indicators, performance targets, data collection methods and rewards and sanctions. The relationship between performance measurement practices and organisational effectiveness in NPOs is well covered. A study by Kaplan (2001) concludes that use of the balance scorecard reduces costs, improves customer satisfaction and increases organisational effectiveness. Similarly, Siciliano (1997) finds that performance monitoring is linked to better financial performance. A study by Neely et al. (2001) concludes that the Prism framework facilitates an NPO to identify balanced measures reflecting stakeholders' interests and needs. Mausolff and Spence (2008) report that quality of performance measurement system is related to program performance. LeRoux and Wright (2010) report a positive relationship between performance measurement and perceived strategic decision-making effectiveness. Zimmerman and Stevens (2006) report changes in program operations and management practices resulting from use of performance measures. Poister et al. (1999) and Berman and Wang (2000) report that performance measurement increases commitment to performance in the NPOs they surveyed. According to Henderson et al. (2002), performance measurement frameworks improve an international NPO's accountability and enhance achievement of program goals through monitoring, planning and managing programs. Thus, it is hypothesised that:

- *There is a relationship between use of performance indicators and organisational effectiveness domains*
- *There is a positive relationship between performance targets and organisational effectiveness domains*
- *There is a positive relationship between data collection methods and organisational effectiveness domains*
- *There is a positive relationship between use of rewards and sanctions and organisational effectiveness domains*

3.2.2.3 *PM system context and organisational effectiveness*

PM system context practices are the practices related to a set of underlying contextual issues which permeates the performance management system including PMS information flow systems, PMS information use, PMS dynamism and PMS strength and coherence. Although previous studies have not explicitly linked the PM system context to organisational effectiveness in non-profits, the general management accounting literature suggests a positive relationship (Otley, 1999; Ferreira and Otley, 2009; 2010). Franco-Santos et al. (2007) argue that information flow systems need to create connection between performance data, subsequent management actions and organisational effectiveness. Lewis and Madon's (2004) study indicates that information systems have an impact on advocacy, organisational learning and accountability outcomes in development NPOs. Kong's (2008) study reveals that information flow and sharing facilitate building of relational capital, particularly with donors in NPOs.

PMS information use influences organisational decision-making, leading to changes in program priorities and focus of program as well as budget allocations (Poister and Streib, 1999). LeRoux and Wright (2010) conclude that managers use information for strategic decision-making. According to Moynihan (2005), PMS information use in NPOs targets narrow process improvement rather than a broad understanding of policy choices and long-term effectiveness. A recent case study by Korhonen et al. (2012) concludes that PM dynamism leads to the use of updated measures, which could lead to more efficient strategy implementation. Henri (2010) concludes that the relationship between PMS dynamism and organisational performance is dependent on the fit between level of internal and external changes and the periodic reviews of performance indicators. With regard to PMS dynamism, a study by Yap and Ferreira (2011) indicates that changes in the internal and external environment lead to an emphasis on formal controls within the PMS systems of large non-profit organisations. The strength and coherence of the links within PMS components and other organisational processes is crucial to successful implementation and alignment and could influence organisational outcomes (Ferreira and Otley, 2009; Chenhall, 2007). Thus, it can be hypothesised that:

- *There is a positive relationship between PMS information flow system and organisational effectiveness*
- *There is a positive relationship between PMS information use and organisational effectiveness*

- *There is a positive relationship between PMS dynamism and organisational effectiveness*
- *There is a positive relationship between PMS strength and coherence and organisational effectiveness*

3.2.3 Contingency variables, performance management and organisational effectiveness (Hc)

Researchers within the management accounting field point out that the adoption and implementation of PMS and control systems in organisations is dependent on contingency variables (Otley, 1980; Rejc, 2004; Ferreira and Otley, 2009; Ferreira and Otley, 2010; Speckbacher and Offenberger, 2010). Subsequently, an effective PM system leads to optimal organisational effectiveness (Henri, 2006; Chenhall, 2007; LeRoux and Wright, 2010; Alexander et al., 2010; Samples and Austin, 2009). On other hand, researchers within organisational theory and the non-profit field argue that organisational effectiveness is influenced by contingency variables such as size, leadership, strategy, structure, technology and culture. In addition, environmental competitiveness, dynamism and uncertainty affect organisational effectiveness as discussed in section 3.1 (Brown and Iverson, 2004; Stone et al., 1999; Silva and Ferreira, 2010; Lecy et al., 2011; Malik et al., 2011; Khan et al., 2012; Edwards, 1999).

The contingency theory is based on the premise that “Organisational effectiveness results from fitting characteristics of the organisation, such as its structure, to contingencies that reflect the situation of the organisation” (Donaldson, 2001, p. 1). Thus, contingency theory aims to prescribe to practitioners the level of fit between contextual variables and PMS that will result in optimal organisational effectiveness. Furthermore, recent studies (Spencer et al., 2009; Teeratansirikool et al., 2013) in for-profit organisations conclude that PM systems mediate relationship between strategic orientation and performance. Hence, PMS are implemented in organisations to improve effectiveness by enabling the managers to better cope with an increasingly competitive, dynamic, unpredictable and uncertain external environment as well as responding to changes in organisational factors. Thus, it can be hypothesised that:

- *Performance planning practices mediate the relationship between contingency variables and organisational effectiveness*
- *Performance measurement practices mediate the relationship between contingency variables and organisational effectiveness*
- *PM system context practices mediate the relationship between contingency variables and organisational effectiveness*

3.3 Structural models

The recent research points to the potential use of performance management as a mediating variable of the relationship between contingency variables and organisational effectiveness in a system fit approach (Gerdin, 2005; Henri, 2004; Mausolff and Spence, 2008; Smith and Langfield-Smith, 2004; Baines and Langfield-Smith, 2003). Antecedent mediating variable models may help assess whether the relationship between contingency variables and organisational effectiveness is direct or whether it operates indirectly through PM practices. Consequently, the importance of developing and testing theories of mediating effects of PMS in management accounting research through structural equation modelling are not only important to theory development but also in bridging the gap with other management fields such as non-profit literature.

Lecy et al. (2011) and Sowa (2004) recommend simultaneous modelling (through SEM) of any organisational process with effectiveness in order to understand the effect of the process and other factors on effectiveness, as particular domains can be either dependent or independent factors in the same context. Verbeeten (2008) recommends that the research on effects of PMS should separate effect of PM initiatives on various effectiveness domains, as the effect may not be similar. The researcher adopts the view that organisational effectiveness is a set of interdependent relationships between its four domains and not a summation of all components. Based on the above discussion, the researcher specifies the following three models to test the hypotheses.

3.3.1 Model 1 (Figure 3.2)

H1a) There is a relationship between contingency variables and usage of broad performance planning practices

H1b) There is a relationship between performance planning practices and organisational effectiveness

H1c) Performance planning practices mediate the relationship between contingency variables and organisational effectiveness

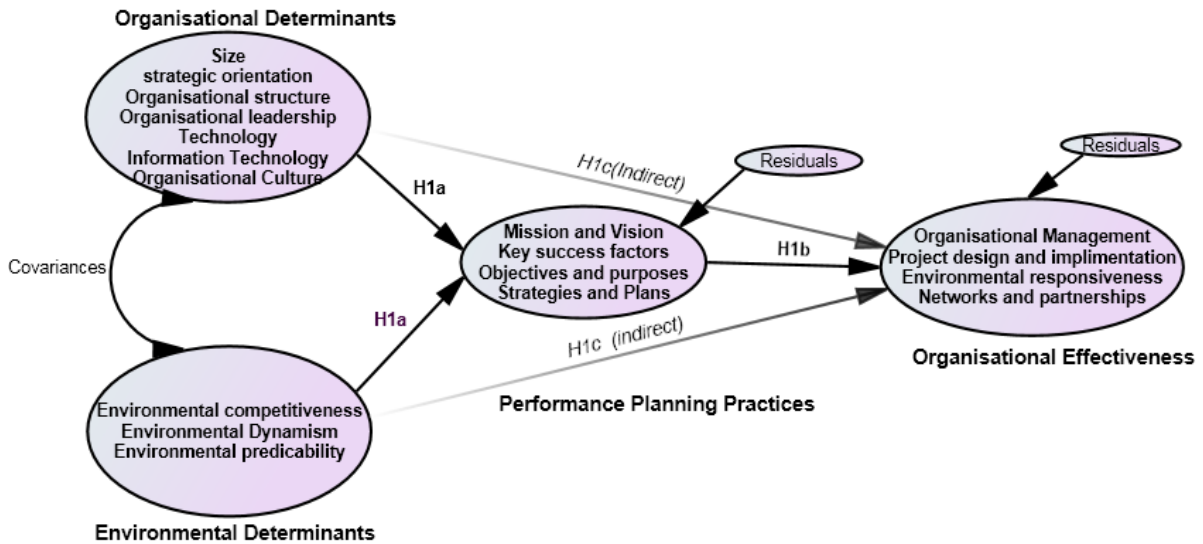


Figure 3.2 Mediation through performance planning

3.3.2 Model 2 (Figure 3.3)

H1a) There is a relationship between contingency variables and usage of broad performance measurement practices

H2b) There is a relationship between performance measurement practices and organisational effectiveness

H2c) Performance measurement practices mediate the relationship between contingency variables and organisational effectiveness

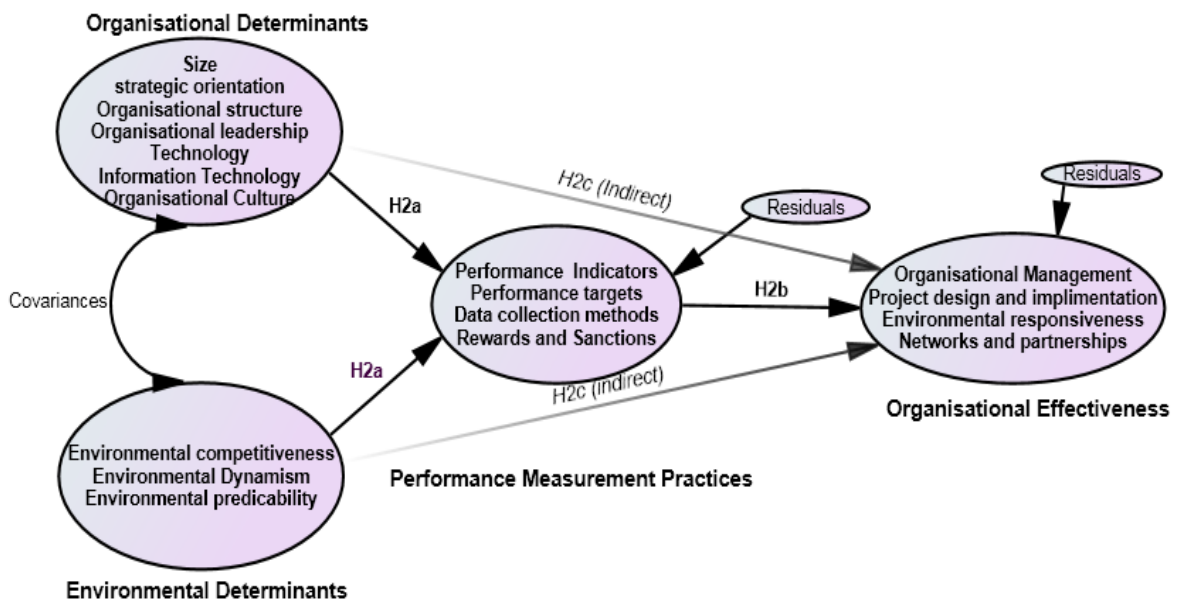


Figure 3.3 Mediation through performance measurement

3.3.3 Model 3 (Figure 3.4)

H3a) There is a relationship between contingency variables and usage of broad performance context practices

H3b) There is a relationship between performance context practices and organisational effectiveness

H3c) PM system context practices mediate the relationship between contingency variables and organisational effectiveness

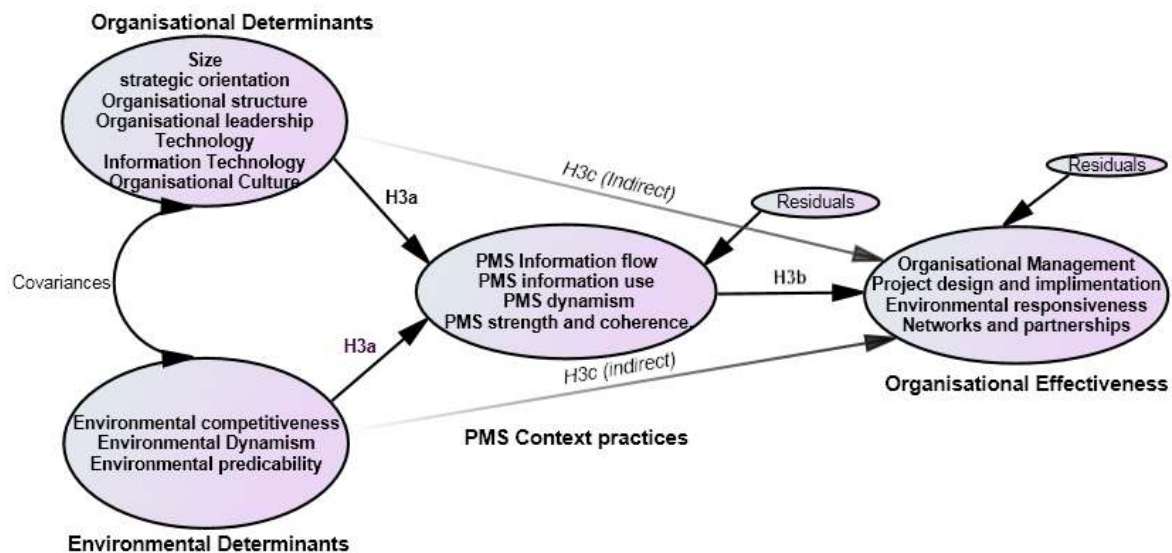


Figure 3.4 Mediation through PM system context

3.4 Conclusion

Drawing upon management accounting contingency theory, this study investigates the contingency variables affecting PM practices and organisational effectiveness in Kenyan NPOs. This chapter has to built a theoretical framework and developed the hypotheses based on previous literature. The underlying principles for constructing the theoretical framework are mainly based on the preceding theoretical justification and empirical research. The chapter discussed the justification for contingency theory as well as its weaknesses. The performance management and control framework was used to identify PM practices. The organisational effectiveness components were discussed. The hypotheses were presented in four categories. Finally, the researcher specified the structural models used to test the hypotheses. The next chapter introduces the research methodology.

CHAPTER 4

RESEARCH METHODOLOGY

This chapter on research methodology will discuss the holistic approach taken to the research process, from the philosophical foundation to research design, data collection, data analysis, and reporting. The rest of this chapter is structured as follows:

- Research approach
- Philosophical assumptions and paradigms
- Theoretical foundations
- Research method
- Reliability and validity
- Ethical considerations
- Field study method
- Conclusion

4.1 Research approach

The debate on what constitutes proper study of society has led to an emergence of numerous approaches to inquiry in management accounting research. The three key approaches⁵ to the research process-quantitative, qualitative and mixed methods-differ in terms of research paradigms, strategies of enquiry and research methods (Collis and Hussey, 2009). A quantitative research approach aims at testing objective theories by analysing relationships among variables. A qualitative research approach aims at understanding the meaning individuals assign to a social problem. A mixed methods research approach aims at combining both qualitative and quantitative approaches in a single study guided by philosophical assumptions of the dominant approach underpinning the study (Morgan, 2007;

⁵ The **quantitative research process** involves operationalisation of concepts, instrumentation, quantitative data collection, deductive data analysis using statistical procedures to test hypothesis to offer prediction and explanations with an aim of generalising unbiased findings. The **qualitative research process** involves emergent questions and procedures, qualitative data collection within the participant's setting, inductive data analysis developing themes from narratives and building theory with the researcher making interpretations of the individual meanings of the data. The **mixed research process** involves fixed or emergent research questions, theoretical framework; both qualitative and quantitative data collection, abductive data analysis and transferability of knowledge to either build a theory from narratives or offer explanations

Creswell, 2009a; Collis and Hussey, 2009). The choice of the overall methodology is influenced by the researchers' philosophical assumptions, strategies of inquiry and specific methods of data collection, analysis and interpretation. Furthermore, the research problem being addressed, the researchers' personal experiences and the target audience all play a key role in the choice of the methodology (Creswell, 2009). In light of the above issues, this study utilises a mixed methods approach

4.2 Philosophy and paradigms

The philosophical foundations of research refer to “the conceptual roots undergirding the quest for knowledge” (Ponterotto, 2005, p.127) incorporating philosophical assumptions or beliefs on ontology (the nature of reality), epistemology (the study and acquisition of knowledge and the relationship between the researcher and participant), axiology (the role of the structures, values and biases in research), rhetorical structure (language and presentation) and research method (the process of research itself) (Guba and Lincoln, 2005; Creswell, 2009a; Ponterotto, 2005; Morgan, 2007). A paradigm, sometimes known as a worldview, is a philosophical position of interrelated assumptions shared among researchers that provide a framework that guides the researcher in the selection of tools, instruments, participants and methods used in a study (Biesta, 2010; Ponterotto, 2005).

There are numerous similar paradigmatic schema advanced in literature that researchers can use to conceptualise and classify their research (see Collis and Hussey, 2019; Morgan, 2007; Creswell, 2009b). The most common is the metaphysical paradigm (Guba and Lincoln, 2005), which proposes a continuum of philosophical positions anchored between two extreme positions: positivism and social constructivism. However, recently a new pragmatic approach has emerged which focuses on choosing the most appropriate methods for answering the given research questions (Morgan, 2007; Creswell, 2009b; Johnson and Onwuegbuzie, 2004). Since this research is underpinned by mixed methods philosophical principles, the researcher adopts a paradigmatic schema proposed by Crotty (1998), which is not only the most interpretable and comprehensive, but incorporates a theoretical lens and is widely accepted among the established mixed methods researchers (Creswell and Plano Clark, 2011; Chen, 2012; Biesta, 2010).

The Crotty (1998) framework addresses how philosophy fits within the various mixed methods designs highlighting the paradigm's overview, theoretical lens, methodological approach and methods of data collection. The alternative claims of knowledge positions⁶ within mixed methods can be classified as the post positivist worldview, constructivist worldview, participatory worldview and pragmatist worldview (Crotty, 1998; Creswell, 2009a; Creswell and Plano Clark, 2011). Although the above worldviews have common fundamentals, they differ in philosophical assumptions as summarised in Table 4.1.

Table 4.1 Paradigms and philosophical assumptions

Worldview Element	Post-positivism	Constructivism	Participatory	Pragmatism
Ontology (Nature of reality)	Singular reality	Multiple realities	Political reality	Singular and multiple realities
Epistemology (Researcher and participant relationship)	Distance and impartiality	Closeness	Collaboration	Practicality
Axiology (Role of values)	Unbiased	Biased	Negotiated	Multiple stances
Methodology (Research process)	Deductive	Inductive	Participatory	Combining
Rhetoric language (Writing style)	Formal	Informal	Advocacy and change	Formal and informal

Source: Adapted from Creswell and Plano Clark (2011) "Chapter 2: Foundations of mixed methods research," in *Designing and Conducting Mixed Methods Research* 2nd ed. Sage Publications, Thousand Oaks, CA.

The choice of a paradigm in mixed methods studies remains controversial in the literature with researchers recently calling for convergence (Biesta, 2010; Teddlie and Thashakorri, 2012; Collis and Hussey, 2009; Creswell and Plano Clark, 2011). Some authors, for instance Greene and Caracelli (2003), argue that mixed methods studies should embrace multiple worldviews (dialectic paradigm) in what is now known as Paradigm Pluralism (Teddlie and Thashakorri, 2012; Greene, 2007). This is based on the on the rejection of one-to-one linkage of ontological and

⁶ *Post-positivism* refers to the intellectual discussions that were had after positivism that were focused on the fact that the study of behaviours and action of human does not require absolute truth, but objective truth. This worldview has been widely used in management accounting research. The researchers make claims of knowledge based on the existence of a singular reality, distance, impartiality, unbiased position emphasising deductive reasoning, theory verification, formal presentation style and empirical observation and measurement. In the constructivist worldview the researcher makes claims of knowledge based on multiple realities, closeness, bias, emphasising inductive reasoning, theory generation, informal literary style and an understanding of multiple participant meanings. The participatory worldview holds that the researcher makes claims of knowledge based on political reality, collaboration, biased and negotiated actions, emphasis, participation, advocacy, change-provoking style and empowerment. Pragmatic worldviews accept multiple forms of pragmatism where the researcher makes claims of knowledge based on singular and multiple realities, practicality, multiple stances (biased and unbiased), emphasising integration, pluralistic approaches, formal or informal writing style and research problem-centred.

epistemological assumptions to specific methods (Biesta, 2010; Greene and Hall, 2010). On the other hand, others argue that “methodological choice does not exist within a philosophical void” (Cameron, 2011, p.99); thus, the choice of method is driven by ontological and epistemological assumptions (Guba and Denzin, 2005). Despite the above debate, Cohen et al., (2011) concludes that the choice of paradigm and methodology is not arbitrary, but adheres to the principle of *fitness for purpose*, which is crucial to research.

As mixed methods research designs emerge, Creswell and Plano Clark, (2011) suggest that a choice of either single or multiple worldviews should fit the type of research design used to address the research question. Thus, the choice of the philosophical position for this study is mainly informed by practical considerations, the research problem and recent mixed methodological development. The researcher adopts a post-positivist philosophical position to underpin the embedded mixed methods design that is deemed suitable to address the aforementioned research questions.

4.2.1 Ontological assumptions of this study

Ontological assumptions are related to the researcher’s view of the world, the truth and nature of reality. There have been divisions in opinion as to whether or not there exists a real world “out there,” leading to emergence of different but complementary theories of truth (Bridges, 1999; Clark, 2007). According to positivism, social reality follows general universal laws of nature and hence human knowledge and behaviour can successfully be studied in the same way as natural science. On the other hand, interpretivists argue that the world does not exist as a thing-in-itself, independent of human interpretation, as the actor constructs reality and researchers work in a world that has already been interpreted and given meanings by the social actors (Cohen, et al., 2011; Ponterotto, 2005; Bailey, 2001). Newell (1986, c.f. Eisner, 1992, p.10) argues that ontological objectivity is “seeing things the way they are in their ontological state”, meaning the reality view of things “out there” is based on the correspondence theory of truth.

In this thesis, the researcher assumes a position of ontological objectivism, acknowledging existence of a singular reality. However, the researcher takes reality as contextual field of information and a concrete process (Morgan and Smircich, 1980). Although he acknowledges the importance of objective truth and singular reality, being anchored in post-positivism thinking he also accepts the view of

humans as social actors, thus the procedures and the choice of context may be subjective (Morgan, 2007). With regard to this study, the researcher concentrates primarily on investigating the direct and indirect relationships between contingency variables, PM practices and organisational effectiveness from a contingency perspective—a phenomenon related to objectivity and singular reality. However, the context of the study and the nature of the organisations being studied (NPOs in a developing country) necessitates understanding of the characteristics of the Kenyan non-profit sector and how the managers perceive, define, understand, interpret and measure constructs. Thus, the social context under which the study is conducted is related to multiple realities and subjectivity necessitating a preliminary field study.

4.2.2 Epistemological, axiological and rhetorical assumptions

Epistemology is concerned with the study and validity of knowledge (the relationship between the researcher and the participant). Similar to objective ontology and subjective ontology, two distinct epistemological positions have been advanced: positivistic epistemology and interpretive epistemology (Collis and Hussey, 2009). Positivists believe that if a researcher is separate from objects being researched, follows a guiding theoretical framework and conducts a rigorous systematic research procedure and interpretation, objective inquiry is possible leading to undisputed, true findings that reveal cause-effect relationships reliably and validly (Johnson and Onwuegbuzie, 2004). On the other hand, interpretivists argue that it is only through dialogue and intense dynamic interaction between researchers and participant that true knowledge can be generated; the research process is therefore highly value mediated (Ponterotto, 2005).

Closely linked to the relationship between the researcher and the participant is the role of values in the research process. In the positivist approach to research, there no place for values in social research as they vitiates research findings; and, hence, in striving for objectivity, positivist researchers often acknowledge, explicate and suppress their values prior to conducting investigative observations and acknowledge current expectations at the outset of their research studies (Bailey, 1994; Cohen et al., 2011). On the contrary, interpretivists believe that values enter the research process at all stages, affecting all aspects of research and any attempt to separate reason and emotion severely rescinds co-research and hence restricts sharing information and hence knowledge. Thus, researchers should explicitly state

their values and use them alongside facts. Furthermore, biases can be a means to dialogue and researchers may use this sensitivity to enhance rapport (May, 1997).

As the researcher of this study adopts a post-positivism position in his ontological assumption, he also has same viewpoint on the epistemological and axiological stance in this study emphasising distance, impartiality, unbiased position leading to deductive reasoning, theory verification, formal presentation style and empirical observation and measurement. Although the researcher of this study acknowledges the possibility of achieving procedural objectivity (Newell, 1986), he believes that achievement of ontological objectivity is problematic in any research as selective choice of research interests, objectives, process and interpretation are informed by individual values. Furthermore, he recognises that knowledge is discovered through transactions between the view of reality, research context, personal frames of reference, researcher skills, experience and individual histories influenced by social and personal culture (Bailey, 1994; Eisner, 1992). Hence, the researcher appreciates that it is not possible to maintain a thoroughgoing relativism in practice, in which every level of judgement is presumed to be subjective, but rather subjectivity of belief of the social actors needs to be verified against objective, empirical facts and tests. The researcher recognises the importance to study the nature of relationships between different contingency variables, PM practices and organisational effectiveness within the study context (e.g. NPOs).

The rhetorical assumptions refer to the beliefs regarding appropriate writing style used by researchers to present and communicate the procedures and findings. Positivistic researchers call for “rhetorical neutrality, involving a formal writing style using the impersonal passive voice and technical terminology” while interpretivists prefer “detailed, rich and thick (empathic) description, written directly and somewhat informally” (Johnson and Onwuegbuzie, 2004 pp.14-15). Elliot (2005) notes that the distinction between the writing style of qualitative and quantitative research findings, presents unique challenge to mixed methods researchers. Elliot further observes that researchers tend to prioritise either qualitative or quantitative approach and this is likely to result in a research report that mirrors the rhetoric associated with one particular approach. Since the current research gives weight to the cross-sectional survey as well as adopts positivistic ontological, epistemological and axiological assumptions, the researcher adopts formal writing style and impersonal passive voice, presenting the thesis.

However, the researcher maintains ongoing reflexivity in the analysis of the qualitative data.

4.3 Theoretical foundations

The theoretical lens operates at narrower perspective than the paradigm and provides direction for the methodological approach taken by the researchers. Crotty (1998) recommends that a social science theory, originating from the dominant field of study, should be positioned at the beginning of the study to provide a theoretical framework that guides the nature of the questions asked, concepts, variables measured, data collection, analysis procedures and interpretation (Creswell and Plano Clark, 2011). In the management accounting field a number of theories have been used to explain the relationship between performance management systems and organisational effectiveness. Among them are: contingency theory, agency theory, institutional theory, new institutional theory, professional theory, economic theory, competing values framework and resource based view (Chenhall, 2007; DiMaggio and Powell, 1983; Meyer and Rowan, 1983; Oliver, 1991; Brignall and Modell, 2000; Rejc, 2004; Otley, 1980; Neely et al., 2001; Mintzberg, 1983; Teelken, 2008; Thomson, 2010).

The new institutional theory assumes that organisations interact with their environment to achieve their objectives. Therefore, their choices and actions are limited to their external and internal requirements and they respond similarly to these mimetic, coercive and normative isomorphic forces (Oliver, 1991). Although this theory has been useful to explain the lack of change in public sector organisations, (see Brignall and Modell, 2000) it is less applicable to the non-profit sector due to the variability of PM practices in the sector. Teelken (2008) used professional theory to explain the tensions between professional staff and administrators in the implementation of performance quality systems in NPOs. However, the theory is not applicable in the Kenyan non-profit sector as the sector does not have distinctive professional organisations; hence, such tensions are minimal. Although resource dependency and institutional theories suggest that funders' demands for performance reports can increase measurement, NPOs' responses are likely to be contingent on a number of other variables that the funders have little control over. Empirical findings from Thomson's (2010) study support the contingency and resource dependency perspective, but do not support the institutional theory that claims institutional influences are the driving force

behind adoption and implementation of PM systems. Thus, the researcher adopts contingency theory to inform the theoretical framework for this study (discussed earlier in chapter 3) and interpretation of the results.

4.4 Research method

The researcher adopts mixed methods research as the methodological approach for this study. Since the mixed methods approach has remained controversial over the years, this thesis adopts Creswell and Plano Clark's, (2011) approach that merges a philosophy, methods and research design orientation. This thesis utilises mixed methods research relying on the more acceptable traditions regarding philosophical assumptions, methods and research design within the management accounting field. The researcher adopts an embedded mixed methods correlational research design, in which a field study precedes a primary cross-sectional survey with more weight given to the later. This particular research design is primarily chosen based on the aforementioned post-positivistic ontological and epistemological stances, the need to adequately address the research problem and the researcher's skills and competency in the primary method (cross-sectional survey). The key research question is broken down into five research questions addressed by a field study and a cross-sectional survey. Finally, the data is integrated at the interpretation stage to answer the overall research question.

4.4.1 Research design

Research designs are "procedures for collecting, analysing, interpreting and reporting data in research studies" (Creswell and Plano Clark, 2011, p.53). Since the researcher has reflected on the philosophical foundations, theoretical foundations and related methodological approaches, this section discusses the choice of the research design. Although there is general lack of consensus on the terminology and definitions of mixed methods research designs (Teddlie and Tashakkori, 2012; Bryman, 2008), there is consensus regarding the way that quantitative strands and qualitative stands relate to each other. More recently, Creswell and Plano Clark (2011) recommend six⁷ major designs namely: the

⁷Convergent parallel design occurs when the researcher uses concurrent timing of strands, equal priority, keeps the strands independent, but mixes during overall interpretation. In explanatory sequential design, a prioritised quantitative data collection and analysis comes first, then a qualitative strand follows where the researcher interprets how the qualitative results help to explain the initial quantitative results. In contrast to the explanatory design, the exploratory sequential design begins with a prioritised qualitative strand followed by a quantitative strand to test or generalize the initial findings by interpreting how the quantitative results build on the initial qualitative

convergent parallel design, the explanatory sequential design, the exploratory sequential design, the embedded design, the transformative design and the multiphase design. The six designs offer a useful framework for choosing the appropriate design based on interaction, priority, timing and integration decisions. As aforementioned, this study adopts an embedded, mixed methods research design in order to understand how PM practices affect organisational effectiveness from a contingency perspective. The key considerations the researcher addressed first during planning and designing of this study include the fit of the design to the problem, purpose and questions; reasons for mixing methods in a particular embedded design; and key decisions in choosing the research design.

4.4.1.1 *Fit of the design to the problem, purpose and questions*

The research questions play an integral role in the choice and design of the mixed methods study (Creswell and Plano Clark, 2011). In this study, the researcher needed to include qualitative data to answer secondary research questions within the predominantly quantitative study, which emerged due to the research problem and context as discussed below. A review of the literature (see chapter 2) indicates that performance management research in the non-profit sector lags behind similar research in the private and public sectors, particularly in developing countries. To address this research gap, this study purposes to understand how PM practices affect organisational effectiveness in the non-profit sector in Kenya. Consequently, the research context presents additional problems and questions that need to be addressed before the primary cross-sectional survey.

First, in both the literature and research databases, there is no clear definition of entities comprising the non-profit sector in Kenya, including its characteristics and boundaries. Thus, there was a need to understand the definition and characteristics of the sector in Kenya in order to construct a valid sampling framework and choose appropriate data collection procedures for the primary study. Second, since this study is anchored within the management accounting field, there is a need to explore the extent to which non-profits have implemented formal performance management systems given the unsuccessful implementation

results. The embedded design occurs when the researcher collects and analyses either qualitative or quantitative data before, during, or after a traditional quantitative or qualitative design to enhance the overall design. The transformative design is where the researcher shapes decisions within a transformative theoretical framework. Finally, multiphase design combines both sequential and concurrent strands over a period of time to support the development, adaptation and evaluation of specific programs (Creswell, 2009; Creswell and Plano Clark, 2011).

or varying level of usage in the public and private sectors. Third, there is a need to understand how the target participants understood various latent constructs, such as organisational effectiveness and performance management and the extent to which PMS have been implemented in the sector. The use of interviews and focus groups emerged as a necessity as past studies do not provide valid and reliable measures relevant to the non-profit sector for all the constructs in the theoretical framework. For instance, some contingency variables, such as technology and perceived environmental uncertainty, have not previously been studied in the non-profit context. Although the Performance Management and Control Framework put forward by Ferreira and Otley (2009), along with the NPO effectiveness model by Lecy et al. (2011), could be useful in investigating PM practices and organisational effectiveness, the generic nature of the frameworks do not offer indicators in each construct. Thus in order to address the objectives adequately it was necessary to collect qualitative data from a preliminary field study that would assist in the design of the survey instrument to increase validity and reliability of the study. Finally, past studies indicate conflicting findings regarding the effect of performance management on effectiveness. Thus, there was need for either a field study to assist in the interpretation of the quantitative results or a full mixed methods study to provide both understanding and generalisations. The above issues clearly called for different research questions, which could only be addressed by a field study. Thus among the six research designs presented earlier, embedded mixed method is deemed most suitable to address both the secondary research questions and assist in planning of the cross-sectional survey, instrumentation and interpretation of the quantitative results. The principles of an embedded design are that different research questions that require different types of data need to be answered, thus a single data set is not sufficient. In the current study, the purpose of the field study is tied to, but different from, the primary purpose of the cross-sectional survey.

In addition to the fit between the research design and the research problem, there are other key reasons for mixing the methods, particularly in embedded research design. It is a suitable design for this study as it allows the researcher to achieve the primary research purposes. The field study assists in understanding the research location, context, sampling procedures, data collection and instrument development for the primary cross-sectional survey. Furthermore, it offers credibility, reliability, validity and understanding of the quantitative results

through triangulation and interpretation of qualitative and quantitative data in consideration of the context. Finally, this design offsets the weaknesses of a purely quantitative study by drawing on the strength of both qualitative and quantitative data. Although the above reasons for mixing methods can also be achieved by other research designs, the researcher primarily chose embedded design due to the researcher's experience and the skills necessary to design and implement the cross-sectional survey in a rigorous way. Thus, he is comfortable with the study being driven by quantitative design.

4.4.1.2 *Embedded mixed methods research design*

In this study, the research design process was predetermined at the start of study after a preliminary literature review indicated the need to use embedded mixed method design as discussed earlier. Although this study adapted the final research design approach from a list of typologies, the researcher employed a dynamic approach to designing the study. In this study the priority decision was mainly influenced by the research purpose, philosophical assumptions and researcher's practical experience. As a result, priority is given to the cross-sectional survey. Since the field study, was deemed necessary to inform the primary cross-sectional survey as discussed earlier, the 'timing decision' lead to adoption of sequential embedded research design. This 'timing decision' naturally affects the 'level of mixing decision'. In this study, the mixing strategy involved embedding the qualitative data from the field study in the primary cross-sectional survey by mixing methods at both the data collection and interpretation stages. Mixing during data collection employed a strategy of connecting, where the results of qualitative data build on the collection of the quantitative data. Mixing during interpretation involved drawing inferences and conclusions by comparing or synthesising the results in the discussion chapter.

Despite the advantages of an embedded mixed methods approach, some researchers have raised questions about the efficacy of using both quantitative and qualitative techniques in a single study, particularly for individual researchers and graduate students (Ahrens et al., 2008; Merchant, 2008; Modell, 2010; Teddlie and Thashakorri, 2012). Some of the challenges that should be addressed by a mixed methods researcher include a lack of appropriate skills, time and resources for extensive data collection and analysis and justification for use of a mixed methods approach to the field of the study (Masadeh, 2012; Cameron, 2011). The researcher

addressed some key challenges regarding research skills, resources and justification of mixed methods in the management accounting field.

The researcher had prior knowledge, experience in quantitative research techniques acquired through a previous MSc degree thesis, previous research experience and publications. To address the lack of skills in qualitative research, the researcher deliberately familiarised himself with qualitative research techniques through extensive reading, attending relevant training, presenting qualitative papers at conferences and practical hands-on experience in collecting and analysing qualitative data through a framework analysis procedure using NVIVO 9.2. It was noted that mixed methods studies may require extensive time, resources and effort on the part of the researchers making it literally infeasible for doctoral students to undertake. The completion of the study was made possible by the large amount of time and support received from both the Director of Studies and the University of Bedfordshire to complete data collection in Kenya and analyse the data. Research assistants were used to assist in the data collection.

Management accounting is a heterogeneous and dynamic field of study with greater acceptance of methodological pluralism. Management accounting research has long been dominated by positivist and interpretivist research; however, there are increasing calls to utilise mixed methods methodology to bridge the gap between quantitative and qualitative research in an attempt to validate research findings (Lillis and Mundy, 2005; Chenhall, 2007; Grafton et al., 2011). Drawing from their experience on a mixed methods research project in accounting, Malina et al., (2011, p.68) conclude that “the research method(s) chosen should be those that provide the best opportunities for answering research questions.” Furthermore Fisher (1995, p.47) had argued that “the use of multiple methods may be helpful in addressing some of the problems of questionnaire-based research.” Therefore, the specific needs of the research questions determined the combination of different methods resulting in the choice of embedded mixed methods research design for this study.

4.5 Reliability and validity

The reliability and validity of a research process have long been accepted as key indicators in the evaluation of the quality of any research work. In general terms, *reliability* refers to the extent to which a research procedure and measurement is replicable and yields similar results. *Validity* refers to the extent to which the results are representative of the phenomena under study (Onwuegbuzie and Johnson, 2006; Johnson et al., 2006). The researcher used the terms *reliability* and *validity* for both strands to ensure consistency.

4.5.1 Reliability

While reliability is core to quantitative research, it is argued that reliability has limited meaning in qualitative research (Creswell, 2009b). However, Kirk and Miller (1986) argue that reliability is important in qualitative research to enable future studies to build cumulative knowledge on previous qualitative studies. As such, several authors have suggested alternative ways to evaluate qualitative research in terms of objectivity and consistency (Kirk and Miller, 1986; Silverman, 2001). Some of the methods used in the field study included intercoder agreement, low inference descriptors and consistent coding as discussed in section 4.7.

In quantitative research, reliability means that the scores obtained from the measurement instrument are consistent and stable over time (Bailey, 1994). The common procedures in literature include internal consistency, reliability coefficients, split-half tests and instrument test-retest comparisons. In this study, internal consistency is used as a method to ensure reliability, as discussed later in chapter 6. In addition to the above reliability checks, it is argued that explicit documentation of the research procedure through candid description of data collection and analysis strategies greatly improves replicability and dependability of the study (Kirk and Miller, 1986; Franklin and Ballan, 2001). To this end, this thesis goes to great lengths to document research design, data collection and analysis procedures.

4.5.2 Validity

There are various commentaries about validity in quantitative and qualitative research with no agreed terminology or criteria of measurement (Creswell and Plano Clark, 2011; Dellinger and Leech, 2007). However, a study must address

potential threats to construct validity, external validity and internal validity irrespective of the criteria used. In qualitative research the focus on validity is to determine accuracy, trustworthiness and credibility of both the data collected and the findings (Franklin and Ballan, 2001). Thus, in the field study, assessment of validity involved appraisal of accuracy of information through analysis of data collection procedures, use of external reviewers and confirmation with participants, as discussed further in section 4.7 below.

In quantitative research, validity concerns the quality of the scores and the quality of the conclusions drawn from the results (Creswell and Plano Clark, 2011). To measure the validity of the scores, quantitative researchers rely on external statistical procedures and external experts to ensure scores received from participants are meaningful indicators of the constructs. It involves assessment of content validity (the extent to which the items or questions represent the constructs), criterion validity (scores compared to previous external established standard) and construct validity (the extent to which the items measure what they are supposed to measure). The strategies used to address validity issues in the cross-sectional survey are discussed further in chapter 6.

4.5.3 Internal and external validity

In addition to the validity of the scores, quantitative researchers are concerned with the external and internal validity of their conclusions. There are a number of potential threats to this external and internal validity such as selection bias, participant attrition and maturation (Creswell, 2008). Therefore, researchers need to address these threats at various stages of the study (Onwuegbuzie and Johnson, 2006). External validity is the extent to which the results can be generalised across populations, contexts and time (Dellinger and Leech, 2007). Although external validity defined as *generalisation of findings* is well understood in quantitative research, it remains a weakness in qualitative research due to typically small sample sizes and type of inferences or conclusions (Ritchie and Lewis, 2003). According to Mitchell (1983), statistical inference and logical inference are possible in quantitative studies, but in qualitative studies only logical inferences are possible. Thus, qualitative research aims at theoretical generalisation, which means building a theory that can be generalised to other contexts rather than to the population (Bryman, 2012). Since this study is predominantly quantitative, the researcher aimed at statistical generalisation rather than theoretical generalisation.

In quantitative research, internal validity refers to researcher confidence in the accuracy of causal relationships and interpretations between variables. Internal validity is ensured in two ways in the current study. First, the relationship between performance management and organisational effectiveness is based on a well-explained theoretical framework. Thus, the researcher controlled for other factors that affect effectiveness such as structure, culture, size, strategy, leadership, technology and external environment. Secondly, structural equation modelling allowed the researcher to estimate the measurement model and the structural path, thus reducing measurement error. Contingency variables, PM practices and effectiveness were treated as latent variables and measured using a set of observed variables.

4.6 Ethical considerations

Key ethical considerations in research include addressing unethical research practices so as to avoid harm to participants and invasion of privacy, informed consent and avoiding the use of deception (Bryman, 2012). Institutions of higher learning in the UK have research committees whose mandate is to outline codes of conduct for their researchers. These codes not only aim to protect the institutions against any legal issues, but also protect the participants and guide the researchers. In line with the guidelines, ethical consideration forms were presented for approval to University of Bedfordshire, Research Committee, which outlined how any potential ethical issues (see Appendix 2.1). The researcher also obtained a research permit from the Kenya government to carry out the study in Kenya from November 2010 to February 2012 (Appendix 2.2). The research permit was copied to all NGOs in Kenya, the NGO Coordination Board and the local government authorities. It mandated the researcher to carry out the study in all districts of Kenya. Furthermore, the researcher was affiliated to a local university; thus, approval from Maseno University was obtained. After completion of the study, the researcher is required to deposit a copy of the thesis with the Kenyan National Council for Science and Technology. Further permission was sought from the NGO Coordination Board, the regulatory body for all NPOs in Kenya. Informed consent of participants was obtained for inclusion and recording of information. The participants were made aware of their right to withdraw from the study at any time. Some interview and survey participants declined to participate in the study after initially accepting.

The purpose of the study and how the data was going to be used, was explained to the participants in the introduction letter and follow-up telephone calls. The participants were not coerced, enticed, or bribed to participate or to increase the response rate. Rather, they were convinced that their participation was important and the researcher promised to send a summary report of the study and a workshop (see Appendix 2.8). While the summary report was sent to all participants, it was not possible to hold a workshop for all of them due to financial constraints. Thus, the researcher availed himself to the participants to answer their questions on an individual basis.

Protection of privacy and confidentiality of the information is important in research. The participants were assured confidentiality of the information they provided during the study. Furthermore, the NPOs were pre-assigned codes for the interviews, FGDs, online survey and the mailed questionnaire. The respondents were given special codes which allowed them to access the survey instrument. The completed questionnaires were automatically collected through secure Snap survey software, which automatically submitted the responses in coded text to the researchers email. The paper version was manually entered in an Excel file within the Snap survey software. This ensured that no data was carried on memory sticks. Although the researcher used research assistants, only the researcher had access to the responses. The online survey link was set to expire four days after sending or immediately after the questionnaire was returned. All documents related to the participants and intended to be used in the study remain known only to the researcher and supervisors involved and no any other person.

4.7 Field study design

The field research approaches and methods include participant observation, interviews, case studies and focus groups, which usually led to two types of data: naturally occurring and generated data (Garson, 2002; Lewis, 2003). The choice of which method to use is mainly based on the type of the data needed to answer the research questions. Therefore, qualitative interviews and a focus group were chosen as the main methods to generate the required qualitative data for this study. The purposes of the interviews and the FGD were to gather detailed information about definition of non-profits, the Kenyan non-profit sector characteristics and context, PM practices, contingency variables and organisational effectiveness.

4.7.1 Qualitative interviews

Using qualitative interviews as a method of data collection in qualitative research gained popularity in the mid 1980s in congruence with growth in the constructivist paradigm that emphasised qualitative research. Qualitative interviews generate qualitative data by providing researchers opportunities for exploring participants' understandings and meanings in-depth (Roulston, 2010; Mishler, 1986; Briggs, 2002). Furthermore, it allows the participants to describe personal or organisational contexts in which the research problem is situated and how they relate to them. Qualitative interview questions can be either semi-structured or unstructured (Lewis, 2003; Legard et al., 2003).

In this study, the interview questions were semi-structured to allow comparisons across cases and triangulation with the FGD data. The semi-structured interview protocol was deliberately designed with open-ended questions and additional probing questions with the knowledge that the researcher would have missed important perceptions and insights. The final protocol was developed from the theoretical framework (see chapter 3) and contained questions on NPO characteristics, organisational determinants, environmental determinants, PM practices and organisational effectiveness.

4.7.2 Focus group discussions

Although qualitative interviews and FGDs generate similar data, they serve different roles in terms of the nature of the data generated and data collection settings. Focus group data collection is based on facilitating an organised discussion with a group of participants who are representative of the target population (Garson, 2002; Finch and Lewis, 2003). Although they are challenging to organise, as a data collection method they are more efficient in terms of resources and time. Focus groups help participants to listen and reflect on opinions of others, thus generating more reactions and viewpoints as well as bringing about debates between members, encouraging further elaboration or clarification on points made by participants and resulting in more realistic accounts and views from participants (Bryman, 2012; Krueger, 2009). As a result, various perspectives can be revealed in ways that are different from individual interviews. Similar to qualitative interviews, focus groups may be structured or unstructured.

In this study, the researcher utilised a semi-structured interview approach in conducting the focus group. A focus group with seven participants was held after the qualitative interviews were conducted to discuss the underlying issues related to the key constructs within the Kenyan non-profit sector. The focus group allowed the researcher to further explore issues not covered comprehensively in the interviews. It also offered an opportunity to verify information and check the completeness of the accounts gathered through the interviews. This allowed case comparison and triangulation of data with the qualitative interviews during analysis. The selected participants discussed their reactions and feelings about NPO characteristics, PM practices and effectiveness in the Kenyan non-profit sector context. This study followed guidelines for qualitative interviews and FGDs suggested by other researchers (Briggs, 1986 and 2002; Lewis, 2003; Creswell, 2009b) including sampling, gaining permission, collection of information and administering the procedures.

4.7.3 Sampling procedures

To address the research questions researchers engage in sampling procedures that involve determining location, participants, the number of participants, how they will be selected and the recruitment procedure (Creswell, 2009b). Two distinct sampling strategies described in methodological texts are probability and non-probability sampling (Bryman, 2012). Field study research uses non-probability samples where research participants or units of analysis are deliberately selected to reflect particular features of groups within the sampled population (Ritchie et al., 2003). Purposive sampling is a non-probability sampling method where the sample is based on particular features that enable detailed exploration and understanding of the phenomena.

4.7.3.1 Purposive sampling

In the current study, purposive sampling was used to select the research participants for both qualitative interviews and focus group for two reasons. The first reason was to ensure that the entire key constituency (NPO leaders) of relevance to performance management of NPOs were covered. The second was to ensure that, within each of the key criteria (NPO characteristics), diversity was achieved so that the impact of each characteristic on performance management was explored. That means that the researcher intentionally selected groups of

participants that displayed variation in the constructs in order to identify central themes that cut across the NPOs.

The NPO characteristics which formed the primary sample selection criteria included ownership (national or international NPO), activity (relief, advocacy, or development), service sector (agriculture, health, education) and scope (CBO, VCO, or social enterprise). The literature review revealed that use of performance management tools within the NPO sector varies based on the above characteristics (Carman, 2007). Several studies had earlier used managers, professionals, accountants and external evaluators as participants (Teelken, 2008). Since the Kenyan non-profit sector is a highly heterogeneous sector, the researcher chose NPO leaders as the appropriate sample units. Thus, the researcher believed the selected sample provided a symbolic representation of the population diversity required of the field study.

4.7.3.2 *Sample size*

Although field study sample sizes are usually small (aimed at in-depth analysis and understanding), the selection of the appropriate sample size remains controversial. There are a number of important considerations for determining the sample size such as the data collection method, the resources available, the research purpose and the sampling criteria (Ritchie et al., 2003). As a rule of thumb, qualitative researchers agree that samples for qualitative interviews should be below 50 people and focus groups between 5 and 12 people. This is due to practicality issues such as resources, low response rates and data analysis difficulties (Bryman, 2012; Ritchie et al., 2003). Thus, based on the above considerations, 60 NPOs were invited to participate in the study. However, only 20 accepted and only 13 finally participated in the study. The summarised demographic characteristics of managers presented in Table 4.2 reveal that although the sample was purposefully selected, it was representative of the Kenyan non-profit. The participants were qualified to comment on PM practices and other constructs. The positions and level of the managers interviewed were diverse. Majority of the respondents were men who held a bachelor's degree with specialisation in business management and social sciences. The majority of the respondents were aged between 26-45 years with working experience of between 6 and 10 years in the NPO sector.

Table 4.2 Summary of interviews and FGD respondents' characteristics

	NGO Name	Position	Gender	Education	AGE	Experience	Private sector experience
1	SGF	Monitoring and Evaluation Manager	M	Social Science Diploma in Finance	<u>36-45</u>	6 years	No
2	OMF	Programs Manager	M	Business Management, Project Management	36-45	9 years	Yes
	WCC	Founder	F	Social Work Diploma	36-45	12 years	No
4	AED	Executive Director	F	BA Degree in Sociology	<u>22-35</u>	7 years	No
5	PLI	Regional Manager	M	MSc in Project Planning and Management, B.A. in Anthropology	36-45	8 years	No
6	SCC	Program Manager	M	BSc Degree in Forestry	46-55	10 years	Yes
7	SNI	Senior Accountant	F	BSc Degree in Accounting and Finance	<u>22-35</u>	4 years	Yes
8	KRC	Regional Manager	M	MSc Degree in Population Studies B.A Degree Social Science,	36-45	7 years	Yes
9	C.A.I	Regional Director- Africa Programs	F	MSc in Business Entrepreneurship and ICT, BA Degree in Education,	36-45	8 years	Yes
10	GAF	Founder and Chairman	M	PhD, MSc Management, BSc in Accounting	46-55	17	Yes
11	KFD	Executive Director	F	BA Degree in Accounting	46-55	13 years	Yes
12	WWC	Regional/Program Manager	M	BSc Degree in Education	<u>22-35</u>	2 years	Yes
13	IHI	Technical Advisor	M	MSc Degree in Procurement and Logistics B.Com Degree in Accounting	36-45	9 months	Yes

4.7.4 Designing interview protocol and recording

The success of qualitative interviews and focus groups depends on the structure of the interviews, fieldwork materials and recording (Arthur and Nazroo, 2003). Semi-structured interview questions were deemed appropriate to achieve the study objectives. In semi-structured interviews the interviewer asks key questions in the same way each time and does some probing for further information. A semi-structured interview protocol and focus group guide were developed based on the theoretical framework and comments from experts. Open-ended questions were used with the knowledge that the researcher would miss important perceptions and insights if he were to force responses. Probing questions were also included to gain further information, ensure full exploration of issues, generate examples and check

views on some issues across the sample. The interview process was flexible, thus the final use of the questions was largely dependent on the individual participants' responses.

The introduction part of the schedule (see Appendix 3.1) explained the scope and purposes of the study as well as requested background information. The opening questions were made easy to answer so as to set the atmosphere for the whole interview. Each section in the main questionnaires started with questions on definitions and then progressed from general questions to specific examples. The main section consisted of 34 open-ended questions in the following proportions: NPO characteristics (6 questions); PM practices (13 questions); NGO effectiveness (5 questions); determinants, challenges and benefits (10 questions). Towards the end of the main section the researcher solicited recommendations and suggestions from the respondents. The conclusion included both a debriefing of respondents and researchers. After each interview the researcher reviewed the interview process. As a result, the FGD guide (see Appendix 3.2) was revised based on information gained so as to capture more data in the next round of interviews. For instance, the questions were re-ordered in the FGD guide such that the questions on NPO effectiveness were placed upfront. Further questions were included to understand how managers define the NPO sector, NPO size, NPO types and purposes of NPOs. The interviews and the FGD guide were written and administered in English.

All the interviews were audio recorded with the permission of the interviewees to ensure low inference receptors. In addition to audio recording, field notes were used to record key themes, significant points, researcher's views and ideas for inclusion in later interviews. Immediately after the interview, the researcher filled-in all the interview protocol with a summary of key points on each question that was asked and noting questions skipped. During the focus group two note takers were used to record what the participants said on each question in a summarised format. The initial data analysis was done on these summarised field notes to develop key themes and to familiarise the researcher with the data.

4.7.5 Data collection procedure

4.7.5.1 *Gaining permission and negotiating access*

Researchers require permission from government, research institutes, national ethical bodies, organisations, and individuals themselves in order to collect qualitative data (Creswell, 2009b). The official permissions alone do not guarantee access to participants. This is more of a problem in the Kenyan non-profit sector where the civil society treats researchers with much suspicion; they sometimes view researchers as spies from the government, donors, or competitors. Thus, the researcher used a number of strategies to gain permission and negotiate access during the current study. First, the researcher completed an early reconnaissance visit in November 2010 to meet the NGO Coordination Board executive director and the NGO Council executive committee to get access to contacts in NPOs registered and operating in Kenya. This contributed to ideas about the possible participants, permissions required, the appropriate timing of fieldwork and how effective engagement could be secured. The researcher secured a research permit from the Kenyan government during this visit. To carry out FGDs during a weekday would not be feasible; thus, the FGD was scheduled on a Saturday morning. In this study, senior managers who understand strategic and operational issues were targeted, as they would have the knowledge and expertise to comment on PM practices and NPO effectiveness

Second, the official written requests for interviews and FGDs (Appendices 2.5 and 2.6) were sent in February 2011 to the sampled potential interviewees asking for about 60 minute time slots with an option to participate in a focus group. The official Research Graduate School introduction letter (Appendix 2.4) and a research permit (Appendices 2.2 and 2.3) were attached. The introduction letter was worded to increase participation by clarifying the purpose and importance of the study, assuring anonymity and confidentiality and explaining dissemination of findings. Finally, follow up calls and email reminders were used to gain firm acceptance. Those who did not participate mainly cited either lack of time or organisational policy prohibiting research participation.

4.7.5.2 *Administering the focus group and interviews*

Six face-to-face semi-structured interviews of top NPO executives in Kenya were conducted in March 2011, with each lasting approximately 75 minutes each. Interviews were conducted in person at managers' preferred locations, usually their

offices and accommodated their demanding schedules to secure a high response rate. Meeting with the NPO managers in person and in a setting in which they felt comfortable provided the interviewer with contextual information about the manager and the NPO. Thereafter, a focus group of seven experienced NPO managers was held in April 2011. The participants were brought together for a discussion in a central place where they were engaged in a discussion on PM practices with each participant given chance to contribute. A facilitator, a moderator and two note takers also attended the two-hour focus group. The participants were allowed to discuss the issues among themselves to allow generation of fresh data. As a facilitator, the researcher took brief notes on key issues as they emerged.

4.7.6 Reliability and validity in the field study

Qualitative data may be either limited by the personal bias of the interviewees, thus misrepresenting facts to appear to be correct, or sometimes the participants' accounts of events may be partial especially for sensitive and complex subjects (Silva and Ferreira, 2010; Lewis, 2003; Garson, 2002). Consequently, researchers need effective interviewing techniques to ensure quality, reliability and credibility or validity of the interviews (Roulston, 2010). Some of the techniques recommended by Briggs (1986) include learning how to ask questions in ways that may be understood by participants, designing good instruments, reflexivity in the research process and structured analysis of interview data. In this study, the researcher employed suitable procedures to maximise the reliability and validity of the field study.

4.7.6.1 Reliability

One of the methods to ensure reliability is the intercoder agreement procedure where several individuals code the data set and systematic comparisons made between the intercoders (Ritchie and Lewis, 2003; Krueger, 2009). The researcher partially used intercoder agreement where the moderator for the FGD interviews, who had no prior knowledge of the key themes, coded the field notes, FGD notes and summary of interviews. The researcher independently coded the fully transcribed data set and made comparison with the themes developed from the summary by the moderator. Furthermore, the researcher coded the data twice, at different time intervals (May 2011 and July 2012), which ensured accuracy and in-depth analysis. Coding the data for a second time allowed the researcher to utilise

the link memos feature in NVIVO, to create connections within the data set and rearrange the themes.

Another method used to enhance reliability and consistency in qualitative research is improving quality of the data and results through use of low inference descriptors such as the recording of interviews, use of probing questions and consistent coding method (Silverman, 2001; McKinnon, 1988; Krueger, 2009; Ritchie and Lewis, 2003; Easterby-Smith et al., 2008; Chen, 2012). Thus, in this study all the interviews and the FGDs were tape recorded with permission from participants. These recordings were uploaded to the data analysis software for later reference during analysis. The interview protocol and the FGD guide have similar questions to ensure consistency.

In this study follow up questions were asked in addition to the main questions to clarify answers previously provided. Although the questions were semi-structured not all questions were asked to all interviewees as some questions were dependent on the answers given to previous questions. This ensured that interviewees did not give answers to questions that were not applicable. Although coding in qualitative data analysis represents the researcher's thoughts on the meaning of the data, it is argued that consistent coding is essential to ensure reliability and validity of the findings (Ritchie and Lewis, 2003; Krueger, 2009). This is more important in this study as the results from the field study build up to the primary quantitative study. Therefore, the researcher followed framework analysis, a technique that allowed the themes to not only emerge from the participants' narratives, but also be coded within a wider theoretical framework (Ritchie and Spencer, 1994).

4.7.6.2 *Validity*

It is agreeable for qualitative researchers to use more than one procedure to assess validity due to the controversies regarding the topic (Creswell, 2008). One of the most popular methods is member checking where the researcher takes the transcripts, themes, the theoretical model back to the participants to check if the results reflect their contributions. In this study, the FGD and interview transcripts along with the framework matrix were sent to participants and a workshop of 12 participants was held in November 2012 to discuss the findings.

The second common approach is triangulation of data sources. In this approach, the researcher builds evidence of a theme from several sources such as interviews,

FGDs and documents in order to get in-depth and diverse views on the same theme. In the current study, the data was collected from both interviews and FGDs using a similar interview protocol. The researcher requested documents (where available) to back the managers observations. Third, reporting of disconfirming evidence was used during the interpretation of the findings to report divergent views among the NPOs in Kenya on the main constructs. This involved presenting perspectives on various themes contrary to the established evidence (Creswell and Plano Clark, 2011). Furthermore, the results were displayed in colour-coded tables to highlight differences among NPOs (see section 5.4).

A final approach recommended by Creswell (2009b) is to ask either peers or external auditors to examine the data. Thus, the field study results were developed into two separate papers, each of which was presented at various conferences including Performance Management Association, British Academy of Management, European Accounting Association, American Accounting Association, Management Accounting Research Group and British Accounting and Finance Association. As such, the reviewers' comments were useful in further interpretation of the data. The researcher's subjectivity and bias in the qualitative data analysis process poses a great threat to the construct validity (Chen, 2012). Guba and Lincoln (2005) recommend that the researchers and their role in the study be made explicit. As such, the researcher maintains theoretical sensitivity and employs framework analysis in order to ensure that the field study findings represent the true meaning of the raw data, and thus remains relatively unbiased.

4.8 Conclusion

This chapter has discussed the research methodology. The thesis employs an embedded mixed methods research approach to address the research questions and achieve the aim of the study, which is to investigate how PM practices affect organisational effectiveness in Kenya. In this embedded design, the researcher combines the sequential collection and analysis of both and qualitative and quantitative data within a traditional quantitative research design. The approach is structured within a post-positivism paradigm and contingency theoretical lens. The assumptions of this design are influenced by the primary approach and the qualitative data is supplemental to the primary study. The choice of using an embedded mixed methods research design was based on fit between the design to the problem, purpose and questions. In the current study the purpose of the

qualitative data are tied to but different from the primary purpose of the cross-sectional survey. A field study involving interviews and a focus group was completed to collect qualitative data. The next chapter discusses the analysis and interpretation of the qualitative data as well as the integration of the findings in the cross-sectional survey.

CHAPTER 5

FIELD STUDY DATA ANALYSIS AND FINDINGS

The field study addressed the following five ‘secondary’ research questions, which emerged from the literature review in Chapter 2.

1. How do NPO leaders define non-profit organisations and objectives?
2. How do managers understand and define NPO effectiveness and what are the key effectiveness domains?
3. How do the NPO managers define performance measurement and what are the current performance management practices in NPOs in Kenya?
4. What are the factors influencing performance management practices in Kenyan NPOs?
5. What are the challenges and benefits of performance measurement in Kenyan NPOs?

Thus, the purpose of this chapter is to present and discuss qualitative data analysis and findings. ‘Framework analysis method was used to analyse the data with help of NVIVO 9.2 software. The chapter is presented as follows:

- Qualitative data analysis procedures
- Qualitative findings
- Integration with the cross-sectional design and survey instrument
- Conclusion

5.1 Qualitative data analysis

Unlike quantitative analysis, there are no clearly agreed rules or procedures for analysing qualitative data. However, the major common approaches include ethnographic accounts, life histories, thematic analysis, narrative analysis, content analysis, discourse analysis, grounded theory and framework analysis (Srivastava and Thomson, 2009; Spencer et al., 2003). The above methods differ on various elements such as status of the data; analysis focus; data reduction procedure; use of concepts; contextualisation; abstraction; data access and display; categorisation and the place of the researcher in the analysis (reflexivity). As highlighted in chapter 4, the researcher collected qualitative data through qualitative interviews

and a focus group. Thus, *The Framework* data analysis technique is adopted to analyse the data. This technique was chosen because it is primarily dynamic, systematic, comprehensive, based on participants' accounts and easy access to the textual data hence transparency.

5.1.1 Framework analysis

Although the qualitative data analysis is a continuous and iterative process, it follows three major activities. *Data management* (how data is reviewed, labelled, sorted and synthesised), *Descriptive analysis* (identifying key dimensions, mapping, develop classifications and typologies) and *explanatory analysis* (build explanations about the data forms to bring meaning to the data) (Krueger, 2009; Ritchie and Spencer, 1994; Rabiee, 2004; Spencer et al., 2003). As earlier mentioned the researcher completed data management and analysis using framework analysis method in NVIVO 9.2, which was developed back in the 1980s by the National Centre for Social Research (Ritchie and Spencer, 1994). The 'Framework matrix' based analytic method facilitated rigorous and transparent data management such that all the data analysis stages were systematically conducted. It also allowed the researcher to move back and forth between different levels of conceptualisation without losing sight of the raw data and data sources.

In the current study, qualitative data comprised verbatim transcripts of interviews and focus group, audio tapes, FGD video tape, field notes, FGD note takers notes and documents. The researcher used professional transcription services. Thus, the first stage of data management involved upload of the above data sources to the NVIVO 9.2 software. The process of data analysis began during the data collection, by skilfully facilitating the discussion and generating rich data from the interview, complementing them with the field notes and transcription of the recorded information. Thereafter thirteen cases were created in the NVIVO to represent the 13 NPOs that participated in the study. A 'casebook' was created for each NPO, which included demographic information about each the participant (*name, position, gender, education, age, experience, private sector experience*) and NPO characteristics (*NPO Name, ownership, activity, form, structure, service sector and scope*). Appropriate data source was linked to each case within the NVIVO software. Framework analysis method follows through five interrelated stages: *familiarisation, identifying a thematic framework, indexing, charting, mapping and interpretation*.

5.1.2 Familiarisation

Familiarisation is a process during which the researcher becomes accustomed with the data collected, to immerse in the details and gains general overview the data so as to be aware of key ideas and notes recurrent themes (Srivastava and Thomson, 2009; Chen, 2012; Rabiee, 2004). The familiarisation process started at the data collection stage. The researcher attempted to record any important information during and immediately after each interview. During the creation of the casebook, familiarisation was achieved through listening to audio tapes, watching the FGD video, reading the full transcripts and field notes several times. This was to ensure the researcher was familiar with the details of each case. The researcher recorded his thoughts and ideas in the memo nodes in NVIVO to serve as reminders of the key issues and further sources during data analysis. As this stage, key themes and categories started to emerge.

5.1.3 Identifying and testing the thematic framework

Thematic framework was used to filter and classify the data. The basis of the framework is the key concepts and themes that emerge at the familiarisation stage and the priori theories and research questions (Krueger, 2009; Ritchie and Spencer, 1994; Srivastava and Thomson, 2009). In the current study, the theoretical framework (see chapter 3) was translated to open-ended interview questions, which guided the thematic framework. In addition, the subthemes that emerged from the participants views were included in the major themes. The thematic framework was used to classify and organise data according to key themes, concepts and emergent categories. The thematic framework evolved and was refined through familiarisation with the raw data and cross-sectional labelling. Once the researcher judged it comprehensive, each main theme was 'charted' in its own matrix, where every case was allocated a row and each column denoted a separate subtopic. Data from each case was then blended within the appropriate columns of the thematic framework.

The major themes were NPO characteristics; PM practices; NPO effectiveness and determinants. Thus, these four themes were coded as the primary nodes in the NVIVO Tree nodes and the framework matrix. Thus, the concepts and ideas from the data and the memo nodes were coded as categories at the child nodes within the relevant primary nodes (see example of Figure 5.1 below). In this example the primary node is the PM practices. The second level child nodes are Performance

context, Performance planning and Performance measurement. Performance indicators are an example of third level child nodes, which include financial indicators, project indicators and non-financial indicators. Performance indicator setting process and challenges are two examples of themes that emerged from the narratives.

Tree Nodes			
Name	Sources	References	
NGO Characteristics	0	0	
NGO Effectiveness	0	0	
Performance Management Practices	0	0	
Performance Context	0	0	
Performance Measurement	0	0	
Performance Data collection tools	0	0	
Performance Indicators	0	0	
Financial Indicators	3	9	
Non Financial Indicators	5	15	
Performance Indicator setting process	1	1	
Performance Indicators challenges	4	4	
Project focused Indicators	9	17	
Performance measurement Framework	10	25	
Performance Rewards and Sanctions	0	0	
Performance Targets	0	0	
Performance Measurement Definition	0	0	
Performance Planning	0	0	

Figure 5.1 Example of tree node representing the theoretical framework

According to Ritchie and Spencer (1994), developing and revising a thematic framework involves both logical and intuitive thinking. This emphasises making sound judgments about relevance, meaning and importance of issues and about implicit connections between ideas to ensure research questions are being fully addressed. Thus, the researcher maintained an open mind so as not to force the data to fit in the priori themes. It is important to note that at this stage, the thematic framework was tentative and the researcher refined it at later stages of analysis and interpretation.

5.1.4 Indexing and charting

After creating the thematic framework, the framework matrix was applied to the data through indexing and charting. Indexing means identification and coding of portions or sections of the data that relate to a particular subtheme. Charting refers to arrangement of the indexed data in charts of the thematic framework by *thematic* for each theme either across all respondents (cases) or *by case* for each respondent across all themes (Ritchie and Spencer 1994; Krueger, 2009). The aim of indexing and charting is data management and reduction is to allow mapping

and interpretation (Rabiee, 2004). In traditional manual analysis, these two procedures are separate. However, using NVIVO software both stages were done simultaneously through coding the data at the child nodes (Subthemes) and charting the data in ‘the framework matrix’. As the data was first coded at the nodes in NVIVO, the thematic framework was imported to the framework matrix in NVIVO, which was used to chart the data.

During indexing, memo links and relationships between nodes were included. The participants’ quotes at the nodes were linked to various data sources and cases. Although the data was coded at various nodes, it could clearly be linked to specific cases. The shortened descriptions of the quotes from the participants were inserted in the relevant cells in the framework matrix (see Figure 5.2). At this stage, the thematic framework was further refined to reflect the nature of the relationships. This process continued throughout mapping and interpretation stage.

	BI : Financial Indicators	BK : Non Financial Indicators	BL : Project focused Indicators
1: AED Size = Large			Output in terms of number of students supported is done yearly
2: CAI Size = Large	Laptops how is that contributing to the core funding of the organization Cost of the computers Overhead costs	Social impact of the projects Beneficiary experience	First in number of equipments, Numbers of products Number of access hours
3: CWWI Size = Large	quantitative Financial indicators	Qualitative data, Degree of intervention Training quality	performance in terms of numbers, percentages,
4: IHI Size = Large		Feedback from hospital facilities	Order fulfil rate Lines completed Time taken to deliver an order Orders dispatched per cycle Accuracy of the orders Quarterly reports
5: KRC Size = Large	Financial indicators Resources in fund raising Long-term proposals Resource mobilization	networking and collaborations, internal perceptions and the attitude of the staff Positive external reputation	Quantitative for example when you say I want to recruit 200 member
6: PLI Size = Large			Output and outcomes indicators Output-performance indicators at the end of the year Outcomes-program outcomes e.g. prevalence of malaria at the end of 3-5 years
7: SIF Size = Large			number of trees that were planted Survival rate of trees.
8: GAF			How many farmers do we have

Reference 1 - 2.99% Coverage

For the internal we look for the contribution to the core, if am taking 30 laptops how is that contributing to the core funding of the organization, so we measure the internally contribution on the core and that is the number side. On the other hand, we have what we call the social angle where we say this country was not receiving computers before but we have been able to lobby for this government policy to be put in place, this particular sector have stopped blocking NGO from using IT, we look at those in terms of impact assessment even though they didn't pick computers from us have they now started using IT. Even though they were burning computers have they now filter e-waste centre, so those things we measure in terms of social aspect. We also measure the number of access hours where we can we ask our partners for example we sent them 300 computers in 2005 how many are currently working, how many hours have they used so we are able to calculate the access hours that have been used on ICT which was not possible and I can tell you it's hitting a billion right now, you can imagine that a computer which was being trashed away in the UK it being used in school for 5 days by 100 students in a term the impact of number of access hours is just mind boggling because otherwise they could not have access to ICT if they were waiting to afford it, I like the those numbers. We also get interviews back on whose life has changed and for us it has to be a practical solution.

Reference 2 - 0.62% Coverage

In social business we try as much as possible to reduce our overheads so that the cost of our product dont goes high. In social business we want to make sure that our product actually reaches the ground on the cheapest cost possible so we don't in 5 stars hotel because we have to cost recover our cost at the end we must bring money to the organization

Reference 3 - 0.79% Coverage

One of our key objective in terms of running on the ground is take the cheapest flights, you know those things that make us a social business, our cost is directly relevant to the cost of

Figure 5.2 An example of a framework matrix extracted from NVIVO 9.2

5.1.5 Mapping and interpretation

Mapping and interpretation, involves the analysis of the key characteristics as laid out in the charts searching for patterns, typologies, associations, concepts and explanations in the data, aided by visual displays and plots reflective of participants views (Lacey and Luff, 2001; Srivastava and Thomson, 2009). The seven established criteria found in qualitative literature, for interpreting qualitative data include meaning of words; context of the comments; internal consistency; frequency of comments; specificity of comments; intensity of comments; big ideas (Krueger, 2009; Rabiee, 2004). Following the above criteria, the researcher revisited the qualitative research questions and interpreted data in light of the questions. The researcher identified relationships between the quotes and the links between the cases as well as made sense of the individual quotes. The thematic framework was further refined and reduced. The framework matrix was exported from NVIVO to MS Word processor. The interpreted data is represented in Tables 5.1 to 5.15 below and detailed framework matrix in appendices (see appendices 5.1 to 5.8). Some selected key quotes from the participants were also included to support the description and interpretation. Emerging sub categories from participant narratives were included within the above major themes. The qualitative findings are presented below.

5.2 Findings

The six theoretical themes are '*non-profit sector characteristics*', '*NPO effectiveness*', '*performance management practices*', '*organisational determinants*', '*environmental determinants*' and '*challenges and benefits of performance management*'.

5.2.1 Non-profit sector characteristics

A summary of the NPO characteristics in Table 5.1 reveals diversity in entities operating in the Kenyan NPO sector in terms of ownership, size, activity, service sector, structure, form and scope. Table 5.1 indicates that the NPOs can be grouped into two typologies: 'large decentralised international NPOs' and 'small-centralised national NPOs'. Although the researcher expected NPOs to work in one distinct activity area (relief, development or advocacy), the results indicate that NPOs operate in more than one activity area and mainly in development. Each NPO has projects and programs focusing on more than one service sector, but mainly in socio-economic empowerment, poverty reduction and the environment. This is due

to donor demands, which require projects to address diverse social needs and goals. Although most NPOs are decentralised unitary organisations, there are a number ‘coalition’ NPOs. The researcher categorised the NPOs as community based organisations (CBOs), Voluntary and charitable organisations (VCOs) and social enterprises based on the legal structure. CBOs are NPOs organised and owned by the community, with limited funding and small-scale operations with an aim of providing social empowerment and promoting advocacy. VCOs are non-profits providing social services, advocacy, relief and social development. Social enterprises are profit-making organisations aimed at addressing a unique social problem, such as co-operatives, housing associations, and development trusts.

Table 5.1 NPO sector characteristics

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Scope													
VCOs	■		■	■	■	■			■	■			
Socio enterprises		■					■	■			■	■	
CBOs													■
Size													
Large	■	■	■	■	■	■							
Small							■	■	■	■	■	■	■
Ownership													
International	■	■	■	■		■	■						
National					■			■	■	■	■	■	■
Activity													
Relief			■	■	■								
Advocacy	■	■	■		■	■		■	■	■			■
Development	■	■	■	■	■	■	■	■		■	■	■	
Structure													
Centralised				■			■	■	■	■		■	■
Decentralised	■	■	■		■	■					■		
Form													
Unitary	■	■	■	■	■	■	■	■	■	■	■	■	■
Coalition				■					■				■
Service Sector													
Poverty reduction		■	■		■	■	■	■			■		
Health			■	■	■					■	■		
Children, gender and human rights	■		■			■			■				■
Education	■	■	■			■		■					
Environment, water and sanitation		■			■		■	■			■	■	
Humanitarian assistance			■		■								
Socio economic empowerment		■	■										
ICT		■		■									

The diversity in the sector is further confirmed by divergence in the description of the sector, among the FGD participants. The question on the definition and scope was mainly asked to the FGD participants. One FGD participant reported that he found it difficult to complete the registration form. This is because the NPO he works for is registered both as limited company and as trust in Kenya.

“I find the definition challenging when filling the registration form. In the form, I have written that our organisation is a limited company and a trust for social activities. The trust arm is an NPO. The limited section pays taxes etc. what are we then. Trust activities are encouraged by funders to generate funds so that the trust can separate from the limited arm.” (SGF)

Thus, other participants observed that it is a social enterprise since the profits are ploughed back to the community. Furthermore, it emerged that CBOs and VCOs have similar goals but the CBOs are organised and owned by the community, with limited funding and small-scale operations. However, some participants were of the view that the area of operation, geographic locations, staff levels, budget, sources, and the amount of funding could not fully define size and type of NPO as indicated in Table 5.2. Furthermore, the government contributes to the confusion witnessed in the sector in terms of regulation and licensing by allowing various government agencies to license and regulate NPOs.

Table 5.2 NPO sector definition, activities and uniqueness

	AED	PLI	SGF	OMF	SCV	SNI	WCC
NPO Definition							
Governments definition, classification, regulation and licensing of the NPO sector is confusing	■			■			
CBOs are small NPOs working in small specific geographic locations	■			■			■
Provision of services for public benefit with aim at impact maximisation not profit maximisation.		■	■	■	■	■	
NPOs Defined by amount and sources of funding		■		■			■
Social enterprises defined by low product prices and profits ploughed back to the community			■			■	
Budget and area of operation do not sufficiently define the sector			■	■			
NPOs are Private entities independent of government control					■		■
Changes in NPO goals and Activities over time							
NPO networking and collaborating with government and NPOs with similar purposes to Networks help identify gaps to avoid duplication	■					■	■
Community participation in program design and implementation	■	■				■	■
Relief services to sustainable development systems, capacity building and empowerment through IGAs and social business due to global partners policies and potential funding		■	■		■		
Thus difficult to measure performance due to community involvement and partnerships	■					■	

	AED	PLI	SGF	OMF	SCV	SNI	WCC
NPO Sector Uniqueness							
Emphasis on planning and accountability for performance	■					■	
Performance measured on efficiency, funding resource utilisation and effectiveness and community outcomes		■			■		
NPOs are different as they impose projects on communities				■			
Private sector focuses on profit maximisation and NPO's do not					■		

The researcher asked the FGD participants how they define NPOs and their purposes (see Appendix 5.1). It emerged that NPOs have a sole purpose to provide 'social services' to a 'target population' geared towards solving 'unique community problems' and 'improve livelihoods' without necessarily making profits. 'NPOs aim at impact maximisation, not profit maximisation'.

"An NPO is organisation registered in Kenya to provide social services in a range of activities in order to solve community problems without making any profit" (PLI)

The participants noted a shift towards income generation activities ranging from small service charge to sustainable capital investments due to adjustments of 'development partners' and donors funding policies. However, the profits made by the NPOs were ploughed back to the community. It implies that NPOs incorporate business aspect as a major component of its structure. At the same time, there is increased community and beneficiary participation in project design and implementation.

The scope of NPO work has shifted over time from *relief* to *service provision* and currently operate as sustainable development systems- building community capacities through 'capacity building', 'social entrepreneurship', advocacy and 'networking' with public and private sectors. It can also be noted that some NPOs are a coalition of independent organisations.

"There are a lot of NPO networking and collaborating with the government. NPOs also form consortium which is combination of NPOs working together to address issues" (AED)

However, the participants were quick to point out that measuring the impact of NPOs when addressing common issues may be hard. Performance management practices are discussed in the context of the above NPOs characteristics and context.

5.2.2 Performance management practices

During mapping and interpretation process, it emerged that performance management practices can be categorised into three broad themes: *performance planning practices*, *performance measurement practices* and *performance management context*. This categorisation was based on the thematic framework and participants' narratives in order to describe and understand the broader relationships among the PM practices.

The researcher first aimed to understand how NPO managers define performance measurement before examining PM practices. The performance measurement definition in the sector appeared unique for every NPO as demonstrated by selected paraphrased examples; 'achievement of goals/objectives targets', 'social impact and outcome measurement,' 'staff performance appraisal', 'reporting and development', 'measuring efficiency' 'result based measurement' and ' financial performance measurement (see Appendix 5.2)'. However, the NPOs seem to narrow down to measurement of "achievement of the goals, targets, or objectives" associated with goal attainment approach. Furthermore, the performance measurement definition within the sector seems to focus on the measurement of staff objectives and targets, (see Table 5.3). Some NPO managers appear to understand performance management system as separate from the performance measurement process.

"...performance measurement, it is the extent to which the organisation is able to meet its objectives in terms of targets and the measure of the program results, but performance management per se is the measure of an annual geared towards helping the organisation to achieve its objectives"(PLI)

Table 5.3. Performance measurement definition

Performance measurement definition	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Achievement of goals/objectives targets		■			■	■		■					
social impact and outcome measurement		■				■				■			
Staff performance appraisal, reporting and development			■		■	■				■			
Measuring efficiency				■									
Result based measurement									■				
Financial performance measurement		■											

5.2.2.1 Performance planning practices

Performance planning theme consists of actual practices related to vision, mission, objectives and purposes, strategic planning, key success factors and core values. The NPOs have 'written broad statements of *vision, mission and objectives*' as well as clear plans and strategies of NPOs intentions to the stakeholders (see Appendix

5.2). The NPOs mission and vision reflect the impact maximisation rather than profit maximisation congruent with the managers' perception on NPOs purposes presented in section 5.1.1. The *purposes and objectives* of each NPO are unique, but related to the broad vision. Further examination of individual NPOs reveals multiple purposes, objectives and goals within the NPO based on the number of projects as summarised in Table 5.4. These multiple objectives may be due to the NPOs existence in multiple activity and service sectors. Although *strategic activities and plans* are unique for every organisation(see Appendix 5.2), they primarily focus on 'projects', 'beneficiaries', 'fundraising', 'internal operations', " and 'partnerships'. There is a clear link between strategic plans and activities to mission and objectives.

Table 5.4 Mission and vision, goals, objectives, strategies and plans in NPOs

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Mission and vision, goals and objectives													
Poverty reduction													
Healthcare access and wellbeing													
Children education and gender and human rights													
Environment, water and sanitation													
Humanitarian assistance													
Socio economic empowerment and livelihoods													
ICT													
Strategies and plans													
Project focused													
Beneficiary focused													
Internal operations capacity and efficiency													
Local capacity building													
Build Partnerships and networks													
Legislation and policy advocacy													
Fundraising and resource mobilisation													

Table 5.5 presents descriptive evidence regarding *key success factors and core values* within the NPO sector. Most NPOs have diverse and unique *key success factors* they believe to be central to the future success in order to fulfil its vision. A close examination of the key success factors reveals alignment to internal organisational capacity, external reputation, partnerships and social capital domains. Although formal control systems discussed in the extant management accounting literature, do not include *core values*, the results provide evidence that NPOs have written *core values*, which define their identity and day-to-day operations (see Appendix 5.2). The core values are communicated to stakeholders

to emphasise key guiding principles and beliefs necessary to achieve the stated mission.

Table 5.5 Performance planning, key success factors and core values

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Key Success Factors													
Organisational credibility and reputation	■				■			■					■
Local capacity building		■	■	■									
Human resources recruitment and retention		■	■										
Efficient internal operations and capacity		■		■		■				■			
Gap and activity prioritisation					■		■				■		■
Focus on beneficiary needs					■				■				
Accountability					■								
Partnerships and collaboration		■	■		■				■				■
clear strategic objectives and adherence to plan			■			■		■	■	■			
government relations							■						■
Core Values													
Integrity, honesty, transparency and accountability	■				■	■	■	■					
Innovation and sustainable solutions	■	■											
Ethical, mutual respect and trust	■		■		■	■							
Participation, commitment team work, partnerships	■	■	■		■	■	■	■					
Beneficiaries focus and empowerment		■	■		■	■	■	■					

The participants explained that *strategic planning process* means having a clear vision of ‘where next you want to go’. One FGD participant describes this term as “pro-visioning your organisation”. The findings in Table 5.6 indicate that NPOs prefer participatory strategic planning process, which includes either internal ‘top down’/‘bottom up’ strategic workshops involving clients, staff and other partners or use of external consultants (see Appendix 5.5).

“Strategic planning process is done in workshops and involves putting in place objectives, prioritising them, implementing and evaluating based through internal or external feedback” (CAI)

Three communication strategies commonly mentioned among the NPOs were ‘internal and stakeholder meetings’, ‘use of strategic documents’ and ‘direct

communications to new employees and partner organisations during induction processes’.

Table 5.6 Strategic planning process approach and communication method

Strategic Planning Process	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Approach													
Participatory approach													
External consultant													
Bottom up approach													
Top down approach													
Communication													
Internal and stakeholder meetings													
Strategic documents													
Induction													

5.2.2.2 *Performance measurement practices*

Performance measurement comprises of actual practices related to performance measurement frameworks implemented, performance indicators, data collection tools, performance targets, rewards and sanctions. Table 5.7 presents a summary of *performance frameworks and performance indicators*. NPOs concurrently use multiple performance measurement frameworks, which are ‘multidimensional’, ‘program specific’ or ‘staff appraisal tool’. The existence of multiple frameworks in the same NPO is similar to the multiple objectives and strategies presented earlier. However, the participants’ narratives confirm that most NPOs utilise ‘the logical framework’ to measure performance. The logical framework, gives a picture of the entire project design and implementation process highlighting the goals, objectives, strategies, inputs, activities, outputs and outcomes (see Appendix 5.3). The researcher emphasises that the framework focuses on measuring project design and implementation.

Furthermore, not all the NPOs under study use a formal multidimensional framework to measure organisational-wide performance. Initially, the researcher

expected these organisations to be either national NPOs or CBOs only, but a close examination reveal that lack formal multidimensional frameworks can be attributed to organisational size and not other characteristics. For instance, two international NPOs and one national NPO lack a formal system, but they reported that they are reviewing their strategic plan to include a formal PM system. On the other hand, a large national NPO has implemented a balanced scorecard while another NPO is using results based management. The NPOs (national or international) that have implemented formal PM frameworks appear to be large (measured by budget and staff) with complex organisational structures and whose work involves intensive supply chain operations. Thus, the adoption and implementation of formal frameworks varies across the NPOs with no specific typology.

Table 5.7 Performance measurement frameworks, indicators and data collection tools

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
PM Frameworks													
<i>Multi dimensional</i>													
Balanced scorecard					■								
Results-based management system									■				
Benchmarking tool			■		■			■					
ISO 92001 certification		■											
SWOT analysis tool	■												
<i>Program specific</i>													
Logical framework	■		■	■	■	■	■		■	■			
Impact measurement tool		■											
Participatory action and learning systems						■							
Social return on investment(SROI)							■						
Peer review systems									■				
<i>Staff performance</i>		■				■							
360 degrees feedback													
Performance contracting				■									
Pipeline feedback system		■											
Personal development review tool			■										
Performance Indicators													
Output indicators	■			■	■	■	■	■	■	■	■		
Financial Indicators		■			■					■			
Outcome indicators		■				■			■	■			
Non-financial				■	■								
Data collection tools													
External reports		■	■	■					■				
Internal reports	■	■		■	■				■		■		
Questionnaire		■	■						■				
Data sheets			■				■				■		
interviews			■										
Phone calls				■									
Field visits			■										

Although the *performance targets* are diverse, the NPOs use both individual based and team-based targets: not necessarily linked to performance indicators (see Appendix 5.3). The participants agreed that ‘managing financial expenditure’ and ‘quantitative targets’ are a common in NPOs. The FGD participants attributed the focus on financial targets due to the pressure to meet the donors’ requirements. Thus, NPOs resorted to inflating expenditures at the end of the financial year to demonstrate successful implementation of projects irrespective of the outcomes of the project.

“One of the most important areas for us is financial and we call it investment targets, not that we are making any profits but resources must (be) invested in programs and projects, so we will have monthly and quarterly targets and you are measured against that...if you overspend or under spend, you are in trouble (with donors)” (PLI).

“For now we have departmental targets. We used to have individual targets which we used to set at the beginning of the year and half yearly we do appraisals may be mid-year and then the annual appraisals”(KRC)

Table 5.8 Performance targets, rewards and sanctions

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Performance Targets													
Individual targets													
Team targets													
Quantitative targets													
Qualitative targets													
Rewards and Sanctions													
Financial Rewards													
Non Financial rewards													
Sanctions													
Rewards systems challenges													

Table 5.8 reveals that the NPOs appear to have similar *rewards and sanctions* to reinforce and support performance evaluation. Most of the rewards are non-financial and team based (see Appendix 5.3). The rewards for performance in the Kenyan NPOs are not formally defined by PM systems. On the contrary, the managers concurred that penalties for non-performance are individual based and punitive to employees and clearly defined in the organisational policy. Financial rewards included are ‘small bonuses for department and organisation’, ‘salary increment’ and ‘offers for permanent jobs’. Non-financial rewards included ‘training of staff’, ‘scholarships’, ‘success story publication on websites and bulletins’, ‘certificate of award’ and ‘promotions’, ‘trips for the staff’, ‘end year parties’. The findings reveal that penalties for non-performance include dismissal, demotions,

termination of contracts, the end of the program for the organisation and no promotion.

“Rewards are provided when targets are achieved, failure to which an employee may be ...such rewards include commensurate package, staff exchange program, salary increment, general staff retreat and bonus. The greatest penalty for non-performance is dismissal”. (KFD)

However, most participants mentioned key challenges in implementing reward systems in the NPO sector due to the nature of the sector and dysfunctional effects of reward systems (see Appendix 5.5). Some of the sector-specific factors cited include: ‘contractual positions pose challenges’, ‘charities don't pay commissions’, ‘performance based bonuses not budgeted’, ‘financial constraints and focus on cost reduction to deliver cost effective product and sustainability limits rewards systems’, ‘intrinsic nurture of the charitable work means staff do not expect performance based compensation’, ‘challenges in apportioning collaborative project success to individual employees’. Some felt that the sector ‘does not need rewards systems’. Some of the dysfunctional effects named include: ‘reward systems may lead to employee gaming, corruption and bribery’, ‘unfair reward systems can lead rebellion’ ‘risk for biasness in supervisors’ employee performance appraisal’ and ‘goal displacement as all employees focus on the reward’. To address the above challenges they agreed the rewards should be budgeted upfront and documented in the organisation policies to avoid constraints on the normal operations budget. Furthermore, emphasis should be put on assessment the challenges and limitations the employees face. The next section discusses the context within which performance management takes place.

5.2.2.3 **PM system context**

PM system context includes practices related to the information *flow and feedback systems, performance information use, the PM system dynamism and PM system strength and coherence.*

Table 5.9 PM system information flow systems and PMS dynamism

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Information Flow systems													
Internal Feedback review meetings		■			■		■		■				
Monitoring and evaluation reporting systems		■			■	■							
Stakeholders review s and reports		■		■		■							
Internal memos and Forms				■	■				■				

Customer service department													
Email													
Telephone feedback													
Internal systems reports													
Press media													
Informal employee channels													
PMS Dynamism													
Changed to qualitative measures													
Reduction in performance targets													
Adaptation to New PM tools													
Changes in internal operations													

Table 5.9 provides evidence of existence of several *Information flow and feedback systems* put in place to collect and communicate feedback to employees and managers for learning purposes, corrective action and the generation of new ideas. NPOs adopt formal and informal monitoring and feedback mechanisms supported with information communication technology. NPOs invest in innovative communication technologies to provide feedback to the employees from projects in remote areas. The large NPOs invest in Enterprise Resource planning (ERP) systems to support their performance measurement functions. Some managers suggest that despite the existence of formal feedback systems some employees, partners and clients prefer informal channels such as telephone feedback and personal conversations (see Appendix 5.4).

The PM systems dynamism; the participants agreed that the frameworks have changed over time to reflect qualitative measures involving beneficiaries and partners in performance evaluation. There is a shift to private sector like performance management concepts. These changes are due to the need for better service delivery, changes in the community needs and political environment and a failure to meet performance targets. However, the managers cautioned that adoption of some of the performance measurement tools is subject to suitability to their clients (see Appendix 5.4).

“New tools come each time so you also have to look at which tool is effective, for the community members you work with, because yes, some can work very well in an intellectual space, but ...you also have to think about which tool is best suited, for that particular target group”
(KFD)

Table 5.10 highlights the performance information use, strength and coherence of the PM systems. The findings suggest that *Performance information use* includes

both diagnostic and interactive usage within the sector. However, most managers concede to using the information to track past performance.

“we use it to better our performanceFrom an organisation perspective we use to make and shape strategiesthat means if there is a way we have been doing things and we feel every time we get this feedback is not in line then we can use it to say this need to change” (IHI)

NPO leaders believed their PM systems *strength* includes all inclusive performance management systems, ability to identify emerging issues, the clear definition of perspective and professionalism. The main weakness of the current systems is that they are resource intensive and risk of employee gaming. Performance measurement systems such as BSC are very costly to implement and may not be adopted without enough financial and human resources. The managers agreed there is conflict between the formal systems and the NPOs mission and core values (see Appendix 5.4).

“It is correct with the objectives but I think at a point it (BSC) makes people obsessed with just result to the extent that you forget the welfare of your capacity all that you want is just to deliver, when your are delivering you don’t care whether you are dying” (KRC).

Table 5.10 PMS information use and PMS strength and coherence

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
PMS Information use													
<i>Diagnostic use</i>													
Track and report NPO performance	■	■		■	■					■	■		
Prove accountability and legitimacy									■				
For advocacy and lobbying policies		■							■				
Share best practices			■		■								
<i>Interactive use</i>													
Decision making				■	■						■		
To shape strategy		■	■	■	■				■		■		
For organizational learning	■	■							■		■		
Inform innovations		■											
To Improve internal operations		■											
PMS Strength and Coherence													
<i>PMS Strength</i>													
The comprehensive induction process		■											
All inclusive PMS			■	■									
Real time feedback				■		■			■				
Leads to institutional development					■								
Professionalism					■								
Clear definition of perspective					■								
Attract funding					■								
<i>PMS Weaknesses</i>													
Risk for employee gaming		■	■		■								
Resource Intensive					■				■				

Not dynamic																			
Restricts innovation																			
Leads to obsession with results																			
Abstract measures																			

5.2.3 Organisational effectiveness

The researcher examined how PM practices influence perception of organisational effectiveness. The term NPO effectiveness appeared difficult to define among the participants. Some of the aspects cited to define effectiveness include: ‘past performance’, ‘goals and objectives we achieve’, ‘capacity of human resource and skills’, ‘processes, activities that are used’, ‘positive change in society’, ‘budget targets’, ‘social transformation’, ‘good public perception’, ‘sustainability’, ‘clearly a community member can articulate your work’ and ‘better service delivery’ (see Appendix 5.6). This is a reflection of how difficult it is to define NPO effectiveness. The analysis across the NPOs reveals emphasis on four key themes: namely achievement of objectives, the impact in the community, resource utilisation and public perception (see Table 5.11).

“To me I look at our effectiveness in regards to our quality delivery of services to our beneficiaries within the framework of the optimal resources utilisation”
(KRC).

One thing that initially stood was the deviation from the narrow definition of effectiveness in terms of ‘achievement of objectives’ to a multidimensional perception of effectiveness across the NPOs. However, the practical instances of past examples of effectiveness in their NPOs centred on ‘achievement of the objectives and goals’ (see Appendix 5.6). This implies that, in practice, NPO effectiveness is defined in the context of goal attainment, which is consistent with the performance management practices reported earlier. The emphasis on the achievement of objectives or results in the PM practices seems to filter through to the definition of NPO effectiveness.

“I changed this warehouse from 8 hour warehouse to 24 hour warehouse so here we work 24 hours and am happy to say that we have increased output and productivity by over 250 percent for the warehouse” (IHI).

The researcher asked the participants to name organisations they considered effective in the sector. The managers named several international NPOs and large national NPOs as the most effective because of their ‘measurable impact at the community level’, ‘the trust they have build over the years’ and ‘clear management systems’ (see Appendix 5.6). Among the large national NPOs mentioned, was a national NPO -KRC (see Table 5.1). For the last 6 years it has implemented the balanced scorecard (BSC) integrated in their strategic planning called ‘Balanced Scorecard Strategic Planning and Management System’. Among the international NPOs mentioned, IHI has implemented a performance management system supported by ERP and performance contracting. The respondents from the above NPOs believe these systems integrated with strategic planning greatly improved NPO effectiveness. The two NPOs demonstrate the linkage between effective PM systems and NPO effectiveness.

Table 5.11 NPO effectiveness definition, examples, attributes and domains

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
NPO effectiveness definition													
Achievement of goals/targets													
Organisational Capacity and systems													
Project and organisational sustainability													
Impact of the project													
Optimal resources utilisation, Project efficiency													
Good public and partner perception													
Quality delivery of services to our beneficiaries’													
Partnerships efficiency													
NPO effectiveness Examples													
Achievement of goals/targets													
Optimal resources utilisation, Project efficiency													
Impact of the project													
Effective NPOs Attributes													
Efficient operations													
Community involvement													
Partnerships													
Sustainability													
Performance Evaluation systems													
Impact of projects													
Public perception and Trust													
NPO Effectiveness Domains													
Organisational Management													
External Environment Responsiveness													
Project design and implementation													
Partnerships and Networks													

Although the results indicate that '*organisation management*', '*program design and implementation*', '*partnerships and networks*' are considered to be key NPO effectiveness domains, there was a focus on project design and implementation domain. This may be due to heavy reliance on the logical framework. The FGD participants cite 'attributing outcome change' in the community to their NPO as a key challenge as several NPOs operate in the same environment.

FGD discussions revealed tension between the CBOs, national and international NPOs in terms of perception of efficiency and effectiveness of the operations. The CBOs and national NPOs felt the international NPOs should not implement the projects, as they do not understand the community dynamics. They cite an example a 'Widow housing project' implemented by an international NPO with aim of curbing HIV/AIDs infections through provision of housing to widows in Nyanza Province so as to discourage wife inheritance practices after the death of the husbands. Although the donors considered the project successful, it emerged that the targeted widows preferred to be inherited by the husband's cousins due to traditional cultural beliefs highly regarded by the community. This reflects NPOs challenges in measuring effectiveness (see Appendix 5.6)

The findings of this study emphasise the relationship between the NPO characteristics, PM practices and effectiveness. NPO entities in Kenya have multiple characteristics, which leads to complex organisational structures, which in turn influence PM practices. There is varying level of adoption of formal PM systems within the NPOs. PM practices could be categorised into performance planning, performance measurement and performance context. Performance planning practices reveal diversity in strategies and plans. Core values emerge as the key to the NPO sector success. Performance measurement practices reveal that the logical framework is widely used among the NPOs with a focus on output and financial indicators and targets. Analysing the performance measurement practices within the NPOs, the researcher recognise the relationships between the emphasis on measurement of target/objectives and use of logical framework leads to focus on output and financial performance indicators and targets in the NPOs. This may be due to the constraints NPOs face in collecting qualitative data from beneficiaries. The team based performance targets are related to team based rewards systems in the NPOs. Rewards for performance are not clear but the penalties are clear. Performance context practices indicate that NPOs use performance information to

track past performance and shape future actions. Although the PM systems have changed over time, the actual implementation seems to be limited.

Although the performance planning practices reflect the NPOs intrinsic and multidimensional outcomes, performance measurement practices reflect the narrow focus of PM frameworks. NPOs have broad planning practices, but performance measurement practices do not reflect broad intentions. Thus, this may lead to narrow measurement of NPO effectiveness. NPOs focus on goal attainment and reputation among the NPOs is further reflected in the NPO effectiveness and related examples. Although managers understand NPO effectiveness as a multidimensional, the actual measurement of the NPO effectiveness focuses on the goal attainment and reputation approach. Clearly, there seems to be a link PM practices in the NPOs and understanding of NPO effectiveness.

5.2.4 Organisational determinants of PM systems

Internal organisational factors reported to influence performance measurement in NPOs in Kenya were summarised as culture, leadership, modern technology, internal and organisational resources, rules and regulations (see Table 5.12 and Appendix 5.6). This study revealed great diversity among NPOs with regard to how individual organisational factors influenced PM systems. Therefore, the researcher focuses on discussing this diversity under each factor in this section.

Table 5.12 Organisational determinants

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Organisational determinants													
Organisational culture	■	■		■	■		■		■				
Internal rules and regulations		■			■								
Organisational Leadership		■	■	■			■	■		■			
Modern Information Technology		■	■	■		■			■		■		
Organisational Resources		■		■	■								

5.2.4.1 Culture

In order to explore the influence of culture on PM systems among the organisations the researcher categorised culture related factors. The categories are 'organisational culture', 'individual culture', 'public sector culture, private sector culture,' and 'community culture' (see Appendix 5.7). *Organisation culture* depicts how organisations do things while '*individual culture*' refers to how individuals working in the organisation do things. For those organisations that embrace performance measurement as part of the organisational culture, they experience implementation

problems when it conflicts with individuals' beliefs regarding the purposes of performance measurement. Some of the individual cultural issues which emerged include 'poor time concept' (individuals not used to keeping time including meetings), 'and individuals not used to reading emails and notice boards'.

"Organisational culture influence performances e.g. People not used to emails and notice boards. Time concept can be extreme where meetings are not on time". AED

Conflicting individual career backgrounds (i.e. those from the public sector vs. private sector) lead to diverse focus regarding organisational purposes. The FGD participants reported that the perceptions of staff from the social sector and those from the private sector brought conflict in regarding which aspects of performance are to be measured and reported. Those in the social sector are accustomed to measuring project impacts while those from private sector emphasise accounting, finance and costs indicators. Thus, career background influence aspects of performance measurement through shaping the individual beliefs.

"Perceptions like others were in NGO world and others from the corporate, all of them come with different perceptions, NPO embraces social impacts while corporate embraces profits bringing a conflict hence affecting the performance measurement". SGF

The internal organisational culture within the organisation influences relationships between the NPO and stakeholders hence quality of performance data collected.

"organisational culture also important because how do you interact with people and also how do people see you as an open institution or do people see you as a closed institution will influence data collection especially among partners and the community" KFD

The coalition NPOs working in partnerships with the government suffer from 'public sector culture'. Such projects involve working with long serving public servants from government who resist change thus do not embrace new technologies and performance measurement practices.

"There is still a lot of culture on public service in our organisation. Most of the employees working here especially permanent employees who were transferred from the ministry they come with that culture and it's a culture that resist change very much" IHI

Some NPOs have addressed the cultural conflict issues and differences through standardised comprehensive induction for both new employees and project partners across projects, regions and countries.

“for me it’s (Culture issues) dealt with at staff induction level because we are multi dimensional and multicultural organisation we cover most of what would affect us and it’s handled at the induction level’. This is a British NPO working in Africa, even if there are cultural differences people always present same data”. (CAI)

It is interesting to note that in some NPOs, the adoption PM system such BSC positively influenced performance management culture within the organisation through professionalism thus addressing the other cultural issues discussed.

“To me I think it brings on board some level of organisational culture where you know there is that harmony in terms of professionalism when it comes to managing staff and even stakeholders”. KRC

While NPOs are able to address cultural issues related to internal organisations, they found it difficult to address the ‘community culture’. The NPOs serve communities with diverse cultural beliefs, values and traditions. The NPOs reported that they face challenges in data collection, as some beneficiaries are not willing to provide data due to their cultural beliefs thus hindering the performance evaluation.

“Especially in African culture people don’t want come back and report. we always go back to the doctor to tell them you are now feeling well because I followed your instructions it’s the same thing with computers that ones you get the computer that’s it”.(CAI)

5.2.4.2 *Internal rules and regulations*

The participants reported that the interaction between *internal rules and regulations* and PM systems might affect performance positively or negatively. If most employees welcomed rules then performance would improve as opposed to rules and regulations that employees do not identify with. The extent to which quality system such as ‘ISO management’ is integrated with the PM systems influence its implementation (see Appendix 5.7). Failure to meet quality standards lead to poor rating associated with such organisations. The NPOs that emphasised internal rules and regulations at the induction stage of new employees to addressed employee problems related to performance measurement. However, it was not clear how such rules and regulations interplayed with shared core values within the NPO to influence performance measurement practices.

“the rules are predefined before anything is taken into board there is a process of predefining that is before am hired am not coming to make up and that is very strong for me in the organisation” CAI

It was clear that successful implementation of balanced scorecard, was dependent on governance, organisational discipline and good HR management practices. This is compounded with the fact that most NPOs rely on social capital (i.e. volunteers) to implement their projects often with no or little extrinsic rewards for performance.

“Other thing is it requires a lot if internal organisational discipline when it comes to handling of HR issues and other governance related things. You must streamline the recruitment process to be able to get the best, otherwise with balance score card you can be sacking and employing every day” **KRC**

5.2.4.3 **Leadership**

Under leadership, ‘Founder’s syndrome’ (ownership closeness) and ‘career background’ emerged as the key factors influencing performance measurement.

Founders’ syndrome emerged as key factor influencing PM systems among national NPOs. The participants repeatedly used the term ‘founder’s syndrome’ to refer to the level of the control the founding members have over operations and resources years after establishing the NPOs. Some of the negative influences on performance measurement resulting from founders control include: ‘lack professionalism’, ‘employees’ fear to report unfavourable results’, ‘lack of succession planning’, ‘performance misreporting by the founder’, ‘lack of utilisation of information in decision making’, ‘lack of accountability and performance ownership’, ‘unsuccessful implementation of projects’ and ‘hiring of staff and volunteers related to the founder’. The above issues negatively affected performance evaluation, reporting and control within the organisations.

“Employees fail to point out that one has failed because he or she is related to a founder. Thus, family matters interfere with performance evaluations. Since they (relatives) are not told the truth about their performance often having negative effect” **OMF**

“The ownership setting influence performance measurement, where the founder wants to control the NPO and doesn’t want it to grow. Founders have just to leave and act as advisors to the projects at some point”. **SGF:**

The participants argued that this problem could be addressed if the founders ‘move on’ and serve in the advisory board for the NPO. In one of the NPOs, the researcher interviewed the board chair who no longer participates in the day-to-day operations. He strongly regretted that founder’s syndrome is undermining performance and effectiveness of national NPOs. He explained that he was clear on what he wanted and 10 years after starting the NPO, it runs independently with an

executive director. He conceded that he still participates in the decision-making but he plans to relinquish any decision-making role. It is important to note that those NPOs with the founder still actively involved in the organisation lacked a formal performance management system.

“I was very clear on what I wanted. I wanted something wide and something that can be owned by everyone and it becomes a movement that will catch international attention. So the organisation should exist even when am not there and that’s going to happen very soon and I believe that we are headed there because once we have our new strategic plan” **GAF**

The international NPOs have put in place the structures and processes such as leadership development and succession planning to address this problem, thus ensuring organisational survival beyond the founder.

“The performance of NPO is usually pegged on the founders so the founders syndrome in the NPO becomes more like a personal thing and for me as people are looking at how we are performing they need to talk about succession planning, leaders development which is beyond the founders” **CAI**

Career background of top management also affects performance measurement. Quite often top managers have career backgrounds different from other employees particularly in international NPOs. Performance measurement vary with disciplines and chances are that the person in charge may have measurement inadequacies in one discipline or may be too detailed in his/her discipline and in both cases measurement is affected. This problem is compounded in NPOs in Kenya by the fact that most NPOs operate in more than one service sector such as health, education, advocacy among others. Therefore, the top management relies on specialist heads of departments in those areas to measure performance that mostly causes conflict on the choice of indicators and targets. Furthermore, most NPOs are headed with managers from the social science sector who may not be accustomed to the performance measurement culture. The same issue is related to organisational culture where the differences between managers with business background and those with social background affect performance measurement as discussed earlier.

“the person at the top does not necessarily have to be someone with the human resources, they have other backgrounds. So, what does that mean if the manager or the CEO or the country director is unable to work, what does that mean for someone who is in education in terms of measuring their performance, or what does it mean for a nutritionist?” **CWW**

5.2.4.4 *Modern information technology*

Kenya is one of the leading countries in sub-Saharan Africa in terms of investment in Information Communication Technology infrastructure with steady growth in the mobile telecommunications, high-speed Internet and innovative mobile money transfer services. Modern information technologies that influence performance measurement in NPOs in Kenya include use of accounting softwares, Human resource softwares, GPS, ERP systems, mobile phones, Internet and websites.

Technology mostly influenced data collection and performance reporting within the organisation improving individual performance within the organisation and decision-making. Those NPOs that invested in ERP and other technologies reported improved reporting, internal functional integration and efficient tracking of resources (see Appendix 5.7). The participants generally agreed that without technology many undertakings such as procurement, communication and human resource functions would be delayed and generally poor performance measurement. However, they cautioned that investment and access to IT infrastructure is still lacking in the Kenyan voluntary sector.

“For technology the ERP has really improved because reports we are getting them online, integration has been very good since people like in finance they don’t have to wait to see how much we paid suppliers they can just see that from the system when we have our invoice margin. Right now we want to start to track our cars using GPRS system” (IHI)

From the patterns in the data (Table 5.12) the researcher concludes that utilisation of technology varied with the size, ownership type and the service sector. NPOs operating in ICT and relief sectors invest in modern technologies compared to those in advocacy and development. Large NPOs invested in ERP systems compared to small NPOs. International NPOs invested in modern technologies compared to national NPOs. Resistance to use of modern technologies was reported among the ‘older’ employees. Coalition NPOs cautioned that ERP systems implemented through experts who leave shortly after lead to frequent system breakdown.

“Lack of use of technology here in Kenya really influences how measurement of performance is conducted. Therefore, technology makes things easier and therefore lack of use of technology influences how we deliver results. The use of PERPAY system in human resource, has made it easier for processing payments, also it has made it easy for applying for a leave and get it approved without using paper promptly. Procurement can be delayed by geographical distance where technology is not used. Transaction can take at least one month” PLI

5.2.4.5 *Organisation's resources*

Financial and infrastructural organisation's resources affect performance measurement. It is clear from the findings that NPOs with resources (mostly international and large national) have invested in comprehensive performance management systems using several performance measurement frameworks such as BSC, SROI, performance contracting and logical framework (see Appendix 5.6). In addition, they have invested heavily in modern technologies to support performance measurement. Furthermore there is need to invest in human resources for to be successful. Therefore, organisations with adequate capacity, resources and good infrastructure would have no reasons not to have a comprehensive performance management system.

"The balance score card it requires a lot of resources to before you demand the results... its resource intensive because it is either you invest and get the results or you fail to invest and get nothing. You need the resource for staff training and other things" (KRC)

The access to adequate resource is a major problem in NPOs due to the funding insecurity. Most NPOs rely on external donors and partners who may not be accustomed to spending money on performance measurement or delay funding.

"Sometimes finances also affect our operations because we are very dependent on the ministry of health and bilateral donors ...we don't have direct funding from the government" IHI

5.2.5 External environmental determinants

External environmental factors presented in Table 5.13 below also have a role to play in performance measurement within the sector.

Table 5.13 External environment determinants

External determinants	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
External Partnerships													
Stakeholders requirements													
Regulatory requirements													
Environmental competitiveness													
Political environment													

5.2.5.1 *Environmental competitiveness*

Environmental competitiveness particularly funding competition emerged as one of the key factors influencing performance management (see Appendix 5.7). The funding competition among the NPOs for has led to diversification strategies to attract funding and better service delivery. The new political dispensation in Kenya has intensified competition for funding between the NPOs and the government since the major development partners currently prefer working with government agencies. These partnerships negatively influence performance measurement due to the bureaucratic government systems, which delay funds disbursement.

*With political dispensation changing, you find that they would prefer, funding governments directly, therefore you have to diversify means of seeking funding and seek diversified partnerships” **KFD***

5.2.5.2 *External partnerships*

External partnerships influence performance measurement due to conflicting partner performance measurement requirements thus need for a negotiated agreement. Changing funding trends with focus on partnerships has increased the importance of partners. Some NPOs rely on ‘vertical’ partners on data collection and performance reporting thus the quality of the information obtained is dependent on the collaboration of the partners (see Appendix 5.6). The managers noted that sometimes competition among partners might lead to provision of false information thus affecting performance measurement.

*“You know we thrive a lot on partnerships and of course with competition from other partners. Even last year it brought us issues where some organisations were ganging probably to give false information regarding the society those sometimes we know happen, so when you are engaging your partnerships achievement then you are likely to get biased information because there is somebody out to tarnish the name of the organisation” **KRC***

The external partnerships have contributed to unreliable government reports, which can be misleading due to inflation and overlap of figures. The problem was greatly identified in the health projects, where different NPO’s report the same data to the government thus inflating statistics e.g. on people with HIV/AIDS. This may be due to the PMS system challenge of attributing success of projects within the community.

5.2.5.3 *Stakeholders requirements*

Stakeholders are beneficiaries of the project being implemented who could be at primary, secondary, or tertiary levels. The major stakeholders who were mentioned as having influence on performance measurement are ‘the government’, ‘the donors’ and ‘the beneficiaries’ (see Appendix 5.7). However, the influence of each stakeholder varied across the NPOs. Stakeholders’ decisions like unplanned donations during crisis (e.g famine and floods) do affect NPOs operations, data collection and performance measurement.

*“we are at the whims of the government, if the ministry says and sometimes it impacts like when new products come sometimes we have to stop what we were doing which is very structured and start a very abrupt and crisis mode of distribution for example like 3 months ago UNICEF donated 4.5 million nets and of course we cant keep 4.5 million nets here so we need to literary had to stop and amend what we are doing to make sure that this nets reach everyone in the country, so sometimes the way they do things especially the people we call the stakeholders it really impact on performance and distribution” **IHI***

*“Like the donors and the government, even the communities in which the projects are normally implemented”**(OMF)***

On the other hand, some NPOs engaged with the government in positive ways like involvement in surveys, provision of statistics and policy formulation within their area of operation.

*“We have been involved with government surveys and we are basically an open NPO. We look at what you want to do with the information and create an open end” **(CAI)***

The NPOs mostly face the challenge of balancing between the donors’ performance reporting requirements and delivering services to beneficiaries. Large and international NPOs reported ability to resist external funding which does align with their objectives. It was noted that most donors survey beneficiaries with the help of external consultants to gauge the NPOs performance. Hence NPOs have to yield to demands of the beneficiaries.

*“for example you find that partner is dictating what you are supposed to be doing then you find that even institutions’ focus changes since if you are only accountable to your partner then you will simply be doing what their foreign policy requires but you also need to be conscious so accountability has to be for the benefit of that community members because that is when we will be able to measure impact” **KFD***

5.2.5.4 *Regulatory requirements*

The NPO sector is regulated by the international development agencies (IMF and World Bank) and government procurements policies (see Appendix 5.7). Again, such processes take long and may delay implementation of projects. The NPOs annual reporting requirements to the government have changed over the years with more information required to be filed at the NGO coordination Board. However, it remains to be seen how the NPOs are utilising this performance information for their own benefit.

“We must follow international donor procurement policies and government procurement policies, which are sometimes bureaucratic affecting our performance” **IHI**

Those NPOs implementing projects in partnership with the government were mostly affected with the government restriction on reporting of sensitive data thus limiting performance reporting. Some NPOs felt there is continuous interference from the government through regulation of tax credits and work permits to hinder working of international NPOs especially those dealing in advocacy and human rights issues.

“Another factor is the policy and legal environment, where there is a lot of influence and interference from the government and legal systems within the country and this has really affected the performance of some of the NPOs dealing with children rights” **PLI**

“Like working on sensitive areas, for example defilement cases, you find the government restricting the reporting of such like cases” **SGF:**

Political leaders also influence organisations’ performance reporting as most advocacy NPOs target the communities strongly linked to the political systems thus NPOs operations are influenced by the politics.

5.2.6 **Challenges and benefits of performance measurement in NPOs**

The performance measurement challenges that NPOs face can be categorised into two major categories ‘contextual challenges’ and ‘technocratic challenges’ as summarised in Table 5.14. The sector’s unique characteristics and an organisations capacity results to challenges of challenges in implementation and utilisation of performance measurement systems.

5.2.6.1 *Contextual challenges*

The NPO sector faces several contextual challenges (see Table 5.14) in implementation of performance measurement systems such as ‘unreliable external data sources’, ‘lack of capacity and resources’, ‘public sector culture’, ‘political and leadership influence’, ‘unrealistic donor demands’, ‘Beneficiaries unpredictability’ and ‘NPO sector characteristics’ (see Appendix 5.5 and 5.8). These contextual challenges limit the use of performance measurement systems in NPOs. The public sector finds it difficult to accept change due to deeply rooted cultural backgrounds. The long-term project outcomes at the wider community level may result from other key players within the same environment and thus making it difficult to measure such outcomes.

*“like how do you attribute success in HIV for instance, where we have more than ten players in the same area?” **CWWI***

The changes in beneficiaries’ needs due to frequent *unexpected disasters* such as famine, floods and violence interfere with the performance measurement plans and pose a challenge in the system.

*“Change patterns of beneficiary needs and disasters. Then we also have “while we work within the wider balanced scorecard strategic plan, there so many changing beneficiary patterns or disasters...for instance you may be you are prepared for floods then tsunami happens and you had not prepared for that” **KRC***

This is because the NPOs abandon the original plans and strategies to address the immediate needs of the beneficiaries resulting from the disaster. Drawing from my personal experience and the recent disasters around the globe, such disasters come with unexpected large amounts of funding from the donors, corporate or individual contributors. There is a concern how these unplanned finances are utilised and accounted for by the NPOs. Furthermore, the NPOs divert funds to these new needs thus affecting implementation of the previous projects. The requirements to demonstrate gender and disability mainstreaming in the projects pose potential performance measurement problems for the NPOs due to the extra challenges and costs. Most NPOs get their performance data from the indigenous communities or beneficiaries who are poor in *record keeping* or refuse to give information due to their beliefs as discussed earlier.

“Lack of records by indigenous communities is a challenge when evaluating or measuring performance here in Kenya. Also some of the information you are

collecting is out of your control, which makes collecting and gathering information a really big problem” SCI

The FGD participants reported that despite requesting detailed performance reports, the donors were not willing to fund the internal performance measurement process thus, the NPOs utilised the limited funds to collect the necessary data.

“Donor conditions can be a challenge as we both have different policies and merging the two can be difficult” AED

Performance measurement systems are dependent on availability of resources for effective implementation thus resource constraints is challenge within the sector. Furthermore, there is shortage of dedicated staffs to carry out performance measurement or follow up performance issues within the NPOs, as the directors are concerned with chasing new funding opportunities.

“there is nobody who funds performance measurements you have to use it from our core income and sometimes its at the expense of your work activities because am the same person delivering and the same person measuring so I think it should be a full fledge funding for performance measurement” CAI

“One of them is lack of resources; you know we rely on donor funds and more so on well wishers and contributors so when those are not forthcoming it becomes difficult to implement some aspects of the same” KRC.

The participants recognised key challenges in implementing performance indicators and reward systems in the NPO sector due to the nature and characteristics of the sector as discussed earlier in section 5.2.2.2. Some participants even felt that the sector ‘does not need rewards systems’.

Table 5.14 Challenges of performance measurement in NPOs

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
Contextual Challenges													
Unreliable external data sources	■				■						■		■
Lack of capacity and resources		■		■	■			■	■	■			
Public sector culture				■				■					
Political and leadership influence				■				■					
Unrealistic donor demands	■	■		■									
Beneficiaries unpredictability					■								
NPO sector characteristics		■			■			■	■				
Technocratic Challenges													
Emphasis on quantitative data	■												
Employee gaming		■			■								
Inflexible PMS		■	■	■									
Abstract PM Framework			■										
Difficult to attribute success			■										

Use of PM indicators challenges													
Goal displacement													
Resource Intensive													
Rewards systems challenges													

5.2.6.2 *Technocratic challenges*

Table 5.14 above indicate variation among NPOs regarding their perception on structural limitations of the current PM systems. The most common challenges were ‘resource intensive PM systems’, ‘challenges in use of PM indicators’, ‘goal displacement’ and ‘rewards systems challenges’ (see Appendix 5.5 and 5.8). In addition to lack of resources to implement the performance measurement systems, the participants pointed out that the current resource intensive systems made it impossible to adopt formal frameworks. Furthermore, modern technologies that support performance measurement such as ERP are very costly to implement and may not be adopted within the sector.

*“BSC is Resource intensive in terms of dedicating the time, finances to be able to train staff to understand the process” **KRC***

*“Funding for instance ERP is very expensive which costs us a hundred of millions of shillings and the donors are putting pressure to see what the benefits are and if the system is worthy” **IHI***

Although NPOs have rewards for performance, the participants warned that formal reward systems might have dysfunctional effects including ‘employee gaming’, ‘corruption and bribery’, ‘result to rebellion if deemed unfair’, ‘risk of biasness’ and ‘goal displacement’ as all employees focus on the rewards and not the vision. To address the above challenges they recommended that rewards should be budgeted upfront and documented in the organisation. Furthermore, emphasis should be put on assessment of the challenges and limitations the employees face rather than rewards.

Tasks complexity and uncertainty related to the employees’ tasks and work within the sector pose technocratic challenges to using performance measurement frameworks. In addition, some of the frameworks can be abstract thus limiting its use. They agreed that the staff have to have technological know how to implement the framework.

*“You know the system is good as the people you give it garbage it will give you garbage so its garbage in garbage out” **IHI***

“the logical framework you’ll discover is, it can be quite abstract and that, actually would really impact on technology because you’ll really realise even in terms of work tasks, that one will definitely tell you that the organisation is a bit conservative” **CWWI**

The inflexibility of the PM system to address changes in the environment exposes structural limitation of the current systems proposed in literature. It emerged that the current systems used within the NPOs do not create a knowledge base for future. One manager from an international NPO felt that the PM system they had implemented was not adaptive to the local setting in terms of addressing technological changes thus restricted employee innovation.

“I have been here for long and I know the way I started working is not the same and sometimes you feel restricted by the system because you are changing but the system is not changing first enough” **CAI**.

Goal displacement emerged as a major weakness of the current systems, which included obsession with results, lack of consideration on welfare of employees, social aspects and capacity of employees.

“It is correct with the objectives but I think at a point it (BSC) makes people obsessed with just result to the extent that you forget the welfare of your capacity all that you want is just to deliver, when your are delivering you don’t care whether you are dying” **(KRC)**.

The challenges related to *use of performance indicators* included ‘employees cannot be held on strict performance indicators due to the socio nature of the business’, ‘qualitative indicators are subjective and difficult to measure’ ‘indicators based on a lot of assumptions’, ‘Volatile nature of the sector hinders use of indicators’ and ‘diversity of the programs leads to multiple indicators’ (see Appendix 5.5). Another aspect that came out is how to attribute the community impact to the organisational work outputs. Some of the work outputs are not easily measurable in some of the NPO tasks.

Reliance on employees’ capacity and commitment lead to employee gaming and sometimes competent employees sabotage the PM system. *Employee gaming* was also identified as a challenge. For successful implementation of balanced scorecard in NPOs there is need for clear hierarchical linkage in the whole organisation. The managers felt that the weakness of the BSC is that the some head of departments may not be working but get credit for work for the juniors so long as the juniors achieve their targets. In the same breadth, the NPOs need to have internal democracy so that the employees have access to the information.

“Our weakness is we call our position self administering ...we believe you will do, the weakness in that is when you get somebody that is not doing what they said they are doing i.e. someone that can go round the system then they can play us once or twice” **CAI**

“In most cases the weakness with the balance score card you can just have an effective team to work for you and you group their results as a manager and move on with it.....Of course it must be team achievement but it has to be very clearly on individual role so unless checked some people can ride on others” **KRC**

“to perform to such level I think there should be some hierarchy and linkage between the individual to the supervisor to the department and to the national wide achievements and people should be placed at strategic points to be able to deliver in certain aspect that touch on issues along the strategic plan perspective at different levels” **KRC**

5.2.6.3 **Benefits**

Although implementation of performance measurement systems faces many challenges in Kenyan NPOs, the managers cited several benefits (Table 5.15) in their organisations. Some of the benefits mentioned included ‘attracting funding’, ‘provides clarity of objectives’, leads to ‘self sustainability’, ‘improved efficiency in supply chain’, ‘improve feedback with beneficiaries’ ‘informs project implementation’ (see Appendix 5.8).

“But in terms of attracting funding then it’s the best because all the funders are accustomed to the balance score card...You know now for the donors to fund they look for at the capacity and several things not just pumping money”. **KRC**

“Use of SROI gives the chance to the beneficiary to give feedback winning their support and cooperation” **SGF**.

Table 5.15 PM benefits and recommendations

	AED	CAI	CWWI	IHI	KRC	PLI	SGF	GAF	KFD	OMF	SCV	SNI	WCC
PM Benefits													
clear objectives		■											
Self sustainability		■			■								
Attract funding					■								
Improved the efficiency/operations				■	■								
Beneficiary support and cooperation							■			■			
Redesign the projects									■				
PM Recommendations													
Embrace self-evaluation						■			■				
Develop institutional capacity		■	■		■			■					
Enhance partnerships and networks	■			■			■	■		■			
Embracing technology										■			
Sustainability		■						■					

5.2.6.4 *Participants suggestions*

The researcher asked the participants to make recommendations for improving performance and effectiveness in the sector. The participants emphasised need to embrace ‘research and development’, ‘innovation’, ‘good core management systems and policies’, ‘technology’ and expanding ‘networking and partnerships’ among Kenyan NPOs in order to improve performance (see Appendix 5.8).

“if you look at aspect of measuring results and preparing a report, then you can look at what you can effectively deliver, so that in mind then self-evaluation and self-critiquing then it can enhance their performance” **KFD**

“one is harmonising and sharing of project plans, one thing you realise especially in non-profit sector is as long as one gets funding they run away and do their own thing without considering what others are doing” **IHI**

“We have a lot of replication on what we do, you find institutions A, B and C are doing the same thing in one particular region just naming it differently and if you look at the collective funding of that process is too much such that if they came together they are able to deal with so many issues easily” **GAF**

It was also suggested that the government need to play a role in the capacity building of the NPOs in areas such as staff training. The participants even suggested that the NPOs might be able to utilise the government staff with expertise in specific areas. One of the national NPOs managed to utilise government staff in the implementation of its projects. However, the key challenge is how the NPOs will cope with the public sector employee’s attitude as discussed earlier. On the other hand, some managers’ believe that the NPOs need to be autonomous of the government and the donors by implementing self-sustaining projects.

“The government; the government is key stakeholder in everything that happens in this country and it needs to play its role either in capacity, building staff” **IHI**

“the government and NPOs should form collaborative working strategies and partnerships, so that there is change of attitude” **AED**

“We have NPOs in this country that position themselves as autonomous when they are not because of being captives of the institutions that are funding them and they are very much influenced by their donors... Sustainability is still an issue that we must deal with” **GAF**

In addition, reliance on external monitoring and evaluation reports were not helpful rather the NPOs need to embrace self-evaluation. It was also recommended that the NPOs provide clear guidelines and job descriptions to new employees in order to monitor performance. There is need for harmonisation of project among the

organisations working in similar problem area. This will ease collection of performance information. The health sector was cited as a good example where partnerships between NPOs, government and private sector have brought in capacity to implement modern ERP systems.

5.3 Integration with the cross-sectional design and survey instrument

As mentioned in chapter one, the field study preceded the cross-sectional survey thus allowing mixing to occur at the stages of data collection and discussion of results. An important question for this chapter is “How do the qualitative findings help design the survey instrument and provide an enhanced understanding of the determinants and effects of performance management (PM) practices on organisational effectiveness?” There was need to enhance the primary quantitative study with a field study due to the researcher’s lack of understanding of the research context and organisations (NPOs in a developing country) and multidisciplinary nature of the research topic (management accounting and international development disciplines). Furthermore, the qualitative findings allowed the researcher to plan for the cross-sectional survey, design the sampling procedures and data collection methods and refine the survey instrument. This section discusses the implications of the qualitative findings to the design of the survey instrument and measurement of key variables.

The field study enhanced the understanding of the definition and characteristics of the non-profit sector in Kenya. It emerged that the sector in is a complex with NPOs operating in multiple service sectors, regulated by various government agencies, and pursuing in overlapping activities, broad missions objectives and strategies with no clear measure of organisational size. However, the NPOs could be classified based on ownership (national and international), type (VCO, CBOs and Socio enterprise), structure (centralised or decentralised). These qualitative findings further revealed that NPOs could be sampled along the scope and registered with various government agencies. The understanding of this research context facilitated choosing sampling frame and sampling procedures (see chapter 6) to get a homogenous but representative sample. Thus to ensure homogeneity, the researcher limited the population of the cross-sectional survey to managers from the VCOs currently registered by the NGO Coordination Board only and that had

operated for 3 yrs or more. The VCOs file annual returns with the board thus the researcher was able to easily get secondary data that would assist in creating the sampling frame and the contacts of the VCOs. The nature of the sector and participants reservations on characteristics that differentiated various NGO types and sizes lead to me to be more cautious when using the budget or employees as a measure of organisational size.

The findings on the Kenyan Non-profit sector characteristics had implications on measurement of variables the design of the survey instrument. While the researcher examined the impact of these characteristics on relationship between PM practices and NPO effectiveness in the field study, it was almost impossible to sample the organisations based on characteristics. Thus, the NPOs were sampled along the international and national. Furthermore, questions on NPO background were left out of the main questionnaire due to the lack of clear boundaries in the sector. Thus understanding the sector characteristics contributed to the accuracy in the selection of the sampling frame and samples size and data collection procedures during the survey stage.

The analysis and interpretation of data from interviews and the focus group assisted in the understanding and operationalisation of key concepts such as performance management and NPO effectiveness. Qualitative data was used to develop the questionnaire and scale items reflecting the key constructs meanings as defined and understood by the managers. Furthermore, indicators of the latent variables used in the questionnaire emerged from both the qualitative findings and previous measurement instruments found in literature (see chapter 6). The field study aimed at identifying measures of contingency variables, performance management and organisational effectiveness constructs. The findings reveal variation in the definition and understanding of the constructs in across NGOs. For instance, performance indicators (due to different sectors) are diverse making it impossible to rank specific indicators across NGOs. Therefore, the researcher used generic wording to label observed variables in the final questionnaire applicable across all NGOs. For instance rather than asking survey participant to rank examples of individual performance indicators mentioned in this field study, the researcher asked them to rank financial indicators, non-financial and project indicators (see Appendix 4.0).

The experience from the collection of qualitative data motivated the researcher to use both mailed survey and online survey, in order to collect data from managers located in regional areas and inaccessible areas like semi arid and arid areas. Furthermore, the researcher learned the importance of follow-up telephone calls as most participants preferred personal conversations to gain their confidence to participate in the survey. This greatly improved the response rate of the survey.

Although quantitative survey data is reliable, several researchers have raised questions on validity issues. Thus, triangulation of the qualitative and quantitative data ensured greater reliability and validity thus ensuring the credibility and integrity of the study. The contextual interpretation of the results is from generalisable, externally valid findings, broad relationships among variables uncovered in the quantitative study coupled with provided contextual understanding provided by the field study findings (see chapter 8). To conclude, the integration and interpretation of the qualitative results and quantitative results enabled this thesis to provide a comprehensive account of how PM practices influence organisational effectiveness from a contingency theoretical perspective.

5.4 Conclusion

The field study examined Performance Management (PM) practices relevant to organisational effectiveness. The researcher adopted a qualitative approach involving semi structured interviews and a focus group discussion with NPO executives. The *'Framework Analysis'* was used to analyse the qualitative data. The analysis has been informed by Ferreira and Otley (2009)'s performance management and control framework. Performance management in NPOs was categorised into performance planning, performance measurement and performance context. The sampled NPOs emphasise mission statements and core values, within formal PM system. Although a number of private sector measurement frameworks are used, the NPOs mostly use the logical framework with emphasis on output and financial measures and team based targets with no clear rewards. The PM systems are resource intensive and they lead to goal displacement and narrow definition and measurement of NPO effectiveness. The findings were integrated in the cross-sectional survey design and interpretation of the quantitative results. The next chapter outlines the Cross-sectional survey design.

CHAPTER 6

CROSS SECTIONAL SURVEY DESIGN

This chapter addresses the cross-sectional survey design component of the study. It outlines the quantitative data collection and analysis and explains how the field study findings were incorporated in the cross-sectional research design. The rest of this chapter is organised as follows:

- Cross-sectional survey research design
- Population sample size and sampling procedures
- Quantitative data collection procedure
- Measurement of study variables
- Quantitative data analysis method
- Conclusion

6.1 Cross-sectional research design

The overall aim of the study and related research questions, dictates the researcher's decisions regarding a survey research design (cross-sectional, the census, or longitudinal design), data sources (primary or secondary), the choice of data collection method (mailed survey, or online survey) and the level of analysis (Van der Stede et al., 2005). In addition, the final decision is based on the practicalities of carrying out a feasible but rigorous quantitative data collection and analysis. A survey research was designed to collect primary data that address the research questions. It was almost impossible to collect primary data from the whole population, thus a need for a design that assists in selecting respondents (sample) thought to be representative of some population. A survey research (cross-sectional and longitudinal design) is a method of gathering data from a sample, using an instrument composed of closed or open-ended question administered in the form of mail, telephone, or online survey. This type of research design is commonly utilised by management accounting literature (see Modell, 2005). However, critics of the survey research believe "it artificially forces respondents to formulate opinions, masking the complexity of conflicting views and unconscious biases within each respondent and critics note that in many arenas (e.g., race relations) survey items poorly predict actual behaviour" (Garson, 2002 p. 239).

In this study, the researcher used *a cross-sectional survey* to gather primary data due to its advantages. The advantages of this research design over other survey designs are that the data was collected within a short period of time and less expensively. The results obtained from the survey sample were generalisable to the entire population of NPO managers in Kenya. In addition, the characteristics of variables measured did change much due to the short period of data collection. This research design involved administering a mailed and an online questionnaire once to a sample of NPO managers in Kenya generating data on the indicator variables. The survey was conducted in Kenya between November 2011 and February 2012.

6.2 Population, sample size and sample size procedure

The population of study is composed of leaders from 4000 NPOs registered with the NGO Coordination Board in Kenya and have operated for at least 3 years. These include executive directors who mostly deal with strategic direction and middle level managers who are responsible for various projects and programs. These NPOs are considered appropriate because they have clear and consistent missions, objectives, strategies and organisational structures hence the results can be generalised without much error, as the population is relatively homogenous. The sampling frame is a list of ultimate sampling entities, which may be people, households, organisations, or other units of analysis (Garson, 2002). Thus, in this study the sampling frame is the list of NGOs registered with the Kenya NGO Coordination Board.

A reasonable sample size for multivariate analysis has remained a highly debated issue in literature (Bailey, 1994; Bornstedt and Knoke, 1982; Arburckle, 2011). According to Stevens (1996), a good rule of thumb is 15 cases per predictor in a standard ordinary least squares multiple regression analysis. Since SEM is closely related to multiple regressions in some respects, Arbuckle, (2011) argues that 15 cases per measured variable in SEM are not unreasonable. According to Bentler and Chou (1987), researchers may go as low as 15 cases per measured variable in SEM analyses, but only if the data are normally distributed, no missing data or outlying cases. Therefore, a sample size of this study was based on the above considerations and the study population. The pre-survey estimation of the sample size of 351 participants was calculated using Creative Research Systems (2011) formula below:

When the population is *infinite* sample is generated as follows:

$$SS = \frac{Z^2 * P * (1-P)}{C^2}$$

Where: SS=Sample size

Z=1.96 (for 95% level of confidence)

P=0.5 (the worst percentage that can ever pick a choice expressed as a decimal)

C= ±0.04 (Confidence interval, expressed as decimal)

$$SS = \frac{(1.96)^2 * (0.5) * (1-0.5)}{(0.04)^2}$$

SS=600 NPOs

Since the population is made up of about 4000 NPOs, correction for finite population was made as follows:

$$\text{New SS} = \frac{SS}{1 + \frac{(SS-1)}{\text{Pop}}}$$

$$\text{New SS} = \frac{600}{1 + \frac{(600-1)}{4000}}$$

New SS=351 NPOs

Sowa et al. (2004) contends that for successful SEM researchers need to tailor their sampling strategy to reflect the desired heterogeneity or homogeneity and customise the survey instrument to collect relevant data on *observed variables* representative of the organisation and the context. They suggest multi stage proportionate sampling and preliminary interviews to refine the survey instrument. Therefore, a multi-stage proportionate stratified sampling procedure was used to select the NPOs based on ownership. A simple random sample was used to select a total pre-survey sampling frame of 1000 NPOs from the strata in order to achieve a final sample size of 351. Each NGO was assigned a unique number coded with prefix 'I' or 'N' to indicate international and national respectively. Random sampling has the advantage of cancelling out biases and providing a statistical means for estimating sampling errors which one of the basic assumptions of structural equation modelling. The researcher was confident that the sample accurately represented the population of study, particularly on the dimensions on which the sample was selected.

6.3 Quantitative data collection procedure

6.3.1 Secondary data collection

Secondary data is data that have already been collected and accessible from other sources. However, secondary data has notable weaknesses such as difficulty to access, lack of accuracy and outdated data. Thus, secondary data need to be evaluated based relevance of units of measurement and concepts, accuracy, errors and sufficiency to address the research questions (Bailey, 1994). Based on the above criteria, secondary data on some variables was collected from published annual NGO reports. The information collected included the sector of operation, organisational age, assets, income resources, staff and volunteer and the number of projects completed (see Table 7.2 in Chapter 7). This data was useful in segmenting the NPOs and measuring organisational size. Secondary data of 4000 NPOs were collected from 2010/2011 annual reports in March 2011.

6.3.2 Questionnaire development

The questionnaire development involved decisions regarding survey instrument and scaling, questionnaire format, measures against biasness and pre-testing discussed below.

6.3.2.1 *Survey instrument construction and Scaling*

The survey 'instrument' refers to the schedule of questions presented to respondents, which include the open ended or structured items for which a response is solicited from the survey respondent (Garson, 2002). Thus, a structured questionnaire was developed to measure *observed* variables administered through the mail and online survey. The questionnaires were used for this study as they had the lowest cost and managers responded to questions at their own pace and time. Furthermore, it provided the greatest sense of anonymity and had the lowest chance of introduction of biasness. The structured questionnaire contained items measured on five-point Likert type scale measuring the latent variables. The indicators were drawn from the qualitative findings and the previous items used in literature as discussed in section 6.4.

Several writers have indicated that the use of ranked data as interval data is strictly speaking, unacceptable (Bohrnstedt and Knoke, 1982; Grinnell, 2001; Bailey, 1994). On the other hand, "there is agreement, supported by research from

others that wise selection of statistical tools appropriate to interval data may be used with ranked data” (Nunnally, 1994 p.216). For instance, Jaccard and Wan (1996) argues, "for many statistical tests, rather severe departures (from intervalness) do not seem to affect Type I and Type II errors dramatically. Likert scales are very commonly used with interval procedures, provided the scale item has at least 5 and preferably 7 categories” (P. 4). This allows the retention of more characteristics of the data and greater versatility in statistical analysis. Similarly, Garson cautions that maximum likelihood estimation may well not be robust for data obtained from an ordinal scale or non-normal. However, Likert scales with at least five categories and are not strongly skewed or kurtotic (+/- 1.5) are generally used in practice (Bollen, 1989; Garson 2012).

It is widely acknowledged in accounting literature that self-rating of measures are subject to bias, but some researchers have shown reliability between objective and subjective measures of performance (Ferreira and Otley, 2010). Some researchers have called for inclusion of subjective measures (Ritchie and Kolodinsky, 2003) and concluded that “perceptual data from senior managers (...) can be employed as acceptable operationalisations” (Venkatraman and Ramanujam 1987, p118). Self-rated measures of performance measurement indicators and organisational effectiveness have widely been used in non-profit sector survey research (Campbell 2002; Thomson 2010; LeRoux and Wright 2010; Poister and Streib, 1999; Carman, 2007; Morley et al., 2001). On the contrary, Mausolff and Spence (2008) used evaluation teams to rate measures based on set criteria. Following previous research, a five-point Likert scale was used to capture information related to the key constructs.

6.3.2.2 *Questionnaire format*

Similar to the field study-interview schedule, the introduction part of the questionnaire schedule explained the scope and purpose of the study. The introduction part was worded to increase participation by clarifying the purpose of the study, why they should participate, anonymity and confidentiality, use of the data and dissemination of findings. In addition, a unique NPO identification code was separately provided and the respondents were required to insert before proceeding. Although Garson (2002) recommends posing demographic questions early so to ease the respondents to the survey, in this study they were placed at the end. The participants in the preliminary field study indicated that demographic

questions were deemed sensitive and personal. Furthermore, the researcher felt the more important questions on the key variables would be answered if the respondent fatigues and does not answer all the later items. In the final questionnaire after pretesting, three or more indicators were retained to represent of each construct. The final section of the questionnaire asked respondents to enter their demographic questions and contact details. See Appendix 4.0 for the full questionnaire.

6.3.2.3 *Measures against biasness*

The researcher ensured that the items used in the questionnaire not only measure the construct precisely but also were relevant to the whole sample of NGOs. The field findings indicated that some concepts and related measures were diverse and unique to every NPO thus their use would make comparison across NPOs difficult. The researcher guarded against the introduction of biasness in the survey instrument by ensuring that questions were unambiguous: meaning questions are specific avoiding generalities with clear referents such as time. The ‘response sets’ in the instrument were mutually exclusive with no multiple response items allowed and exhaustive categories including “don’t know’ as an option. Pre-testing the questionnaire and seeking expert and peer opinion addressed biasness issues such as avoidance of negative and leading questions, multidimensional items, unfamiliar terms, asking in accessible information and ranking of items (Dillman, 2011; Garson, 2002). This was ensured through pre-testing the questionnaire and seeking expert and peer opinion.

6.3.2.4 *Pretesting*

Pretesting is considered an all-but-essential step in survey research. In fact, some authors recommend a minimum of two pre-tests with the initial survey instrument containing twice more items than the final instrument (Garson, 2012). In the current study, pre-testing involved 15 participants to refine the questionnaire design and identify biasness and errors. The first pre-test purpose was to identify weaker items and drop them from the survey. The respondents were informed that they were completing a pre-test and their help was solicited in refining the instrument in terms of questionnaire clarity, ambiguity, timing, relevance of the topic, questions flow, questionnaire structure and appearance. In addition, the respondents’ opinion was sought on both the mailed and online survey. They

reported that the online survey was more convenient and took less time due to easiness of reading the questions.

Thereafter in between the two pre-tests, the researcher sought critical and technical reviews of the questionnaire from expert and including two NPO managers, a research assistant, the supervisor, colleagues, the research and policy manager of the NGO Coordination Board. An opinion was also sought from a friend who is an expert in NPO governance had previously completed her research in the Kenyan Non-profit sector. The second pre-test was completed to polish, trim, rearrange and refine the appearance of both the paper and online questionnaire, but not for the purposes of adding new items or making major substantive changes in the survey. The second pre-test sample was similar as possible to the final sample of managers and took place in conditions similar those of the actual questionnaire administration. The initial survey instruments sent for the first pre-test contained 235 items, but after final pre-test only 124 items were retained. The managers used for the pilot test were excluded from the final sample.

6.3.3 Administering the mailed and online questionnaire

The cross-sectional data was collected using the mailed and the online survey. According to Brennan (1992:p15) “Mail surveys provide a relatively inexpensive means of gathering information from a widely dispersed survey sample and, in some circumstances, are preferable to other survey methods because they eliminate interviewer bias, allow respondents to check records and can be completed at the respondent's convenience”. The greatest limitation of the mailed survey is the high risk to yield low response rates despite the use of effective techniques such as prize draws, reminder letters, incentives and personalised salutations (Dillman, 2011). The limitations of mailed surveys coupled with advancement in ICT, have led to the introduction of web-based or online surveys and email surveys. The strength of online surveys includes, greater flexibility, speed, global reach, timeliness and low administration cost (Evans and Mather 2005). At the same time, online surveys have potential weaknesses such as perception as junk mail, skewed attributes of Internet population and low response rates (Dillman 2011; Hager et al., 2003; Fricker and Schonlau, 2002). The strength and weakness of each method is mainly dependent on the target sample organisations and populations (Evans and Mather 2005). The findings of an experimental study by Hager et al., (2003) on response rates for mail surveys in

NPOs concluded that questionnaire complexity and the use of monetary incentives generated no difference in returns of the questionnaire but use of a courier improved response rates.

The researcher utilised both mailed and online surveys to benefit on the strength of each while addressing the weaknesses of each. 'Snapsurveys' was used to design the questionnaire as it has the ability to produce surveys for all formats, including online, paper, scanning, email, PDA, kiosk, tablet and phones. This allowed consistency between the mailed survey and the online survey. Online surveys were hosted on the University of Bedfordshire secure server and the respondents were required to enter a unique code to get access to the survey. The snapsurveys also allowed the researcher to collect completed online questionnaires as an excel file which reduced data entry errors.

The researcher sent questionnaires to 1000 NPOs selected as the sampling frame. The package included introduction letter, the questionnaire and a research permit. A monetary incentive was not used as the researcher felt the type of respondents targeted would feel offended if monetary incentive was used. However, the researcher explained the benefit of the survey and promised to send back the results. At the same time, the researcher sent online surveys through an invitation email with assistance of three research assistants. This was necessitated by a two-week industrial action by the Kenya Postal Corporation trade-union staff over pay increases during November 2011. Thus, the researcher expected a low response rates as most questionnaires might have delayed reaching the respondents before Christmas break. The first online survey was emailed to respondents in December 2011. By January 2012, 50 questionnaires had been received from the online survey. The researcher with the help of the research assistants made follow up telephone calls to the organisations that had been targeted. Some respondents had not received the mail or online survey due to wrong address, while some preferred mailed questionnaires thus they were dispatched through a courier services. Some respondents were afraid to participate thus the research assistants helped to explain the purpose of the survey. The respondents that indicated unwillingness to participate or those with wrong contacts were randomly replaced with similar organisations from the coded list of NPOs.

A second round of emails with the survey link and deadline was sent at the end of January 2012 to the respondents that had indicated willingness to complete the

questionnaire during follow up. Further telephone calls were made during the month of February. The survey was closed in mid March, which yielded 290 responses of which 80% were from the online survey. The mailed questionnaire enabled the researcher to get information from NPOs located in arid and semi arid areas where there is no Internet connection. The next section discusses the measurement of study variables.

6.4 Measurement of study variables

The theoretical framework was depicted graphically (see Figure 3.1 in chapter 3) as a set of exogenous and endogenous latent variables. In quantitative research, latent variables are operationalised by selection of the observed (indicator) variables and appropriate scale type (Garson, 2012). Therefore, indicator variables drawn from both the past literature measured contingency factors, PM practices, organisational effectiveness and qualitative findings from the field study.

6.4.1 Organisational variables

6.4.1.1 *Organisational size*

Organisational size has been measured using the number of clients serviced, the number of staff and the size of operating budget, (Zimmerman and Stevens, 2006; Ferreira and Otley, 2010; Moxham 2009; Thomson, 2010; Harrow et al., 1999; LeRoux and Wright 2010; Carman, 2009). The field study indicated measures of organisational size in the Kenyan non-profit sector remains unclear. Participants agreed that the area of operation, staff levels, budget, sources and the amount of funding could not fully define the size and the type of NPO (see section 5.2.1). Furthermore, the field study indicated that NPOs with resources (mostly international and large national NPOs) invested in comprehensive performance management systems. Much of the resources came from external donors and local community (see section 5.2.4.5). The number of staff was not suitable measures of size as most NPOs in Kenya rely on volunteers with relatively high turnover as indicated in the information collected from annual reports. Since the researcher could not access NPOs budgets, total income from donors and local community was used as a measure of size. Schumacker and Lomax (2004 p.40) note, "It is not recommended that (variables of different measurement levels) be included together or mixed in a correlation (covariance) matrix. Thus, the total income figure was collapsed in five categories (see Appendix 3.3 and 4.0).

6.4.1.2 **Organisational structure**

Organisation structure has been measured using the degree of ownership closeness, specialisation, formalisations, decentralisation, complexity and stratification (Kushner and Poole, 1996; Poole et al., 2001; Brown and Iverson, 2004; Hage and Aiken 1969; Burton and Obel 1996; Brkic et al., 2011, Vickery et al., 1999; Kronkisky, 2007). The field study findings indicated that NPOs structures are diverse. However, the NPOs could be organised along ownership (international or national), the structure (centralised or decentralised), scope (CBOs, social enterprises, or VCOs) and organisational form (unitary, or coalition) (see section 5.2.1). Thus, this study used previous approaches to measure the organisational structure using four aspects (degree of centralisation, formalisation, stratification and complexity) in order to be consistent with the literature (see Appendix 3.3 and 4.0). The survey participants indicated the extent their NPOs emphasised the above four organisational structure aspects using a five-point Likert-type scale ranging from 1= (*never*) to 5= (*always*).

6.4.1.3 **Organisational culture**

Some studies have used *competing values framework* (Henri, 2006) to measure organisational culture with emphasis on flexibility and control. Other studies have measured organisational culture based employee behaviour parameters such as proactive/reactive culture soft/hard culture collectivism/individualism power decentralisation/centralisation (Sarros et al., 2010; Campbell 2002; Teelken 2008; De lancer Jules and Holzer, 2001; Thomson, 2010; Poole et al., 2001; Fok et al., 2001; Brkic et al., 2011; Berry et al., 2009). The field study findings (section 5.2.4.1) reinforced this view where organisation culture centred on relationships of employees, individual beliefs, professionalism and the public sector work ethos within the organisation and how it influences performance measurement. Therefore, the researcher summarised measures of organisational culture to four aspects, namely level of pro-activeness, cooperation, collectiveness and power decentralisation (see Appendix 3.3 and 4.0). The survey participants specified their level of agreement with statements reflecting the above organisational culture aspects using a five-point Likert-type scale ranging from 1= (*strongly disagree*) to 5= (*strongly agree*).

6.4.1.4 *Strategic orientation*

Management accounting researchers have measured organisation strategy through Miles and Snow strategic typologies (defenders, reactors, analyser and prospectors) and porters' competitive forces (low cost, differentiation). However, studies have demonstrated that typological divisions are not that useful (Miles and Snow 1978; Akingbola, 2006; Brown and Iverson 2004). A number of strategic types are utilised in a single organisation to achieve optimal effectiveness and respond to the external environment, although one strategy emerge dominant. Fundamentally, all organisations respond to environmental competitiveness, uncertainty and dynamism, through a combination of strategic dimensions, differentiation and product innovation, cost minimisation, analysis of products, markets and consumers and risking (Akingbola, 2006; Brown and Iverson, 2004; Brkic et al., 2011; Venkatraman, 1989; Venkatraman and Ramanujam, 1986). This view was reinforced by the field study findings which indicated that multiple strategic activities and plans are pursued by the Kenyan NPOs (see Appendix 5.2) primarily focused on projects, beneficiaries, fundraising, internal operations capacity, efficiency of internal operations, partnerships, legislation, policy advocacy and fundraising and resource mobilisation. Literature indicated that the study of strategic orientation as contingency has not been completed in the non-profit sector. Thus, the researcher relied on eight dimensions (aggressiveness, analysis, futurity pro-activeness, riskiness, strategic change, internal defensiveness and external defensiveness) relevant to non-profits adapted from previous literature and field study to characterise and measure strategic orientation (See Appendix 3.3 and 4.0). The survey participants indicated to what extent their NPOs focus on the above strategic priorities using a five-point Likert-type scale ranging from 1= (*Never*) to 5= (*Always*).

6.4.1.5 *Technology*

The term technology as used in contingency studies subsumes many different dimensions such as routineness of work (uniformity of tasks; work variability), complexity of the processes and workflow interdependence (Brkic et al., 2011; Burton and Obel, 1996; Chenhall, 2007). The initial survey instrument used to measure routineness of work was developed by Hall (1963) and was later used in non-profit organisations by Hage and Aiken in 1969. Similar to previous management accounting studies, technology was measured by technological complexity, task variability, task analysability and task interdependence (see

Appendix 3.3 and 4.0). The survey participants specified their level of agreement with statements reflecting the above task characteristics using a five-point Likert-type scale ranging from 1= (*strongly disagree*) to 5= (*strongly agree*).

6.4.1.6 *Information technology*

During the past two decades, the rate of development of IT in NPOs has increased dramatically to support NPOs operations. IT includes operations automation level, IT application level, modern communication technologies and use of specialised software (Khandwalla, 1977; Chenhall, 2007; Malcolm Smith, 2005; Maria and Gaspar, 2010; Berry et al., 2009). The field study findings confirmed that modern IT that influenced performance measurement in Kenyan NPOs include use of accounting software, human resource software, GPS, ERP systems, mobile phones, Internet and websites (see section 5.2.4.4). In this study, IT was measured usage of IT application, specialised computer software and communication technology within the NPOs (see Appendix 3.3 and 4.0). The participants rated how often the staff utilised the above IT aspects using a five-point Likert-type scale ranging from 1= (*never*) to 5= (*always*).

6.4.1.7 *Organisational leadership*

Organisational leadership with low-level tendency to micro-involvement possesses the following characteristics; likes to delegate, gives general instructions for decision-making, is pro-active, focuses on long-term planning, risks if necessary and more often motivates than control of employees. Organisational leadership dimensions include the level of professionalism, functional background; education level and the board governance effectiveness and top management micro-involvement in organisational processes (LeRoux and Wright, 2010; Burton and Obel, 1996; Brkic et al., 2011; Brown and Iverson, 2004). The field study findings revealed that leadership in the NPO with high-level tendency to micro-involvement (referred to as founder's syndrome or ownership closeness in the non-profit sector) and career background emerged as the key factors influencing performance measurement (see section 5.2.4.3). In this study, organisational leadership was measured on four indicators reflecting the level of micro-involvement, namely management excellence, board effectiveness, the best practices and management style (See Appendix 3.3 and 4.0). The survey participants specified their level of agreement with statements reflecting the above leadership style characteristics

using a five-point Likert-type scale ranging from 1= (*strongly disagree*) to 5= (*strongly agree*).

6.4.2 External environment variables

Contingency research has utilised the concept of Perceived Environmental Uncertainty (PEU) as an indicator of influence of the external environment on the organisations (Chenhall, 2007; Ferreira and Otley, 2010). Several studies have adapted it to various context like manufacturing, public, sector, banking (Hussein and Hoque, 2002; Abdel-Kader and Luther, 2008). However, in the current study the external environment was conceptualised to include the degree of environmental unpredictability, the degree of competition and environmental dynamism faced by the organisation.

6.4.2.1 *Environmental competitiveness*

Similar to previous literature (Beamon and Balcik, 2008; Zimmerman and Stevens, 2006; LeRoux and Wright 2010; Waweru and Spraakman, 2009), environmental competitiveness, particularly funding competition emerged as one of the key factors influencing performance management in the Kenyan non-profit sector (see section 5.2.5.1). In addition to the competition for external funding, the field study findings indicated that NPOs in Kenya are both lacking in and competing for innovative projects, community resources and volunteers. Environmental competitiveness was measured by the level of competition for staff, external funding, technological innovation and community resources among NPOs (see Appendix 3.3 and 4.0). The survey participants indicated the level of competition their NPOs faced in the above areas using a five-point Likert-type scale ranging from 1= (*very uncompetitive*) to 5= (*very competitive*) (See Appendix 3.3 and 4.0).

6.4.2.2 *Environmental dynamism*

In the non profit sector, technology, socioeconomic, regulatory and political changes have been identified as key indicators of environmental dynamism that influence NPO operations (Jillo, 2009; Kameri-Mbote, 2000; Galli, 2011; Yurenka, 2007; Edwards, 1999; Riddell and Robinson, 1996). The field study findings indicated annual reporting to the government regulations have changed over the years. Furthermore, changes in the political and security environment impacts on advocacy NPOs as they target communities strongly linked to political systems (see section 5.2.5.4). Unexpected disasters such as famine, floods and violence interfere

with socio-economic status of the beneficiaries which pose an additional challenge to NPO operations (see section 5.2.61). There is rapid growth in technological innovations in Kenya with steady growth in the mobile telecommunications, high-speed Internet and innovative mobile money transfer services (see section 5.2.4.4). Thus, environmental dynamism was measured by frequent changes in the regulatory, social economic, political and technological aspects (see Appendix 3.3 and 4.0). The survey participants indicated how frequently the above external environmental factors changed in the sector using a five-point Likert-type scale ranging from 1= (*very rarely*) to 5= (*very frequently*).

6.4.2.3 *Environmental unpredictability*

Management accounting research suggests that high levels perceived *environmental uncertainty* (PEU) or unpredictability of technology, markets and resources are associated with comprehensive performance management systems (Kaplan, 2001; Ferreira and Otley, 2010). Consistent with previous non-profit research (Poister, 2003; Moxham 2010; de Lancer Julnes and Holzer, 2001; Yang and Hsieh, 2007; Thomson, 2010), the field study findings indicated that external partnerships, regulatory requirements and stakeholder's requirements and accountability dominate the sector's external environment, which in turn influence resources, funding and performance (see section 5.2.5.2 and 5.2.5.3). Thus, environmental unpredictability was measured as the ability for the NPOs to predict stakeholder's requirements and accountability demands mainly regulators, the board of directors, public, government, donors, volunteers and beneficiaries (see Appendix 3.3 and 4.0). The survey participants indicated the extent to which their NPOs can predict the stakeholders' requirements and accountability demands using a five-point Likert-type scale ranging from 1= (*highly unpredictable*) to 5= (*Highly predictable*).

6.4.3 Performance management practices

6.4.3.1 *Performance planning practices*

Performance management planning dimensions include mission vision and objectives, key success factors, core values, strategies and plans and strategic planning process (Lindgren, 2001; Tom and Frentzel, 2005; Santos et al., 2008; Broadbent and Laughlin, 2009; Speckbacher, 2003; Epstein and Buvahoc, 2009). Field study findings reveal that NPOs have written broad statements of multiple visions, missions, purposes, goals and objectives as well as clear plans and

strategies of NPOs intentions to the stakeholders. In addition, they have diverse and unique Key success factors and core values they believe to be central to the future success (see section 5.2.2.1 and Appendix 5.2). The above diversity limited the researcher's ability to measure specific elements of performance planning and compare across organisations. However, similar to previous literature (Bart and Baetz, 1998; Bart and Tabone, 1999; Griggs, 2003), the researcher used clear specification and communication, intensity of use, satisfaction with the quality of the contents and stakeholder involvement to measure performance planning (see Appendix 3.3 and 4.0). The survey participants indicated their level of agreement with statements reflecting the characteristics of performance planning practices using a five-point Likert-type scale ranging from 1= (*strongly disagree*) to 5= (*strongly agree*).

6.4.3.2 *Performance measurement practices*

The performance measurement practices dimensions include PM frameworks, the key performance indicators, performance targets, data collection methods and performance rewards and sanctions (Leeuw and van den Berg, 2011; Mackie, 2008; Henderson, 2002; Lindgren, 2001). The field study indicated that NPOs concurrently use multiple performance measurement frameworks, which were either multidimensional, program specific or staff appraisal tool similar to the multiple objectives and strategies (see section 5.2.2.2). Although the field study revealed diverse performance indicators, they were broadly classified into project, financial and non-financial indicators (see Appendix 5.3). Similarly, the individual based or team-based performance targets were not necessarily linked to performance indicators. The data collection methods were diverse across the organisations, including informal, formal, traditional and modern tools. Finally, the NPOs had similar rewards and sanctions to reinforce and support performance evaluation, which were either team-based or individual based- financial, non-financial rewards, as well sanctions such as termination of projects or dismissal (see Appendix 5.3). The diversity of individual indicators (variable measures) of performance measurement practices construct among the NPOs led to use of generic measures applicable across the organisations in the sample. Hence, PM frameworks, key performance indicators, performance targets, data collection methods and performance rewards and sanctions measured performance measurement practices (see Appendix 3.3 and 4.0). The survey participants rated

the extent their NPOs use aspects of performance measurement using a five-point Likert-type scale ranging from 1= (*very rarely*) to 5= (*very often*).

6.4.3.3 *PM system context practices*

PM system context dimensions include information flow system, PM information use, PMS dynamism and PMS strength and coherence (Simon, 1995; Ferreira and Otley 2009; Franco-Santos et al., 2007; Lewis and Madon, 2004; Poister and Streib, 1999; LeRoux and Wright, 2010; Korhonen et al., 2012; Henri 2010; Ferreira and Otley, 2005; Alexander et al., 2010; Broadbent and Laughlin 2009; Yap and Ferreira, 2011). The field study findings provided evidence of existence of several formal and informal monitoring and feedback mechanisms supported with information communication technology put in place to collect and communicate feedback to employees and managers for learning purposes, corrective action and the generation of new ideas. The findings suggest that performance information use includes both diagnostic and interactive usage within the sector such as track past performance, decision making, to shape strategy, share best practises and prove accountability and legitimacy. The survey participants indicated the extent their NPOs the use the above information flow channels and PMS information using a five-point Likert-type scale ranging from 1= (*very rarely*) to 5= (*very Often*).

The participants agreed that the frameworks have changed over time to reflect qualitative measures involving beneficiaries and partners in performance evaluation and a shift to the private sector like performance management concepts. NPO leaders believed their PM systems *strength* includes all inclusive performance management systems, ability to identify emerging issues, the clear definition of perspective and professionalism, but the main weaknesses were resource intensiveness and risk of employee gaming (see section 5.2.2.3 and Appendix 5.3). This study relied on the indicators generated from the field study to measure PM system context, as previous studies were mainly qualitative hence lack of valid and reliable measures in literature (See Appendix 3.3 and 4.0). The survey participants specified their level of agreement with statements reflecting the PMS dynamism and PMS strength and coherence measures using a five-point Likert-type scale ranging from 1= (*strongly disagree*) to 5= (*strongly agree*).

6.4.4 Organisational effectiveness

There is a little agreement on how to define and measure what constitutes organisational effectiveness in the non-profit sector. Therefore, proxy measures of organisational effectiveness are used including management efficiency, employee performance and competencies, outputs, inputs, sustainability, financial and non financial measures (Lecy et al., 2011; Yankey and McClellan, 2003; Malik et al., 2011; Sowa et al., 2004). Lecy et al. (2011) suggest four interrelated domains namely, organisational management, program design and implementation, responsiveness to environment and partnerships and networks. Organisational management domain includes measures of organisation capacity and outcomes related to management systems and organisational activities (Sowa et al., 2004; Verbeeten, 2008; Lecy et al., 2011; Kaplan, 2001). Program design and implementation domain refers to the capacity (structure and process) of the program, as well as the outcomes created by the intervention (Sowa et al., 2004; Verbeeten, 2008; Lecy et al., 2011; Carman, 2007). Responsiveness to the external environment domain refers to the capacity the NPO to respond to and influence external environment, as well as the outcomes resulting from these initiatives (Sowa et al., 2004; Verbeeten, 2008; Lecy et al., 2011; Herman and Renz, 2004). Partnerships and networks domain refers to measures that relate to the capacity (structure and process) of the vertical and horizontal partnerships, as well as the outcomes created by the partnership projects, intervention (Sowa et al., 2004; Verbeeten, 2008; Lecy et al., 2011). The field study findings revealed that term effectiveness appeared difficult to define among the participants and was very diverse (see section 5.2.3). The analysis across the NPOs revealed emphasis on four key themes, namely achievement of objectives, impact in the community, resource utilisation and public perception. Although the results indicate that organisation management, program design and implementation, partnerships and networks are considered key to NPO effectiveness domains, there was a focus on project design and implementation domain (see Appendix 5.6). Organisational effectiveness was measured by respondents' rating of their capacity and outcomes of various effectiveness dimensions consistent with prior management accounting research (Hoque and James, 2000) (See Appendix 3.3 and 4.0). The survey participants rated their NPOs' performance in the above activities, processes and outcomes over the last 1 year preceding the study using a five-point Likert-type scale ranging from 1=(*very poor*) to 5=(*very good*).

This section has demonstrated how the information obtained from the field study was used in the construction of valid and reliable measures; the next section discusses quantitative data analysis procedures, including confirmatory factor analysis to validate the measures.

6.5 Quantitative data analysis methods

Contingency research use various multivariate data analysis methods to test the model fit and hypothesis significance e.g. partial correlations, linear regression, ordinary least square regressions (OLS), multivariate analysis of variance(MANOVA) maximum likelihood SEM and partial least square (PLS). It is worth noting that SEM is one of the least utilised methods in management accounting research (Smith and Langfield-Smith, 2004; Selto et al., 1995; Wadongo et al., 2008; Ferreira and Otley, 2010) and particularly in the non-profit sector (Lecy et al., 2011; Sowa et al., 2004; Mausolff and Spence, 2008). Sowa et al. (2004) recommend a multi-level structural equation modelling (MSEM) technique to address the shortcomings of methods other data analysis methods such as parcelling bias due to indexing and aggregation of the data at either individual or organisational level.

This study employed a structural equation modelling to validate the proposed model. SEM was considered appropriate for this study as:

it serves purposes similar to multiple regressions, but in a more powerful way, which takes into account the modelling of interactions, mediation, multicollinearity, nonlinearities, correlated independents, measurement error and correlated error terms ...It also allows multiple latent independents each measured by multiple indicators and one or more latent dependents also each with multiple indicators (Arbuckle, p.2 2011).

There are three approaches to SEM: strictly confirmatory approach (tested using SEM goodness-of-fit tests), alternative models approach (comparison to other models) and model development approach (A model compared to an alternative model based on modification indices). Although the model development approach may produce unstable model, the current study adopted the model development approach due to the flexibility it offers compared to the other two approaches. The researcher recommends cross validation of the proposed model using an independent validation sample.

IBM/SPSS Analysis of Moment Structures (AMOS) 20 software was used to test significance of hypothesised relationships between variables. The modelling process involved the following two steps: validating the measurement model entailing unidimensionality analysis, reliability analysis and validity analysis (through Confirmatory factor analysis (CFA)) and fitting the structural model (through path analysis) to test hypothesised relationships.

6.5.1 Data screening

The purpose of data screening is to check for and deal with data entry errors, random or non-random missing values, outliers and normality tests. In the current study, the data was screened using SPSS. The data entry errors were identified through analysing frequency tables of all variables. The incorrect entries were replaced with correct entries from the paper survey. The entries for the option 'Don't Know' on the Likert scale were replaced with *system missing* so that they do not influence results of subsequent analysis.

6.5.1.1 Handling missing data

Random missing values may occur because some participants unintentionally do not answer some questions while non-random missing values may occur when participants' intentionally do not answer some questions leading to biasness in a survey research findings. Thus missing value analysis was carried to describe the pattern of missing data particularly to establish whether the data are missing at random (MAR), missing completely at random (MCAR), or non-random. Little's MCAR chi-square statistic was used to test whether values are missing completely at random (MCAR) with $p < .050$ for this data set

Traditionally researchers have handled missing data through listwise deletion (missing values are ignored in all calculations; problematic in small sample size) or pairwise deletion (ignored only for calculations involving that variable which can result in a singular covariance matrix) (Kline, 1998). More recent, data imputation methods (mean, regression, or maximum likelihood) have been recommended as the most suitable method to estimate the missing values (Garson, 2012). However, in the current study, full information maximum likelihood (FIML,) estimation was deemed more appropriate to estimate the missing values compared to other ad hoc approaches. This is a theory-based approach which provides estimates that are efficient, consistent and asymptotically unbiased (Little and Rubin, 2002; Arbuckle,

2011; Byrne, 2006 and Hoshima and Bentler, 2009; Schumacker and Lomax, 2004). Thus, multiple imputations using maximum likelihood was employed to estimate the missing values in this study as it has the least bias. Comparison of the output from an incomplete data model with output from a complete data model using chi-square difference test was done as recommended by Byrne (2006).

6.5.1.2 *Outliers, multivariate normality and bootstrapping*

Outliers are extreme values in the data that may lead to non-normal distribution (influenced by mean and variance) of the data thus contravening of the key assumptions of SEM (the assumption of normality). Univariate outliers are farthest values on a particular variable while multivariate outliers are farthest amalgamations of scores on two or more variables. According to Gao et al. (2008 p. 144), non-normality “leads to an overestimation of the chi-squared statistic (in SEM) thus leading to false rejection of the model and the underestimation or overestimation of standard errors” and critical ratios leading to either Type I or II errors. In the current study, univariate normality and outliers were analysed by examining using histograms with normal curve, values of Skewness and Kurtosis (-.2 to +2.0) and the Kolmogorov-Smirnov test (K-S) and Shapiro-Wilk (S-W) significance tests ($p \leq 0.5$) in SPSS (Muthén and Kaplan, 1985). Multivariate normality and outliers was assessed using Mardia’s multivariate Kurtosis ($P \leq 0.5$) and Mahalanobis distances respectively (Arbuckle, 2011; Gao et al., 2008).

There is no agreement in literature on how to handle the outliers. Some researchers have suggested the deletion of outliers, or the transformation of raw data (Bollen, 1989; Yuan et al., 2000). However, these procedures compromise the validity of the findings (loss of observations hence, information and model power). Gao et al. (2008) observes that the above procedures in the SEM lead to new outliers and nonlinearity and does not improve overall model fit but significantly influence the parameter estimates. Thus, Gao et al. (2008, p.116) concludes that “the pursuit of a multivariate normal distribution by the deletion of observations should be consciously weighed against the loss of model power and generalisability in the interpretation of the results”. Simulation studies indicate that ‘bootstrapping’ function in AMOS can be used to assess the stability of parameter estimates when the assumptions multivariate normality assumptions do not hold (Garson, 2012; Arbuckle, 2011; Cheung and Lau, 2008). The current sample size of 247 was sufficient to bootstrapping the standard errors from complete data sets as

recommended by Nevitt and Hancock (2001). Therefore, in the current study the outliers were not deleted or transformed to ensure the results are generalisable to the study population. The researcher reported bootstrapped unbiased parameter estimates, standard errors and significance levels as recommended by Garson (2012). Furthermore, the potential outliers and non-normality are reported as a cautionary measure to the potential readers of this thesis (see section 7.5.1).

6.5.2 Confirmatory factor analysis approach

Confirmatory Factor Analysis (CFA) procedure was used to test the measurement model underlying a full structural equation model. Kline (1998) recommends that researchers should always test the pure measurement model (a model with no causal arrows) underlying a full structural equation model first, before proceeding to assess the structural model(s). CFA was used to validate the unidimensionality the theoretical framework and assess the reliability and validity of the survey instrument (Arbuckle, 2011; Brown 2006). A more stringent four-step approach to modelling suggested by Mulaik and Millsap (2000) was employed as the survey instrument was developed from literature and qualitative data (see section 7.4). The proposed model was based on both theoretical and empirical literature. The survey instrument included measures of the constructs based on the field study findings.

6.5.2.1 Unidimensionality analysis

Unidimensionality means the existence of a single construct underlying a set of indicators or measures (Hair et al., 2010). The assessment of unidimensionality of a construct is important for construct reliability and validity. The usefulness of items within a construct depends on the extent to which they share a common core. In order to check for unidimensionality, a measurement model was specified for each construct and CFA was run for all the constructs. A comparative fit index (CFI) of 0.90 or above for the model implied that there is a strong evidence of unidimensionality as recommended by Hair et al. (2010).

6.5.2.2 Reliability analysis

Reliability of a measure is the ability to yield consistent results (Hair et al., 2010). “Even a highly unidimensional scale would be of very little use if the resultant aggregate score is ascertained basically by measurement error, with the values of the scores broadly fluctuating over repeated measures” (Anderson and Gerbing, 1988 p. 58). Although there are a number of methods to measure reliability,

internal consistency and composite reliability were preferred. Internal consistency requires only one administration and consequently is considered most effective, especially in survey studies (Wadongo et al., 2008). Internal consistency was estimated using Cronbach's alpha. A construct with an alpha value of 0.70 and above was considered to have demonstrated internal consistency of the measures. The final composite reliability of the constructs was also reported after CFA to ensure that the remaining indicators in the model were reliable (see section 7.4.2).

6.5.2.3 *Validity analysis*

In quantitative research, validity types include face, content, convergent, discriminant and criterion-related validity (Hair et al., 2010). *Face validity* is the mere appearance that a measure is valid (Grinnell, 2001). In face validity, one looks at the measure and sees whether "on its face" it seems a good reflection of the construct. Content validity is the degree to which the instrument provides an adequate representation of the conceptual domain that it be designed to cover. Apart from face validity, content validity is the only type of validity for which the evidence is subjective and logical rather than statistical (Bailey 1994; Hair et al., 2010). If the items representing the various constructs of an instrument are substantiated by a comprehensive review of the relevant literature, content validity can be ensured (Grinnell, 2001). In this study, content and face validity were ensured through developing the survey instrument based on previous studies, theoretical framework and qualitative data findings (see section 6.4). Thus, the measurement variables reflect not only the previous measures of performance management, contingency variables and effectiveness, but also they reflect the Kenyan non-profit context. The survey instrument was developed in consultation with the supervisory committee, NPO managers and colleagues (see section 6.3.2).

In addition, convergent validity and discriminant validity were estimated using the AMOS. Convergent validity refers to the degree to which the different approaches to construct measurement are similar or correlated to other approaches that it theoretically should be similar to. The convergent validity was established using a coefficient called Normed Fit Index (NFI). Each item in the scale was treated as a different approach to measure the respective construct as suggested by Ahire et al. (1996). A scale with values of 0.90 or above indicated evidence of strong convergent validity (Bentler and Bonett, 1980). Furthermore, evidence of convergent validity is obtained when the measurement items represent their factors significantly; as

Anderson and Gerbing, (1988) recommends that the critical ratio of every item exceeds the 1.96 value.

Discriminant validity of a measure is the degree to which the measure is not similar to (or diverges from) other measures that it theoretically should not be similar to (Hair et al., 2010). To test for discriminant validity the procedures described by Fornell and Larcker (1981) were used which included average variance extracted (AVE) and the squared correlations (see section 7.4.2)

6.5.3 Structural modelling

SEM was used to assess the measurement model and investigate the relationships among variables using CFA and path analysis respectively. The measurement model was first assessed with CFA and the hypothesised relationships tested with path analysis. Once the measurement model was deemed acceptable, factor scores of the composite variables were estimated using FIML stochastic regression data imputation method. This procedure produced composite factor scores with unbiased means and variance estimates based on estimates parameters on the basis of the available complete data as well as the implied values of the missing data given the observed data (Schlomer, et al., 2010; Little and Rubin, 2002)

6.5.3.1 Use of composite factor scores

Factor scores are computed based on non-refined or refined methods. The non-refined methods include sum scores by all items loading on a factor; sum scores of items with loading values above a cut-off value; sum scores of standardised variables and weighted sum scores to reflect factor loadings. Refined methods include regression scores based on an underlying model to predict an “optimal” factor score; Bartlett scores where only the shared variances have an impact on factor scores and Anderson-Rubin scores factor scores that are not only uncorrelated with other factors, but also uncorrelated with each other (DiStefano and Mîndrilă 2009). Although the use of factors scores is common in social science research, the practice has been and is controversial due to the validity issues, data quality, indeterminacy and biasness of some computational methods, sensitivity of the factor scores to the extraction method and use of other non-standardised scores in further analysis (DiStefano and Mîndrilă 2009; Zuccaro 2007). The use of composite factor scores based on CFA procedures addresses the above weaknesses (Bollen, 1989; Rowe, 2006; Hoshino and Bentler 2009).

Composite factor scores in SEM can be used to reduce the model complexity, ‘after conducting measurement at the latent level, distinguishing the error component from what is shared with a factor, including multiple fit indices and allowing for much greater flexibility in constructing a model’ (DiStefano and Míndrilă 2009; p7). Therefore, the researcher estimated the composite factor scores for the latent variables using FIML stochastic regression imputation in AMOS. This was necessary to achieve model parsimony while providing parameter estimates that are efficient, consistent and asymptotically unbiased without compromising the validity of the parameter estimates (Schlomer, et al., 2010; Little and Rubin, 2002; Garson 2012; Arbuckle, 2011). Thereafter, Mahalanobis d-squared, skewness and Mardia kurtosis tests were used to assess outliers, univariate and multivariate normality assumptions for the path model. Bootstrapping was performed in order to achieve unbiased estimates and obtain two tailed significance levels for the indirect effects. The coefficients of the path model were interpreted to accept or reject the hypothesised relationships. As a sample, size of 247 was large enough, SEM path analysis was preferred for this study over PLS path analysis (Garson, 2012) as it ensured model parsimony with unbiased estimates which benefits from bootstrapping, measures of model fit and modification indexes like other full SEM models.

Correlated error terms refer to situations in which knowing the residual of one indicator helps in knowing the residual associated with another. Structural error terms reflect the unexplained variance in the latent endogenous variable(s) due to all unmeasured causes. Unlike in regression models, correlated disturbance terms are allowed in path models (Kline, 1998; Hair et al., 2010). Garson (2012) observes that correlated disturbance terms indicate that the associated endogenous variables share a common variation that is not fully explained by predictor variables in the model. In the current study, the correlated error terms for dependent variables were specified in the model following ‘transitivity and generality rules’ (Kenny et al., 2012). A set of goodness-of-fit measures were used to evaluate the competing models.

6.5.3.2 *Goodness of fit tests*

Model evaluation is one of the most unsettled, difficult issues connected with SEM. Hoyle (1995), Bollen (1989), Jaccard and Wan (1996), Kline (1998), present a variety of viewpoints and recommendations on this topic. According to Arbuckle

(2011) goodness of fit tests, determine if the model being tested should be accepted or rejected. Jaccard and Wan (1996) recommend use of at least three fit tests, one from each of the first three categories below, to reflect diverse criteria. Kline (1998) recommends at least four tests, such as Chi-square, Goodness-of-Fit Index (GFI), Normed Fit Index (NFI), or Comparative Fit Index (CFI), Non-Normed Fit Index (NNFI) and Root Mean Square Residual (RMSR). The other goodness of fit indices that should be reported include Chi-square, Adjusted goodness-of-fit index (AGFI), Tucker-Lewis index (TLI) and Root mean square error of approximation (RMSEA). All the above authors agree that one should report not only goodness-of-fit measures but also should report the structural coefficients so that the strength of paths in the model can be assessed. After reviewing the relevant literature, the researcher reported the following measures of fit indices: CMIN, CMIN/DF, TLI, RMSEA, CFI and NFI. Therefore, the researcher evaluated competing models based on the fit indexes

The Chi-square (CMIN) value should not be significant if there is a good model fit, while a significant chi-square indicates lack of satisfactory model fit. If the model chi-square $< .05$, the model is rejected (Arbuckle, 2011). The Relative chi-square should be in the 2:1 or 3:1 range for an acceptable model. Kline (1998) says 3 or less is acceptable. AMOS 20 lists relative chi-square as CMIN/DF. Both the model Chi square and Relative Chi square were reported in the current study. Arbuckle (2011) observes that

Confirmatory Fit Index (CFI) compares the existing model fit with a null model, which assumes the latent variables in the model are uncorrelated (an independent model). CFI and RMSEA are among the measures least affected by sample size (Fan et al., 1999). CFI varies from 0.00 to 1.00. CFI close to one indicates a very good fit. By convention, CFI should be equal to or greater than 0.90 to accept the model. The Normative Fit Index (NFI) was developed as an alternative to CFI, but one which does require making chi-square assumptions. NFI reflects the proportion by which the researcher's model improves fit compared to the null model. NFI values between 0.90 and 0.95 acceptable and below 0.90 indicates a need to re-specify the model. Tucker-Lewis Index (TLI) is similar to NFI, but penalizes for model complexity (Arbuckle, 2011). It is one of the fit indexes less affected by sample size. TLI close to 1.00 indicates a good fit. By convention, TLI values below 0.90 indicate a need to re-specify the model.

Root Mean Square Error of Approximation (RMSEA) is a discrepancy per degree of freedom. By convention, there is a good model fit if RMSEA is less than or equal to 0.05. There is adequate fit if RMSEA is less than or equal to 0.08. Hu and Bentler (1999) suggest $RMSEA \leq 0.09$ as the cut off for a good model fit. Garson (2012) holds the opinion that a value of about 0.08 or less for the RMSEA would indicate a reasonable error of approximation. Modification Indices (MI) is often used to alter models to achieve better fit, but this must be done carefully and with theoretical justification (Hoyle, 1995). Therefore, the researcher carried out modifications of the model based on theory, not just the magnitude of the MI.

6.6 Conclusion

In this cross-sectional survey design, the researcher incorporated a printed and online survey to collect quantitative data. The primary quantitative data was collected using cross-sectional survey questionnaires and secondary data to generalise the findings. The population of study was limited to the active 4000 NPOs legally registered with NGO Coordination Board in Kenya and had submitted their annual reports for the previous three years. Multistage survey sampling procedure was used to select a sample size of 351 NPOs. A pre-test was used to refine the questionnaire thereafter a cross sectional survey using mailed questionnaire and online survey was used to collect quantitative primary data between November 2011 to February 2012. Descriptive statistical procedures included missing values analysis, assessment of normality, calculating, internal reliability, means, standard deviations, frequencies and percentages to investigate the individual set of observed variables. SEM using IBM SPSS/AMOS 20 software was used to analyse the data involving confirmatory factor analysis and path analysis. The next chapter presents the results of the survey.

CHAPTER 7

CROSS SECTIONAL SURVEY RESULTS

The overall aim of the cross-sectional survey was to investigate the relationships between contingency variables, PM practices and organisational effectiveness. To achieve this aim, quantitative data were collected and analysed to address the following four research questions:

1. Does the proposed model of performance management and organisational effectiveness fit the data?
2. What is the relationship between contingency variables and performance management practices in Kenyan NPOs?
3. What is the linkage between performance management practices and NPO effectiveness in Kenya?
4. What are the mediation effects of PM practices on the relationships between contingency variables and organisational effectiveness?

The descriptive inferential statistics were used to present and summarise the results. The chapter is organised as follows:

- Demographic characteristics of the respondents and the NPOs
- Some descriptive statistics of the main variables
- Missing data analysis
- Confirmatory factor analysis
- Path analysis
- Hypotheses testing
- Summary results for testing the research hypotheses
- Conclusion

7.1 Demographic characteristics of the respondents and NPOs

The overall response was 297 out of 1000 questionnaires giving a response rate of 29%. Data cleaning revealed that 50 questionnaires were more than 50% incomplete. The total number of usable responses was 247 giving a usable response rate of 24%. About 208 respondents (84%) completed the online survey

while 50 (18%) completed the mailed survey. Table 7.1 summarises the demographic characteristics of the sample. The results show that majority of respondents 185 (74%) are male and 62 (25%) of respondents are female. It can be concluded that the Kenyan non-profit sector has not yet reached the World Bank of Millennium Development Goals (MDGs) female representation target of 30% of the workforce. About three quarters of the respondents 190 (77 %) are aged above 36 years indicating that the majority of the non-profit sector leaders are relatively older and above the official UN youth age category. Similarly more than three quarter of the respondents 195 (79%) have a working experience in the sector for over 6 years. Thus, the managers used in the sample are relatively experienced in the non-profit sector. The mature workforce with experience may be due the historical development of the sector, which has been active for the last 25 yrs. Most of the early entities in the sector are registered as civil society organisations. This is because radical graduates from local universities with sole purpose to fight for democratic space at the time established earlier NPOs. However, with the new political dispensation in the recent years these organisations have transformed themselves into VCOs due to donors shift to sustainable development.

From Table 7.1, it can be noted that about 120 (50%) of the managers who responded to the question on education level Indicate they have at least a bachelors degree and above. Furthermore, the educational background of majority of the respondents is social sciences and education (44%). This is true in the non-profit sector as most of the managers who work in the sector start as volunteers and hold qualifications in social sciences, education, or pure sciences. Furthermore, there is no specialist curriculum for non-profit management at the Kenyan higher education system. From Table 7.1 it can be said that about 108 of the respondents (45%) are executive directors and only 15 (6.2%) are from the finance and administration department. This implies that majority of the respondents participate in board meetings and decision making process. There are a few executive board members among the respondents, which is consistent with the field study findings, which indicated that most founders remain as members of the board particularly in national NPOs. The results on demographic characteristics suggests that respondents to this study are conversant with the day to day operations as well as strategic decisions of the NPOs thus they could provide the needed information on PM practices and organisational effectiveness in the sector.

Table 7.1 Demographics of the sample

		N	N %
Gender	Male	185	74.90%
	Female	62	25.10%
	Total	247	
Age	Below 25	8	3.24%
	26 to 35	49	19.84%
	36 to 45	90	36.44%
	46 to 55	58	23.48%
	Over 55	42	17.00%
	Total	247	
Education Qualifications	Masters degree	47	19.67%
	Postgraduate diploma/certificate	22	9.21%
	Bachelors degree	51	21.34%
	Higher national diploma	32	13.39%
	Diploma	59	24.69%
	Certificate	23	9.62%
	Other	5	2.09%
Total	239		
Educational Background	Business management, accounting and finance	64	28.44%
	Social sciences and education studies	101	44.89%
	Natural sciences, engineering and medical	38	16.89%
	Other studies	22	9.78%
	Total	225	
Work Experience	Less than 5 years	52	21.14%
	6 to 10 years	106	43.09%
	11 to 15 years	52	21.14%
	16 to 20 years	20	8.13%
	Over 20 years	16	6.50%
	Total	246	
Position	Chairman	27	11.20%
	Executive director	108	44.81%
	Executive board member	22	9.13%
	Project coordinator/manager	69	28.63%
	Finance and administration	15	6.22%
	Total	241	

Table 7.2 summarises organisational characteristics based on the secondary data obtained from the annual reports of 2010/2011 financial year. The organisational characteristics collected include sectors of operation, assets, funding, costs, number of staff and volunteers, number of training, projects completed and number of collaborations. The results reveal that the NPOs operate in an average of four sectors per organisation with a maximum of 14 sectors reported in some organisations. The maximum number of staff in the sample is 175. The NPOs complete an average of four projects per year. There seems to be a big gap between

NPOs on total assets, income and costs (reported in Kenya Shillings -KSh= Ksh135). While some NPOs receive modest funding, others have enormous budgets. However, a close examination reveal inconsistency between the budget and the number of staff. It was expected NPOs with large budget would have more employees. However, it is not the case in the current sample. Similarly, there is inconsistency between an organisations age and budget. Analysis reveals that some newly registered NPOs have bigger budgets than older NPOs. The researcher sorted clarification from the NGO Coordination Board particularly why some NPOs reported very small amount of income. The research and policy manager confirmed that some NPOs intentionally underestimated their budgets during reporting for unknown reasons.

Table 7.2 Organisational characteristics

	N	Minimum	Maximum	M	SD
Sectors of operation	247	1	14	4.95	3.30
Total assets	247	3,000	153,516,876	6,819,968.49	2.43E7
Donor income	247	10,000	2.E9	3.10E7	2.07E8
Contributions from local community and government	247	1,000	7,440,000	394,994.18	1,290,154.59
Total income	247	1,000	2.E9	2.84E7	1.98E8
Assets	247	1,500	6,238,542	683,061.12	1,610,993.06
Admin costs	247	1,200	104,076,974	3,462,119.70	1.46E7
Project costs	247	15,000	582,847,951	2.35E7	9.43E7
Personal emoluments and benefits	247	20,000	188,387,197	7,464,809.70	2.99E7
Other running costs	247	1,400	135,706,003	4,079,556.20	2.11E7
Total payments	247	0	875,492,122	8,467,335.32	6.61E7
Local staff	247	1	175	11.20	27.58
Foreign staff	247	1	24	4.67	6.54
Foreign staff	247	1	6	2.20	2.17
Local volunteers	247	1	168	9.98	23.74
Foreign volunteers	247	2	2	2.00	.
Total staff and volunteers	247	1	182	16.39	33.05
Trainings	247	0	2	.33	.59
Projects completed	247	0	39	4.73	6.67
Collaborations	247	0	16	1.48	2.29

7.2 Descriptive statistics of the main variables

This section presents some descriptive statistics including frequencies, percentages means and standard deviations to investigate the individual set of observed variables measuring contingency variables, PM practices and organisational effectiveness.

7.2.1 External environment determinant

Table 7.3 presents some descriptive statistics of environment determinants including environmental competitiveness, environmental dynamism and environmental unpredictability.

Table 7.3 External environment determinants

Environmental competitiveness	Very uncompetitive		Moderately competitive		Very competitive		Total						
	N	N %	N	N %	N	N %	N	N %	N	M	SD		
Staff and volunteers	2	.82%	30	12.35%	76	31.28%	87	35.80%	48	19.75%	243	3.61	.97
External funding	4	1.67%	8	3.33%	22	9.17%	45	18.75%	161	67.08%	240	4.46	.91
Technological innovation	3	1.26%	23	9.62%	89	37.24%	86	35.98%	38	15.90%	239	3.56	.91
Local and community resources	6	2.48%	26	10.74%	50	20.66%	78	32.23%	82	33.88%	242	3.84	1.09
Environmental dynamism	Very Rarely		Rarely		Occasionally		Frequently		Very Frequently				
Regulatory and policy environment	11	4.51%	52	21.31%	106	43.44%	61	25.00%	14	5.74%	244	3.06	.93
Social economic environment	5	2.06%	25	10.29%	49	20.16%	108	44.44%	56	23.05%	243	3.76	.99
Political and security environment	22	9.17%	29	12.08%	88	36.67%	69	28.75%	32	13.33%	240	3.25	1.12
Technological environment	12	5.00%	28	11.67%	64	26.67%	88	36.67%	48	20.00%	240	3.55	1.09
Environmental unpredictability	Highly Unpredictable		Unpredictable		Neither predictable or unpredictable		Predictable		Highly Predictable				
Government requirements	4	1.63%	19	7.76%	31	12.65%	132	53.88%	59	24.08%	245	3.91	.91
Donors requirements	3	1.24%	17	7.02%	19	7.85%	99	40.91%	104	42.98%	242	4.17	.94
Beneficiary requirements	3	1.25%	31	12.92%	43	17.92%	109	45.42%	54	22.50%	240	3.75	.99
Public and external groups demands	5	2.06%	31	12.76%	46	18.93%	97	39.92%	64	26.34%	243	3.76	1.05

Although there is *high* environmental competitiveness in the Kenyan non-profit sector, external funding appear to be the most competitive (M=4.46, SD=.91) as a majority 67% of the respondents rated it 'very competitive'. This is followed by competition for local and community resources (M=3.84, SD=1.09), indicating that there is large deviation on this variable across the sample. Technological innovation (M=3.56, SD=.91) appear to be less competitive compared to other aspects of the external environment.

The external environment appear to be *less* dynamic with about 164 (67%) of the respondents indicating social economic environment change frequently (M=3.76, SD=.99) while about 106 (44%) indicate regulatory and policy environment change occasionally (M=3.06, SD=.93). Stakeholders' requirements and demands seem to be relatively predictable with all indicators scoring a mean of above 3.0. About 104 (42.98%) respondents rated donor requirements as highly predictable (M=4.17, SD=.94). Generally, the results in Table 7.3 indicate that the external environment in the Kenyan non-profit sector seems to be competitive, less dynamic and predictable.

7.2.2 Organisational determinants

Table 7.4 presents some descriptive statistics of organisational determinants, which include strategic orientation, organisational structure, technology, organisational culture, organisational leadership and information technology. The participants were asked to rate their NPOs emphasis on aspects of strategic orientation and organisational structure and to indicate their level of agreement to statements reflecting technology, organisational culture, leadership and information technology. The results in Table 7.4 indicate that Kenyan NPOs exhibit diverse organisational characteristics.

The results in Table 7.4 show that five out of the nine indicators of *strategic orientation* of the NPO have a mean of 4.0 and above as follows: external defensiveness (M=4.57, SD=.65), internal defensiveness (M=4.45, SD=.69), futurity (M=4.32, SD=.82), pro-activeness (M=4.18, SD=.89) and analysis (M=4.11, SD=.88). A closer examination reveal that the respondents believe Kenyan NPOs 'always' focus on external defensiveness (64.34%), internal defensiveness (55.97%) and futurity (49.39%).

It is important to note that although the Kenyan NPOs emphasise innovativeness (M=3.96, SD=.94), they appear to be risk-averse with majority of the respondents indicating they 'never' 79 (34 %) or 'rarely' 70 (30.57%) embark on risky projects beyond their mission and focus respectively. Riskiness strategic orientation is ranked low (M=2.28, SD=1.28) indicating huge diversity in the sample.

Table 7.4 Organisational determinants

	Never		Rarely		Sometimes		Most of the time		Always		Total		
	N	N %	N	N %	N	N %	N	N %	N	N %	N	M	SD
Strategic orientation													
Aggressiveness	11	4.55%	32	13.22%	38	15.70%	66	27.27%	95	39.26%	242	3.83	1.21
Analysis	1	.40%	12	4.86%	41	16.60%	99	40.08%	94	38.06%	247	4.11	.88
External defensiveness	0	.00%	3	1.23%	12	4.92%	72	29.51%	157	64.34%	244	4.57	.65
Internal defensiveness	0	.00%	2	.82%	22	9.05%	83	34.16%	136	55.97%	243	4.45	.69
Futurity	1	.41%	11	4.49%	17	6.94%	95	38.78%	121	49.39%	245	4.32	.82
Pro-activeness	0	.00%	13	5.31%	39	15.92%	84	34.29%	109	44.49%	245	4.18	.89
Riskiness	79	34.50%	70	30.57%	41	17.90%	16	6.99%	23	10.04%	229	2.28	1.28
Innovativeness	1	.41%	17	6.94%	56	22.86%	87	35.51%	84	34.29%	245	3.96	.94
Strategic change	14	5.93%	33	13.98%	74	31.36%	64	27.12%	51	21.61%	236	3.44	1.15
Organisational structure													
Degree of decentralization	5	2.03%	7	2.85%	49	19.92%	92	37.40%	93	37.80%	246	4.06	.93
Degree of formalisation	2	.81%	8	3.25%	36	14.63%	76	30.89%	124	50.41%	246	4.27	.89
Degree of stratification	2	.81%	2	.81%	14	5.69%	82	33.33%	146	59.35%	246	4.50	.72
Degree of complexity	5	2.05%	21	8.61%	56	22.95%	82	33.61%	80	32.79%	244	3.86	1.04
		Strongly Disagree		Disagree		Neither Agree nor disagree		Agree		Strongly agree		Total	
Technology													
Technological complexity	4	1.68%	27	11.34%	34	14.29%	126	52.94%	47	19.75%	238	3.78	.95
Task uncertainty (variability)	1	.41%	6	2.46%	8	3.28%	157	64.34%	72	29.51%	244	4.20	.65
Task uncertainty (analysability)	2	.84%	8	3.35%	35	14.64%	139	58.16%	55	23.01%	239	3.99	.77
Technological independencies	3	1.25%	29	12.08%	35	14.58%	121	50.42%	52	21.67%	240	3.79	.96
Organisational culture													
Proactive culture	1	.41%	8	3.28%	35	14.34%	133	54.51%	67	27.46%	244	4.05	.77
Receptive culture	0	.00%	14	5.74%	28	11.48%	124	50.82%	78	31.97%	244	4.09	.81
Soft culture	0	.00%	5	2.06%	11	4.53%	124	51.03%	103	42.39%	243	4.34	.66
Collectivism	0	.00%	5	2.06%	21	8.64%	115	47.33%	102	41.98%	243	4.29	.71
Power decentralization	1	.41%	7	2.87%	26	10.66%	118	48.36%	92	37.70%	244	4.20	.77
Organisational leadership													
Risk taking and proactive leadership	3	1.24%	15	6.20%	21	8.68%	126	52.07%	77	31.82%	242	4.07	.87
Best management practices	5	2.08%	17	7.08%	41	17.08%	124	51.67%	53	22.08%	240	3.85	.92
Management excellence	0	.00%	4	1.68%	21	8.82%	106	44.54%	107	44.96%	238	4.33	.71
Board governance	2	.83%	10	4.15%	22	9.13%	91	37.76%	116	48.13%	241	4.28	.86
Information technology													
Personal computers and laptops	6	2.47%	19	7.82%	44	18.11%	65	26.75%	109	44.86%	243	4.04	1.08
Internet, Web, and email	0	.00%	19	7.85%	44	18.18%	68	28.10%	111	45.87%	242	4.12	.97
Specialised computer softwares	28	11.57%	42	17.36%	65	26.86%	58	23.97%	49	20.25%	242	3.24	1.28
Communication technologies	0	.00%	2	.82%	16	6.56%	73	29.92%	153	62.70%	244	4.55	.66
Management information systems	38	16.10%	36	15.25%	61	25.85%	62	26.27%	39	16.53%	236	3.12	1.31

Among the *organisational structure* variables, the degree of stratification (M=4.50, SD=.72) and the degree of formalisation (M=4.27, SD=.89) are ranked highly with 64% and 56% of the respondents indicating their NPOs 'always' focus on the stratification and formalisation respectively. Degree of decentralisation (M=4.06, SD=.93) is also ranked highly but degree of complexity (M=3.86, SD=1.04) is diverse among the NPOs. Although the respondents agree that the NPOs face task complexity, task uncertainty and task independence, task uncertainty appear more significant measure of *Technology* represented by task variability (M=4.20, SD=.65) and task analysability (M=3.99, SD=.77).

The *organisational culture* variables are ranked as follows: soft culture (M=4.34, SD=.66), collectivism (M=4.29, SD=.71), power decentralisation (M=4.20, SD=.77), receptive culture (M=4.09, SD=.81) and proactive culture (M=4.05, SD=.77). All indicators of organisational culture are significant with a mean 4.0 and above. Over 90% of the respondents agree that organisational culture within the non-profit sector is soft culture; however, the pro-activeness is ranked lowly compared to other indicators of culture.

The results in Table 7.4 reveal that the *organisational leadership* in the Kenyan non-profit sector focus on effective board governance (M= 4.33, SD=.71) and management excellence (M=4.28, SD=.86) while there is less focused on private sector management practices and risk taking and proactive leadership. The participants 'strongly agree' that the management put emphasis on board governance (48%) and management excellence (44%) compared to emphasis on private sector management practices (22%).

On *Information Technology*, it emerged that most NPOs use of personal computers (M=4.04, SD=1.08), Internet and email (M=4.12, SD=.97) and communication technologies (M=4.55, SD=.66) in the completion of their tasks. Table 7.4 indicates that about 62% of the respondents strongly agree that they use communication technologies such as mobile phone and short message service. There seems to be a large deviation regarding utilisation of management information systems (M=3.12, SD=1.31) as results indicate less utilisation in the NPOs with 31% of respondents either disagree or strongly disagree when asked about level of utilisation in the sector.

7.2.3 Performance management practices

The performance management practices are categorised into performance planning, performance measurement and performance context. Participants were asked to indicate their level of agreement with statements reflecting organisational practices related to strategic performance planning. The results are presented in Table 7.5. The qualitative results indicated NPOs utilise various frameworks, hence the respondents were asked to indicate the extent their NPOs use aspects of various performance measurement frameworks, performance indicators, performance targets, data collection tools, rewards and sanctions. The results are presented in Table 7.6. The participants were asked to rank the extent they use information flow channels and performance information in their NPOs and indicate their level of agreement with statements reflecting PMS dynamism and PMS strength and coherence. The results are presented in Table 7.7.

7.2.3.1 Performance planning practices

The results in Table 7.5 indicate that majority of the respondents agree that their NPOs give emphasis on clear identification, specification and communication of mission and vision ($M=4.59$, $SD=.58$), objectives and goals ($M=4.52$, $SD=.62$), core values ($M=4.51$, $SD=.62$), key success factors ($M=4.31$, $SD=.71$) and strategic activities ($M=4.32$, $SD=.69$). The results further indicate that NPOs do extremely well in projects and programs design ($M=4.51$, $SD=.60$) and strategic planning ($M=4.39$, $SD=.66$). Most of the performance planning practices have a mean of 4.0 and above and are similar across the NPOs.

Table 7.5 Performance planning practices

	Strongly Disagree		Disagree		Neither Agree nor disagree		Agree		Strongly agree		Total	
	N	N %	N	N %	N	N %	N	N %	N	N %	N	SD
Performance Planning												
The mission and vision	0	.00%	1	.41%	8	3.27%	82	33.47%	154	62.86%	245	4.59 .58
Core values	0	.00%	3	1.22%	8	3.27%	94	38.37%	140	57.14%	245	4.51 .62
Objectives and goals	0	.00%	3	1.23%	8	3.28%	92	37.70%	141	57.79%	244	4.52 .62
Key success factors	0	.00%	3	1.23%	27	11.07%	106	43.44%	108	44.26%	244	4.31 .71
Strategic Planning excellence	0	.00%	4	1.64%	12	4.92%	113	46.31%	115	47.13%	244	4.39 .66
Projects and programs design	0	.00%	2	.81%	8	3.25%	98	39.84%	138	56.10%	246	4.51 .60
The strategic planning process	1	.41%	21	8.57%	38	15.51%	105	42.86%	80	32.65%	245	3.99 .93
Strategic Activities	0	.00%	5	2.06%	17	7.00%	117	48.15%	104	42.80%	243	4.32 .69

Although, the mission and vision appear the most emphasised with 63% of the respondents strongly agreeing that the mission and vision is well communicated throughout the NPO, only 32% percent of the respondents strongly agree that the strategic planning process (M=4.51, SD=.62) involved stakeholders.

7.2.3.2 *Performance measurement practices*

The results in Table 7.6 indicate that although NPOs utilise various performance measurement frameworks, there is no a single dominant framework. There is a great variation among the sampled NPOs as evidenced by large standard deviations. The results indicate that the most dominant framework is the results based management (M=3.79, SD=1.12) followed by the logical framework (M=3.66, SD=1.12) and the least used framework is the balanced scorecard (M=2.96, SD=1.23). Only 37% of the respondents agree they utilise aspects of the balanced scorecard in comparison to 69% who indicate they use the results based management. The managers were asked to name and rank other frameworks they use and among those listed include performance appraisals, beneficiary audit and external monitoring and evaluation.

Descriptive statistics of *performance indicators*, reported in Table 7.6 show that the Kenyan NPOs utilise financial, project and non-financial performance indicators. Among the project performance indicators domain, significant indicators included outcome/impact indicators (M=4.26, SD=.90), process or activity indicators (M=4.18, SD=.93) input indicators (M=4.14, SD=.89), output indicators (M=4.14, SD=.95). Project domain indicators are ranked highly compared to financial and non-financial domains. Among the financial indicators, administrative costs (M=4.10, SD=1.0), efficiency (M=3.97, SD=1.00) and revenue (M=3.97, SD=1.04), are often used. Under non-financial indicators, effectiveness (M=4.12, SD=.95) and beneficiary satisfaction (4.01, SD=.97) are often used but supply chain flexibility is the least used performance indicator. Similar to PM frameworks, there seems to be a lot of variation in the use of financial and non-financial indicators among the sampled NPOs as evidenced by large standard deviation.

Results regarding use of *performance targets* in the NPOs, suggest that organisational targets (M=4.29, SD=.83) and team targets (M=4.13 SD=.95) are used often compared to individual targets (M=3.99, SD=.98). About 47% of the respondents indicate they used organisational targets 'very often'.

Data collection methods often used appear more interpersonal including interviews and focus group (M=3.98, SD=1.03) and personal conversations (M=3.99, SD=1.03). The results indicate that about 38% of the NPOs use email/ Website self-reporting (M=3.80, SD=1.24) very often, compared to only 24% of the NPOs which use pre-prepared forms and survey questionnaires (M=3.56, SD=1.22) very often. There appears to be variance among the NPOs regarding the preferred data collection methods.

The results in 7.6 indicate that *rewards and sanctions* are rarely used in NPOs. However team rewards (M=3.25, SD=1.15) are occasionally used while termination of projects (M=1.99, SD=1.07) is rarely used in the sample NPOs. Majority the respondents of the respondents indicate NPOs rarely use dismissal and demotions (64%) and termination of projects (72%) as sanctions to poor performance. Again, there seems to be a diversity regarding use of performance rewards and sanctions in the non-profit sector. They further indicate that NPOs often use team rewards (44%) and individual rewards (42%).

7.2.3.3 *PM system context*

On the *information flow systems*, the results in Table 7.7 reveal that NPOs often use traditional feedback systems (M=4.12, SD=.98) with about 42% of the respondents indicating they use traditional channels such as memos, reports, review meetings and 360 feedback tools to communicate information internally and externally. Internal monitoring tools (M=3.80, SD=1.13) such as ERP reports and computerised reports are also often used in the sample NPOs. On the other hand informal channels (M=2.53, SD=1.26) such as staff networks are rarely used in the non-profit sector. Feed forward systems (M=3.53, SD=1.18) are occasionally used in the NPOs.

The results in Table 7.7 indicate that most of the *PMS information use* indicators had a mean of 4.0, ranked as follows: legal annual reporting (M=4.33, SD=.88), accountability and legitimacy (M=4.16, SD=1.01), strategic decision-making (M=4.10, SD=1.00), take corrective action (M=4.03, SD=1.03) and organisational learning (M=4.08, SD=.96). NPO occasionally use performance information to reward staff (M=3.50, SD=1.07). About 51% of the respondents indicate that performance information is very often use information for annual reporting to the Government. With regard to *PMS dynamism* in the non-profit sector seems to be in agreement with the majority (over 80%) of the respondents agreeing that PMS

systems have changed over time ($M=3.76$, $SD=.94$) with a shift towards use of balanced measures ($M=3.93$, $SD=.85$), qualitative measures ($M=3.82$, $SD=.86$) and regular updating of the system ($M=3.94$, $SD=.83$).

Table 7.7 PM system context

	Very rarely		Rarely		Occasionally		Often		Very Often		Total		
	N	N %	N	N %	N	N %	N	N %	N	N %	N	M	SD
Information flow systems													
Traditional feedback systems	5	2.08%	14	5.83%	31	12.92%	87	36.25%	103	42.92%	240	4.12	.98
From ICT-based information	62	26.96%	54	23.48%	66	28.70%	26	11.30%	22	9.57%	230	2.53	1.26
External evaluation reports	6	2.51%	26	10.88%	58	24.27%	89	37.24%	60	25.10%	239	3.72	1.04
Internal monitoring tools	11	4.66%	25	10.59%	36	15.25%	92	38.98%	72	30.51%	236	3.80	1.13
Feed forward systems	18	7.79%	25	10.82%	57	24.68%	78	33.77%	53	22.94%	231	3.53	1.18
PMS information Use													
Strategic decision making	9	3.73%	11	4.56%	23	9.54%	103	42.74%	95	39.42%	241	4.10	1.00
Take corrective action	8	3.32%	15	6.22%	30	12.45%	97	40.25%	91	37.76%	241	4.03	1.03
Organizational learning	7	2.90%	8	3.32%	35	14.52%	99	41.08%	92	38.17%	241	4.08	.96
Accountability and legitimacy	8	3.31%	14	5.79%	17	7.02%	95	39.26%	108	44.63%	242	4.16	1.01
Reward staff	14	5.88%	22	9.24%	76	31.93%	83	34.87%	43	18.07%	238	3.50	1.07
Legal annual reporting	6	2.51%	4	1.67%	17	7.11%	89	37.24%	123	51.46%	239	4.33	.88
PMS dynamism													
PMS change over time	4	1.71%	26	11.11%	35	14.96%	125	53.42%	44	18.80%	234	3.76	.94
Change to qualitative measures	4	1.71%	17	7.26%	36	15.38%	136	58.12%	41	17.52%	234	3.82	.86
Change to balanced measures	3	1.28%	15	6.41%	29	12.39%	135	57.69%	52	22.22%	234	3.93	.85
Regular management review	2	.85%	15	6.38%	30	12.77%	135	57.45%	53	22.55%	235	3.94	.83
PMS strength and Coherence													
Comprehensive and accurate information	2	.86%	13	5.58%	19	8.15%	137	58.80%	62	26.61%	233	4.05	.81
Contribution to organisational performance	1	.43%	7	3.02%	28	12.07%	118	50.86%	78	33.62%	232	4.14	.77
PMS integration with systems	1	.43%	15	6.41%	36	15.38%	115	49.15%	67	28.63%	234	3.99	.86
Clear definition of objectives	1	.43%	8	3.42%	21	8.97%	127	54.27%	77	32.91%	234	4.16	.76
The PMS resource intensiveness	3	1.30%	16	6.96%	35	15.22%	111	48.26%	65	28.26%	230	3.95	.91
The PMS obsession with results	3	1.30%	44	19.05%	58	25.11%	88	38.10%	38	16.45%	231	3.49	1.02
The PMS consideration for welfare and capacity	19	8.26%	83	36.09%	54	23.48%	60	26.09%	14	6.09%	230	2.86	1.09

Finally, the results on *PMS strength and coherence* in Table 7.7 reveal that, the participants agreed that the PMS greatly contributed to clear definition of objectives ($M=4.16$, $SD=.76$), contribution to organisational performance ($M=4.14$, $SD=.77$) and comprehensive and accurate information ($M=4.05$, $SD=.81$) in the NPOs. Although the participants disagreed that the PMS does not consider welfare and capacity of employees ($M=2.86$, $SD=1.09$), majority (55%) of the participants agreed

that PMS systems lead to obsession with results ($M=3.49$, $SD=1.02$). Furthermore, 78% of the respondents indicate that the PM system integrated well with other systems within the NPOs.

7.2.4 Organisational effectiveness

The participants were asked to rank their NPOs performance in the last year based on measures of organisational capacity (activities and processes) and organisational outcomes (outcomes relative to targets). The indicators chosen were representative of the four domains of organisational effectiveness discussed in chapter 3 (see Figure 3.1); namely management effectiveness, project design and implementation, external environment responsiveness and partnerships and networks effectiveness. The results in Table 7.8 summarises the descriptive statistics of each indicator. The results indicate that NPOs perform relatively well on both indicators of capacity and outcome effectiveness.

The indicators of *organisational capacity*, of which the NPOs perform 'above average' include goal/program objectives and activities clarity ($M=4.04$ $SD=.88$) and program resources utilisation ($M=4.01$ $SD=.91$) all associated with program design domain. On the other hand the NPOs perform averagely on resistance to global policy agenda and donor requirements ($M=3.22$ $SD=1.02$) and ability to network and resource mobilisation ($M=3.56$ $SD=1.00$) all associated with external environment responsiveness with a lot of variation among the NPOs sampled. About 20% of the respondents indicate that their NPOs perform below average or very poor on resistance to global policy and donor requirements. About 30% of the respondents rate performance of their NPO as 'very good' on goal/program objectives and activities clarity, program resources utilisation, utilisation of strategic documents and decision-making processes and partnership networking.

On *organisational outcomes*, the results show that the NPOs perform well on achieving donor confidence and reputation indicator ($M=4.08$ $SD=1.10$) and improvement in the service quality to beneficiaries ($M=4.03$ $SD=.88$) both associated with organisational management. About 44% of the respondents indicate their NPOs perform above average on beneficiary satisfaction domain. On the other, hand the NPOs performed averagely on funding diversity and stability ($M=3.17$ $SD=1.09$) and achievement of long-term objectives ($M=3.41$ $SD=.97$). About 29% of the respondents indicate that their NPOs perform below average on funding

diversity and reputation. Similarly about 40% of the NPOs believe they perform averagely on innovativeness domain.

Table 7.8 Organisational effectiveness

Organisational capacity	Very poor		Below Average		Average		Above Average		Very good		Total		
	N	N %	N	N %	N	N %	N	N %	N	N %	N	M	SD
Utilisation of strategic documents	0	.00%	12	5.00%	69	28.75%	81	33.75%	78	32.50%	240	3.94	.90
Overall organisational processes and systems	2	.83%	17	7.02%	78	32.23%	89	36.78%	56	23.14%	242	3.74	.92
Decision making processes	1	.41%	3	1.24%	80	33.06%	81	33.47%	77	31.82%	242	3.95	.86
Goal/program objectives and activities clarity	1	.42%	10	4.17%	53	22.08%	91	37.92%	85	35.42%	240	4.04	.88
Program resources utilisation	2	.83%	9	3.75%	58	24.17%	87	36.25%	84	35.00%	240	4.01	.91
External opportunities and threats	1	.42%	20	8.33%	97	40.42%	82	34.17%	40	16.67%	240	3.58	.88
Network and resource mobilisation	6	2.49%	22	9.13%	93	38.59%	70	29.05%	50	20.75%	241	3.56	1.00
Global policy agenda and donor requirements	12	5.26%	32	14.04%	108	47.37%	46	20.18%	30	13.16%	228	3.22	1.02
External Participation in policies	6	2.55%	20	8.51%	78	33.19%	64	27.23%	67	28.51%	235	3.71	1.05
Partnership strategy design	4	1.71%	11	4.70%	74	31.62%	89	38.03%	56	23.93%	234	3.78	.92
Partnership project implementation	2	.84%	22	9.28%	70	29.54%	89	37.55%	54	22.78%	237	3.72	.95
Partnership networking	3	1.26%	12	5.02%	55	23.01%	97	40.59%	72	30.13%	239	3.93	.92
Organisational outcomes													
Achievement of project targets	3	1.27%	12	5.06%	68	28.69%	94	39.66%	60	25.32%	237	3.83	.91
Beneficiary satisfaction	3	1.26%	8	3.35%	56	23.43%	106	44.35%	66	27.62%	239	3.94	.87
Innovation	8	3.38%	15	6.33%	97	40.93%	78	32.91%	39	16.46%	237	3.53	.95
Achievement short-term objectives	4	1.67%	9	3.77%	81	33.89%	95	39.75%	50	20.92%	239	3.74	.89
Achievement long-term Objectives	8	3.40%	27	11.49%	91	38.72%	78	33.19%	31	13.19%	235	3.41	.97
Donor confidence and reputation	6	2.65%	6	2.65%	53	23.45%	66	29.20%	94	41.59%	226	4.08	1.10
Service quality	4	1.67%	4	1.67%	53	22.18%	98	41.00%	80	33.47%	239	4.03	.88
Funding diversity and stability	12	5.08%	57	24.15%	77	32.63%	60	25.42%	30	12.71%	236	3.17	1.09
Achievement of partnerships targets	6	2.53%	18	7.59%	82	34.60%	88	37.13%	43	18.14%	237	3.61	.95

To conclude the descriptive statistics (Total N column) it can be noted that not all participants responded to the questions, thus some variables had a Total N of less than 247. The next section presents results of missing value analysis in order to determine the impact it has on parameter estimates and inform decision on the best way to handle the missing data problem.

7.3 Missing values analysis

Missing value analysis was carried as recommended by Little and Rubin (2002). The Little MCAR test, the missing values charts, patterns and tables were used to analyse the patterns and extent of missing data. More specifically, location of the missing values, whether pairs of variables have missing values in individual cases and whether data values are extreme. A statistically significant, Little's Missing Completely At Random (MCAR) test ($X^2=18297.42$, $DF = 17337$, $Sig. = .000.$), indicate that the missing data did not occur completely at random. Figure 7.1 shows the overall summary of missing values. The *Variables* chart shows that 127 (99.22%) out of the 128 variables have at least one missing value on a case. The *Cases* chart shows that 160(64.7%) of the 247 cases have at least one missing value on a variable. The *Values* chart shows that 999 (3.1%) of the 31369 values (cases \times variables) are missing.

The missing value patterns chart in Figure 7.2 indicates that there are 144 different patterns with pattern *one* having no missing data while pattern 144 having most missing data on many variables. This dataset is non-monotone as there is pockets of non-missing data in the area expected to be missing thus data imputation was necessary in order to achieve monotonicity. The missing pattern frequencies bar chart in Figure 7.3 indicates that almost 80% of the cases in the data set have pattern *one*. An examination of the missing value patterns chart in the Figure 7.3 indicates that this pattern is for cases with no missing values. The other common missing patterns are either cases missing data on *three* variables and *one* variable.

Although the results show that no variables exceed the recommended maximum, 5% amount of missing data, the missing data is not missing completely at random. Thus, structural equation modelling using direct FIML estimation was used to conduct confirmatory factor analysis of the measurement model. This was followed by estimation of unbiased factor score weight of the composite variables using FIML stochastic regression method to achieve model parsimony due to the large number of parameter estimates in the full model.

Overall Summary of Missing Values

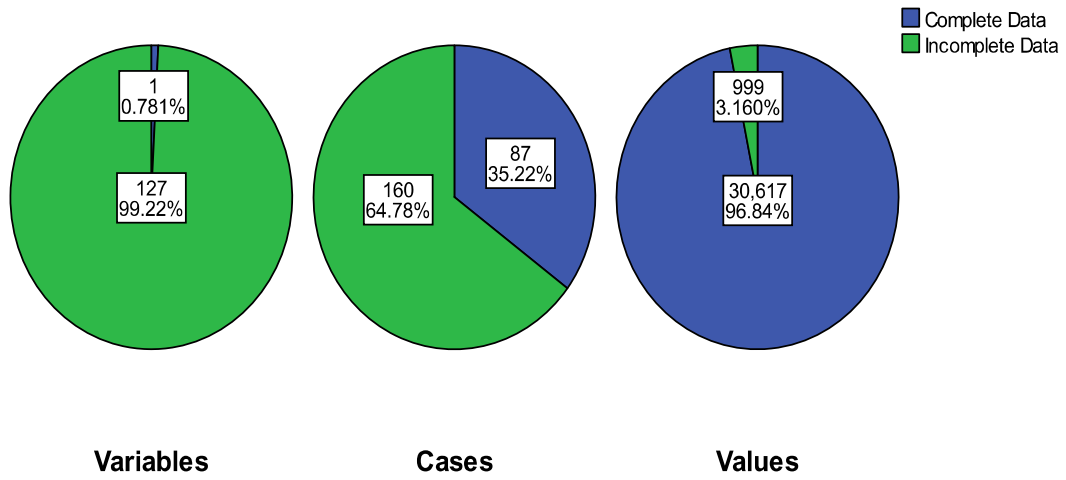


Figure 7.1 Overall summary of missing values

Missing Value Patterns

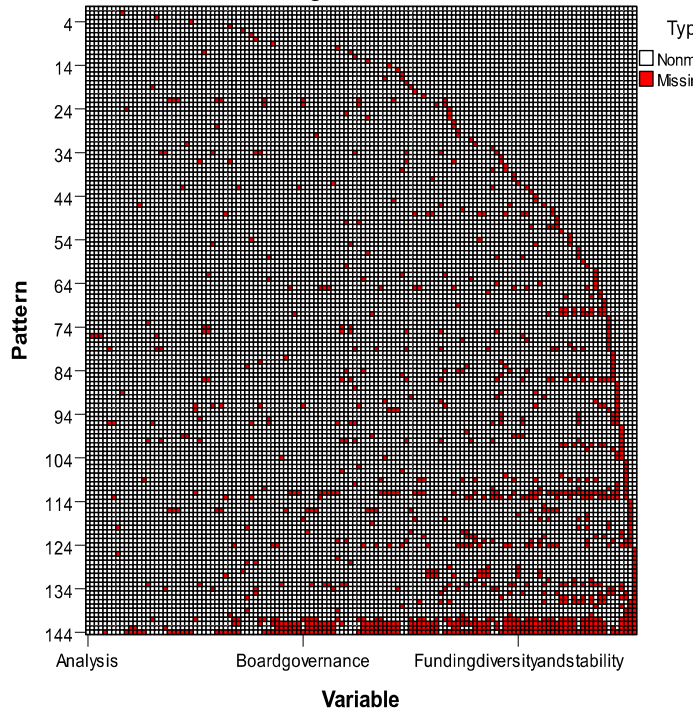
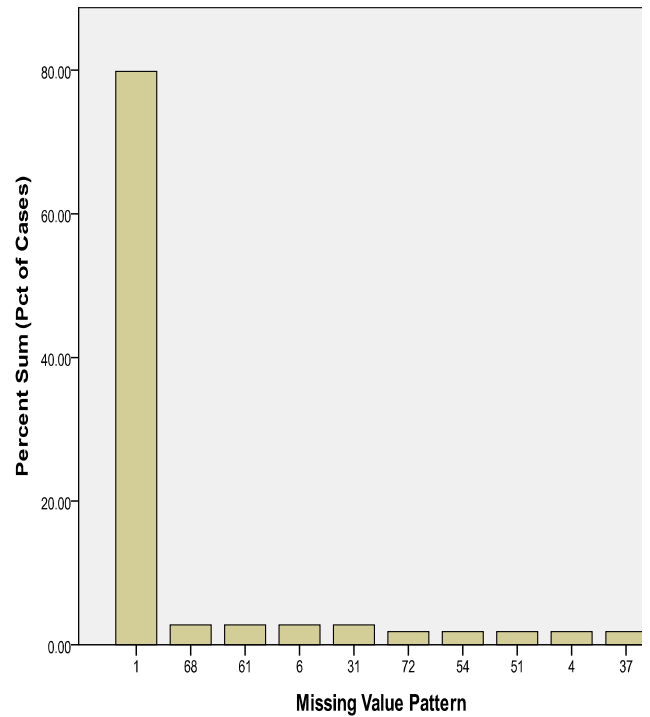


Figure 7.2 Missing value patterns



The 10 most frequently occurring patterns are shown in the chart.

Figure 7.3 Most frequently occurring patterns

7.4 Confirmatory factor analysis

7.4.1 Unidimensionality

First, common factor analysis for each factor was conducted in AMOS to establish the unidimensionality of the constructs as specified in the theoretical framework before the measurement model was specified. As a further refinement, those indicators, which did not load highly on a factor as specified, while cross loading on other factors, were dropped. CFA results indicate that 'performance indicators' construct has three dimensions: *project indicators*, *financial indicators* and *non-financial indicators*. The 'data collection' has two dimensions into *traditional data collection* and *ICT based data collection methods*. Although in the theoretical framework (see Figure 3.1), organisational effectiveness construct has four (4) domains (project design, organisational management, external environment responsiveness and partnerships and networks), CFA results reveal that effectiveness is represented with three (3) unidimensional constructs, which the researcher has labelled *organisational capacity*, *organisational outcomes* and *partnerships effectiveness* similar to Sowa et al., (2004). The final measurement model is composed of 25 latent constructs reflecting unidimensionality assessed for validity and reliability. The overall fit of the model is acceptable, with χ^2 of 3718 (df=2474, $p=0.00$), Relative chi square (χ^2/df ratio) of 1.52, CFI of 0.90, NFI of 0.76 and TLI of 0.90, IFI of 0.90 and RMSEA of 0.05. Based on the above measures of model fit indices, the researcher believed the model is a good fit for the data hence it was accepted without further modifications. The CFI indices for all the 25 latent variables are above the 0.90, which indicates evidence of unidimensionality.

7.4.2 Validity and reliability

The first run of the measurement model show that the squared multiple correlations (SMR) and factor loadings for the majority of the measurement items are greater than 0.40 and 0.70 respectively indicating construct reliability. Evidence of convergent validity is demonstrated as the critical ratio of every item in the measurement model exceeds the 1.96 meaning the measurement items represent their factors significantly (Anderson and Gerbing, 1988). However, a NFI value of 0.76 point to some validity issues as it is below the recommended 0.90 value (Ahire *et al.*, 1996; Bentler and Bonett, 1980). Therefore, a more stringent procedure was employed to assess convergent and discriminant validity of

individual constructs using composite reliability and average variance extracted (Fornell and Larker 1981; Hair *et al.*, 2010). The results are presented in Table 7.9.

The composite reliability of all the constructs is above 0.70 apart from environmental competitiveness, which is 0.64, which demonstrates internal consistency or reliability of the measures. The AVE for environmental competitiveness, structure and strategy are less than 0.50, which indicates validity concerns. Although majority of the constructs have discriminant validity, leadership, strategy and technology constructs have validity concerns, as the square root of their AVE are less than the correlations with one other factor. Therefore, the reader is cautioned of the above validity concerns that may bias the results of this study.

The model reduction was deemed necessary due to the complexity of the model, difficult of running a full structural latent model in SEM and need to include organisational size variable measured by absolute total NPO income. Therefore, the researcher imputed the data to estimate composite factor scores for the latent variables. FIML stochastic regression function was used to estimate composite factor scores for the latent variables from the factor structure presented in Appendix 6. The reliable indicators of each latent variable are summarised in Table 7.10.

Table 7.9 Validity and reliability of the CFA model

	CR	AVE	MSV	ASV	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20	X21	X22	X23	X24	X25					
X1	0.85	0.65	0.47	0.20	0.81																													
X2	0.93	0.76	0.59	0.35	0.47	0.87																												
X3	0.79	0.56	0.27	0.13	0.19	0.45	0.75																											
X4	0.91	0.72	0.56	0.29	0.49	0.75	0.52	0.85																										
X5	0.76	0.61	0.57	0.34	0.46	0.76	0.50	0.68	0.78																									
X6	0.83	0.70	0.53	0.21	0.35	0.58	0.31	0.46	0.48	0.84																								
X7	0.83	0.63	0.60	0.35	0.52	0.75	0.40	0.67	0.66	0.58	0.79																							
X8	0.91	0.62	0.54	0.30	0.40	0.66	0.33	0.69	0.71	0.50	0.73	0.79																						
X9	0.91	0.61	0.58	0.33	0.62	0.69	0.37	0.65	0.60	0.49	0.74	0.64	0.78																					
X10	0.91	0.77	0.60	0.29	0.41	0.67	0.39	0.62	0.68	0.52	0.77	0.61	0.64	0.88																				
X11	0.92	0.79	0.61	0.31	0.44	0.77	0.51	0.68	0.66	0.46	0.73	0.67	0.64	0.72	0.89																			
X12	0.88	0.71	0.61	0.33	0.42	0.77	0.46	0.68	0.75	0.49	0.74	0.72	0.64	0.70	0.78	0.84																		
X13	0.72	0.58	0.28	0.14	0.32	0.42	0.27	0.34	0.44	0.40	0.45	0.41	0.38	0.31	0.34	0.46	0.76																	
X14	0.70	0.53	0.45	0.24	0.35	0.61	0.43	0.43	0.67	0.52	0.60	0.54	0.52	0.63	0.57	0.57	0.43	0.73																
X15	0.78	0.55	0.28	0.11	0.31	0.36	0.22	0.21	0.33	0.36	0.40	0.30	0.39	0.32	0.27	0.36	0.53	0.42	0.74															
X16	0.72	0.46	0.49	0.29	0.46	0.59	0.34	0.50	0.66	0.59	0.67	0.56	0.62	0.58	0.61	0.70	0.49	0.56	0.34	0.68														
X17	0.64	0.49	0.14	0.04	0.07	0.16	0.18	0.17	0.28	0.13	0.24	0.27	0.23	0.10	0.25	0.21	0.21	0.24	-0.01	0.36	0.70													
X18	0.70	0.54	0.14	0.02	0.07	0.08	0.27	0.18	0.17	0.18	0.05	0.11	0.08	0.15	0.12	0.08	0.02	0.15	0.10	0.15	0.37	0.73												
X19	0.81	0.59	0.56	0.28	0.43	0.57	0.40	0.48	0.61	0.73	0.63	0.55	0.53	0.51	0.47	0.56	0.51	0.53	0.46	0.67	0.08	0.13	0.77											
X20	0.85	0.65	0.56	0.30	0.53	0.67	0.43	0.67	0.65	0.49	0.66	0.54	0.67	0.56	0.61	0.59	0.42	0.38	0.24	0.57	0.21	0.24	0.75	0.80										
X21	0.88	0.72	0.52	0.24	0.42	0.61	0.36	0.61	0.58	0.56	0.56	0.55	0.53	0.46	0.47	0.53	0.41	0.42	0.27	0.51	0.15	0.12	0.72	0.68	0.85									
X22	0.78	0.64	0.21	0.10	0.28	0.39	0.19	0.37	0.41	0.13	0.37	0.45	0.37	0.36	0.37	0.39	0.13	0.25	0.06	0.35	0.26	-0.07	0.27	0.38	0.35	0.80								
X23	0.71	0.56	0.62	0.26	0.63	0.59	0.27	0.52	0.60	0.33	0.54	0.48	0.71	0.53	0.66	0.56	0.22	0.49	0.31	0.57	0.15	0.00	0.43	0.55	0.42	0.30	0.75							
X24	0.73	0.40	0.62	0.29	0.66	0.65	0.30	0.47	0.62	0.50	0.60	0.57	0.73	0.51	0.54	0.55	0.36	0.61	0.40	0.64	0.08	0.04	0.54	0.53	0.46	0.36	0.79	0.63						
X25	0.80	0.67	0.58	0.24	0.69	0.61	0.36	0.55	0.49	0.40	0.57	0.54	0.76	0.48	0.48	0.53	0.24	0.31	0.37	0.48	0.05	0.09	0.45	0.59	0.42	0.37	0.65	0.66	0.820					
	X1	Organisational Culture (3 Var)									X10	Project Indicators (3 var)									X18	Environmental Dynamism (2 Var)												
	X2	PMS Information Use (4 Var)									X11	Financial Indicators (3 var)									X19	Organisational Outcomes (3 Var)												
	X3	PMS dynamism (3Var)									X12	Non Financial Indicators (3 var)									X20	Partnership Effectiveness (3 Var)												
	X4	PMS Strength and Coherence (4 Var)									X13	ICT-based Data Collection (2 Var)									X21	Partnership Effectiveness (3 Var)												
	X5	PMS Inform. flow systems(2 Var)									X14	Traditional Data Collection (2 Var)									X22	Environmental Unpredictability (2 Var)												
	X6	Performance Rewards (2 Var)									X15	Information Technology (3Var)									X23	Technology (2 Var)												
	X7	Performance Targets (3 var)									X16	Strategic Orientation (3 var)									X24	Organisational Structure (4 Var)												
	X8	Frameworks (6 Var)									X17	Environmental Competitiveness (2 var)									X25	Organisational Leadership (2 Var)												
	X9	PM Planning (7 var)																																
Composite Reliability ⁸ (CR), > Average Variance Extracted (AVE), >Maximum Shared Squared Variance (MSV), Average Shared Squared Variance (ASV).																																		

⁸ **VALIDITY CONCERNS Discriminant Validity:** The square root of the AVE for Strategy is less than the correlations with Non Financial indicators._The square root of the AVE for Technology is less than the correlations with Organisational structure._The square root of the AVE for Organisational Structure is less than the correlations with Technology. **Convergent Validity:** The AVE for Strategy is less than 0.50.;The AVE for competition is less than 0.50.;The AVE for Structure is less than 0.50. **Reliability:** The CR for competition is less than 0.70.

Table 7.10 Reliable indicators of the latent variables

<p><u>Organisational Determinants</u></p> <p><i>Organisational size</i> Total income</p> <p><i>Strategic Orientation</i> Futurity innovativeness External defensiveness</p> <p><i>Organisational Structure</i> Degree of stratification Degree of decentralization Degree of formalisation Degree of complexity</p> <p><i>Organisational Leadership</i> Board governance Management Excellence</p> <p><i>Organisational Culture</i> Power decentralization Collectivism Soft culture</p> <p><i>Technology</i> Task analysability Task variability</p> <p><i>Information Technology</i> Personal computers and laptops Internet and email Communication technologies</p> <p><u>External Environment</u></p> <p><i>Environmental Competitiveness</i> Technological Innovation Local and community resources</p> <p><i>Environmental Dynamism</i> Political and security environment</p> <p>Social economic environment</p> <p><i>Environmental Unpredictability</i> Public and external groups demands Beneficiary requirements</p>	<p><u>PM Planning</u></p> <p>Strategic Activities Projects and programs design Strategic Planning excellence Key success factors Objectives and goals The mission and vision Core values</p> <p><i>Frameworks</i> Benchmarking tools Outcome management tool Results based management Social return on investment Balanced scorecard Logical Framework</p> <p><u>Performance Measurement</u></p> <p><i>Project Indicators</i> Process indicators Input indicators Output indicators</p> <p><i>Financial Indicators</i> Economy indicators Efficiency indicators Productivity indicators</p> <p><i>Non-Financial Indicators</i> Beneficiary satisfaction Sustainability indicators Innovation indicators</p> <p><i>Traditional Data Collection</i> forms and survey questionnaires Interviews and focus groups</p> <p><i>ICT-based Data Collection</i></p> <p>Telephone interviews Email Website self-reporting</p> <p><i>Performance Targets</i> Team targets Individual targets Organisational targets</p>	<p><i>Performance Rewards</i> Team rewards Individual rewards</p> <p><u>PM System Context</u></p> <p><i>PMS Information flow systems</i> Internal monitoring tools External evaluation reports</p> <p><i>PMS Information Use</i> Accountability and legitimacy Organizational Learning Take corrective action Strategic priorities/decision-making</p> <p><i>PMS dynamism</i> Change to Balanced measures Change to Qualitative Measures PMS change over time</p> <p><i>PMS Strength and Coherence</i> Clear Definition of objectives PMS integration with systems Comprehensive information Contribution to performance</p> <p><u>Organisational effectiveness</u></p> <p><i>Organisational Outcomes</i> Achievement of project targets Innovation Achievement long-term Objectives</p> <p><i>Organisational capacity</i> Decision making processes Program resources utilisation Goal program objectives clarity</p> <p><i>Partnership Effectiveness</i> External Participation in policies Partnership project implementation Partnership strategy design</p>
---	--	--

The field study indicated measures of organisational size in the Kenyan non-profit sector remains unclear. Since the researcher could not access NPOs budgets, thus total income from donors and local community represented organisational size. In this study, strategic orientation was measured on a scale where a higher score on futurity, innovativeness and external defensiveness indicates the NPOs constantly seek close relationships with their stakeholders, constantly innovate their products and processes thus usually they are pioneers and emphasise on long-range planning and focus on long-term view in all decisions. The organisational structure was measured using four aspects (degree of decentralisation, formalisation,

stratification and complexity). a high score on organisational structure indicates that staff and volunteers participate in organisational decision, there is emphasis on formal job descriptions and observation of written rules and regulations, Friendliness and closeness between managers, staff and volunteers, and the NPOs value staff professional training and occupation specialisations. Technology was measured by task variability and analysability with a higher score indicating that there is the variety in the work tasks with something different to do every day and measures of work output are predictable and easy to analyse variations. In this study, organisational leadership was measured by two indicators reflecting the level of micro-involvement, namely management excellence, and board effectiveness; with a higher score indicating the top management emphasise private sector management practices, has an excellent working relationship with the board and the board provides sufficient direction and overall leadership of the NPO. The measures of organisational culture were mainly emphasis on “soft” people oriented culture, collectiveness and power decentralisation where a high score indicates there is atmosphere of cooperation, loyalty and good informal relationships, employees are open to each other, embracing team spirit and togetherness, and work is done on the basis of consensus and participation of employees. Information technology was measured by level of IT application with a higher score indicating higher adoption of Personal computers and laptops, Internet, worldwide Web, Intranet and email, and communication technologies such as mobile telephone and SMS. Environmental competitiveness was measured by the level of competition for technological innovation of products and services as well as community resources among NPOs. Environmental dynamism was measured by frequent changes in social economic aspects and, security and political environment. Environmental unpredictability was measured as the ability for the NPOs to predict stakeholder’s requirements and accountability demands mainly public and external groups demands and beneficiaries.

7.5 Path analysis

Path analysis using FIML was used to estimate unbiased parameter estimates of the structural model in order to test the hypotheses. Three path models were proposed in chapter 3 to test the hypothesised relationships and mediation through PM practices. Model 1 tested for the mediation through performance planning (Figure 7.4); Model 2 tested for the mediation through performance measurement practices (Figure 7.5) and Model 3 tested for the mediation thorough PM system context (Figure 7.6). The correlations among the independent variables (obtained from literature –see section 3.2) are presented in Table 7.11.

Table 7.11 Correlations of independent variables

Correlations		Estimate	S.E.	C.R.	Cor	P Label
Organisational Leadership	<--> Organisational Culture	0.36	0.04	9.06	0.69	***
Information Technology	<--> Organisational Culture	0.06	0.01	5.22	0.34	***
Technology	<--> Organisational Culture	0.14	0.02	8.59	0.65	***
Strategic Orientation	<--> Organisational Culture	0.10	0.01	6.86	0.45	***
Organisational Structure	<--> Organisational Culture	0.25	0.03	8.76	0.66	***
Organisational size	<--> Organisational Culture	0.01	0.03	0.38	0.02	0.70
Information Technology	<--> Organisational Leadership	0.13	0.02	5.89	0.38	***
Technology	<--> Organisational Leadership	0.26	0.03	8.72	0.66	***
Strategic Orientation	<--> Organisational Leadership	0.18	0.03	6.81	0.44	***
Organisational Structure	<--> Organisational Leadership	0.46	0.05	8.82	0.66	***
Organisational size	<--> Organisational Leadership	0.06	0.06	0.94	0.06	0.35
Technology	<--> Information Technology	0.04	0.01	4.63	0.29	***
Strategic Orientation	<--> Information Technology	0.04	0.01	4.74	0.30	***
Organisational Structure	<--> Information Technology	0.10	0.02	6.04	0.38	***
Organisational size	<--> Information Technology	0.06	0.02	2.45	0.16	0.01
Strategic Orientation	<--> Technology	0.08	0.01	7.59	0.51	***
Organisational Structure	<--> Technology	0.22	0.02	9.90	0.79	***
Organisational size	<--> Technology	0.01	0.02	0.36	0.02	0.72
Organisational Structure	<--> Strategic Orientation	0.18	0.02	8.71	0.61	***
Organisational size	<--> Strategic Orientation	-0.01	0.02	-0.36	-0.02	0.72
Organisational size	<--> Organisational Structure	0.03	0.04	0.60	0.04	0.55
Environmental Competitiveness	<--> Environmental Dynamism	0.24	0.05	5.25	0.35	***
Environmental Dynamism	<--> Environmental Unpredictability	-0.03	0.03	-0.85	-0.05	0.40
<i>Environmental Competitiveness</i>	<--> <i>Environmental Unpredictability</i>	<i>0.18</i>	<i>0.04</i>	<i>4.38</i>	<i>0.26</i>	***
Strategic Orientation	<--> Environmental Competitiveness	0.14	0.02	6.28	0.35	***
Strategic Orientation	<--> Environmental Dynamism	0.03	0.02	2.16	0.11	0.03
Strategic Orientation	<--> Environmental Unpredictability	0.10	0.02	5.27	0.32	***
Organisational Structure	<--> Environmental Unpredictability	0.20	0.03	6.30	0.39	***
Organisational Leadership	<--> Environmental Unpredictability	0.22	0.04	5.15	0.31	***
Technology	<--> Environmental Unpredictability	0.08	0.02	4.49	0.27	***
Organisational Culture	<--> Environmental Unpredictability	0.10	0.02	4.49	0.27	***
Information Technology	<--> Environmental Competitiveness	-0.05	0.02	-2.57	-0.13	0.01

The results indicate that organisational size is not correlated with any other independent variables as suggested from literature. However, it is significantly correlated to information technology. The field study indicated measures of organisational size in the Kenyan non-profit sector remains unclear. Participants agreed that the area of operation, staff levels, budget, sources and the amount of funding could not fully define the size and the type of NPO. Furthermore, the field study indicated that NPOs with resources (mostly international and large national NPOs) invested in comprehensive performance management systems. Much of the resources came from external donors and local community. The number of staff was not suitable measures of size as most NPOs in Kenya rely on volunteers with relatively high turnover as indicated in the information collected from annual reports. Since the researcher could not access NPOs budgets, total income from donors and local community was used as a measure of size which could be a weak measure. Contrary to management accounting literature, there seems to be a positive correlation between environmental competitiveness and environmental unpredictability in the Kenyan non-profit sector.

7.5.1 Multivariate outliers, normality and bootstrapping

Assessment for normality and outliers for the three models was carried out in AMOS. Mahalanobis d-squared distances were examined (see Table 7.12), which show 39 potential univariate outlying cases at $p=0.05$. This represents about 15% of the total cases in this study. The assessment of the skewness, kurtosis and Mardia Multivariate normality (MMN) scores for the three models reveal univariate normality is achieved but there are substantial departures from multivariate normality increased as follows Model 1 (MMN=11.07 C.R=4.1), Model 2 (MMN=28.76 C.R=7.8) and Model 3 (MMN=22.77 C.R=7.0). As the data was not normally distributed, the bootstrapping method (with a sample of 2000) was applied in order to correct for the non-normal data (Garson, 2012). The researcher reported bootstrapped parameter estimates and two tailed unbiased significance levels for direct, indirect and total effects as reported in AMOS.

7.12 Outliers

	Case number	Mahalanobis d-squared	p		Case number	Mahalanobis d-squared	p		Case number	Mahalanobis d-squared	p
1	68.00	66.61	**	14	45.00	51.69	**	27	73.00	40.96	0.02
2	19.00	64.21	**	15	11.00	51.24	**	28	53.00	40.79	0.02
3	114.00	63.01	**	16	231.00	50.02	**	29	137.00	40.68	0.03
4	202.00	60.53	**	17	141.00	45.23	0.01	30	241.00	40.53	0.03
5	187.00	59.62	**	18	125.00	44.98	0.01	31	142.00	39.78	0.03
6	55.00	57.72	**	19	156.00	44.90	0.01	32	25.00	39.60	0.03
7	23.00	56.92	**	20	132.00	44.79	0.01	33	75.00	39.36	0.03
8	65.00	55.73	**	21	122.00	43.82	0.01	34	106.00	39.28	0.04
9	139.00	55.05	**	22	222.00	43.56	0.01	35	190.00	39.08	0.04
10	54.00	54.66	**	23	27.00	43.31	0.01	36	232.00	38.96	0.04
11	90.00	53.85	**	24	29.00	43.31	0.01	37	33.00	38.72	0.04
12	97.00	52.87	**	25	51.00	42.62	0.02	38	18.00	38.37	0.04
13	96.00	52.76	**	26	173.00	42.12	0.02	39	42.00	37.17	0.05

7.5.2 Modification indices

Although the parameter estimates obtained from path analysis were similar to those expected in regression, the overall fit indices for the proposed path models suggested that the models did not fit the data. The modification indices reported in AMOS 20 output revealed that correlated residual terms for the dependent variables. After the specification of correlations between disturbance terms of the dependent variables, the overall fit indices for the model are $\chi^2 = 20.14$ (df=13, $p=0.09$), χ^2/df ratio of 1.52, the CFI of 0.99, NFI of 0.99, TLI of 0.97 and RMSEA of 0.05. These values indicate that the model fits the data reasonably well. Thus, research question one of the cross-sectional survey has been addressed by demonstrating that the proposed model of performance management and organisational effectiveness fits the data reasonably well.

7.6 Hypotheses testing

The remaining three main objectives the survey study are:

1. To establish to what extent contingency variables affect performance management practices in non-governmental organisations in Kenya
2. To investigate to what extent performance management practices affect NPOs effectiveness in Kenya
3. To determine the indirect effect of contingency variables on organisational effectiveness through performance management practices

To achieve these objectives a number of hypotheses were put forward to explain the hypothesised relationships between contingency, PM practices and effectiveness variables.

7.6.1 Model 1: Mediation through performance planning (H1)

Structural model 1 was specified to examine the relationship between contingency variables, performance planning and organisational effectiveness. The results are presented in Figure 7.4 and Table 7.13. The results in Table 7.13 indicate that predictor variables (contingency variables) explain the about 71% variation in PM planning practices ($R^2 = 0.71$). Contingency variables and performance planning practices explain 52% variation in organisational capacity, 34 % variation partnerships effectiveness and 41% variation organisational outcomes.

7.6.1.1 *H1a) There is a relationship between contingency variables and performance planning practices.*

This study finds a linkage between several contingency variables and performance planning practices (H1a). The standardised regression weights (Beta) and two tailed significance levels (p) in Table 7.13 indicate that significant predictors of performance planning practices are environmental competitiveness (B=.14, p=.00), organisational leadership (B=.41, p=.00) strategic orientation (B=.16, p=.01) technology (B=.20, p=.00) and information technology (B=.10, p=.01).

7.6.1.2 *H1b) There is a positive relationship between performance planning and organisational effectiveness*

The results in Table 7.13 indicate that performance-planning practices positively predict organisational effectiveness

7.6.1.2.1 *H1bi) Performance planning and organisational capacity*

The standardised regression coefficient (b) for performance planning in Table 7.13 indicate that performance planning (B=.44, p=.00), environmental unpredictability (B=.18, p=.00), environmental dynamism (B=.26, p=.00), organisational leadership (B=.26, p=.00), technology (B=.21, p=.05) and strategic orientation (B=.21, p=.00) positively influence organisational capacity.

7.6.1.2.2 *H1bii) Performance planning and partnership effectiveness*

Performance planning (B=.31, p=.00), environmental unpredictability (B=.23, p=.00) and strategic orientation (B=.24, p=.00) positively predict partnership effectiveness.

7.6.1.2.3 *H1biii) Performance planning and organisational outcomes*

The results indicate that performance planning (B=.18, p=.05) environmental dynamism (B=.13, p=.05), information technology (B=.25, p=.00) and strategic orientation (B=.49, p=.00) positively influence organisational outcomes but environmental competitiveness (B=-.17, p=.05) negatively influence organisational outcomes.

Table 7.13 Contingency variables and performance planning practices (Model 1)

		PM Planning Practices(DV)	
		R ² =0.71	
Contingency Variables (H1a)		Beta	P
Environmental Unpredictability		-0.03	0.44
Environmental Dynamism		-0.03	0.54
Environmental Competitiveness		0.14	**
Organisational Culture		0.01	0.79
Organisational Leadership		0.41	**
Information Technology		0.10	0.01
Technology		0.20	**
Strategic Orientation		0.16	**
Organisational Structure		0.16	0.02
Organisational size		-0.02	0.56

Performance planning Practices and Organisational effectiveness (H1b)

	Organisational Capacity (DV)		Partnership Effectiveness (DV)		Organisational Outcomes (DV)	
	R ² =0.52		R ² =0.34		R ² =0.51	
	Beta	P	Beta	P	Beta	P
PM Planning	0.44	**	0.31	**	0.18	*

Mediation through PM Planning (H1c)

	Organisational Capacity						Partnership Effectiveness						Organisational Outcomes									
	Direct		Indirect		Total		Direct		Indirect		Total		Direct		Indirect		Total					
	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P				
Environmental Unpredictability	0.19	**	-	0.3	0.01	9	0.18	**	0.24	**	0.01	6	0.23	**	0.09	9	-0.01	2	0.08	1		
Environmental Dynamism	0.27	**	-	0.4	0.01	7	0.26	**	0.11	7	0.01	1	0.10	1	0.13	*	-0.01	6	0.13	*		
Environmental Competitiveness	0.11	*	0.06	**	0.05	4	0.11	4	0.04	**	0.07	6	-0.20	**	0.03	*	0.03	*	0.17	*		
Organisational Culture	0.07	1	0.3	0.7	0.07	7	0.10	1	0.2	0.7	0.10	3	0.03	1	0.00	0	0.03	7	0.7	0.6		
Organisational Leadership	0.08	4	0.3	0.18	**	0.26	**	0.11	9	0.13	**	0.02	7	0.03	7	0.07	*	0.11	2	0.8	0.1	
Information Technology	0.05	3	-	0.3	0.04	*	0.01	7	0.04	2	0.03	*	0.07	6	0.23	**	0.02	*	0.25	**		
Technology	0.12	0	0.1	0.09	**	0.21	*	0.10	2	0.06	**	0.16	3	-0.11	7	0.04	*	0.08	3	0.3	0.1	
Technology Strategic Orientation	0.17	*	0.3	0.07	**	0.24	**	0.19	*	0.05	**	0.24	*	0.46	**	0.03	*	0.49	**	0.8	0.5	
Organisational Structure	0.18	*	-	0.5	0.07	*	0.11	6	0.07	4	0.05	*	0.02	3	0.03	5	0.03	*	0.06	2	0.8	0.5
Organisational size	0.02	9	0.5	-	0.5	0.7	0.02	0	0.8	-	0.4	0.9	0.05	5	0.00	1	0.05	8	0.4	0.2		

7.6.1.3 *H1c) Performance planning practices mediates the relationship between contingency variables and organisational effectiveness*

Table 7.13 show indirect effects of contingency variables on organisational effectiveness through performance planning practices. The results indicate that environmental competitiveness, organisational leadership, technology strategic orientation, information technology and organisational structure have as significant positive indirect effect on organisational effectiveness variables though performance planning.

7.6.1.3.1 *H1ci) Contingency variables, performance planning and organisational capacity*

Results in Table 7.13 indicate that performance planning fully mediates the relationship between organisational leadership ($B=.18$, $p=.00$) and organisational capacity as well as technology ($B=.09$, $p=.00$) and organisational capacity. Performance planning partially mediates the relationship between strategic orientation ($B=.07$, $p=.05$) and organisational capacity.

7.6.1.3.2 *H1cii) Contingency variables, performance planning and partnership effectiveness*

Performance planning partially mediates the relationship between strategic orientation ($B=.05$, $p=.05$) and partnership effectiveness.

7.6.1.3.3 *H1ciii) Contingency variables, performance planning and organisational outcomes*

Performance planning partially mediates strategic orientation ($B=.03$, $p=.05$) and organisational outcomes; information technology ($B=.02$, $p=.05$) and organisational outcomes and environmental competitiveness ($B=.03$, $p=.05$) and organisational outcomes.

7.6.2 Model 2: Mediation through performance measurement (Hb)

Model 2 was proposed to examine the relationship between contingency variables, performance measurement and organisational effectiveness (H2). The results are presented in Figure 7.5 and Table 7.14 H2a, H2b and H2c. The results in Table 7.14 indicate that predictor variables (contingency variables) account for about

50% variance in financial indicators, non-financial indicators (53%), project indicators (45%), performance targets (54%), Traditional data collection (49%), ICT-based data collection (47%), and performance rewards (43%). Contingency variables and performance measurement practices explain 64% variation in organisational capacity, 52% in partnerships effectiveness and 71% in organisational outcomes.

7.6.2.1 H2a) *There is a relationship between contingency variables and performance measurement practices.*

7.6.2.1.1 H2ai) *Contingency variables and financial Indicators*

Results in Table 7.14 indicate that environmental unpredictability ($B=.19$, $p=.00$), technology ($B=.57$, $p=.00$) and strategic orientation ($B=.34$, $p=.00$) positively predict use of financial indicators. However, organisational structure ($B=-.22$, $p=.00$) negatively influences use of financial indicators.

7.6.2.1.2 H2aii) *Contingency variables and non-financial indicators*

Results in Table 7.14 illustrate that environmental unpredictability ($B=.16$, $p=.05$), organisational leadership ($B=.15$, $p=.05$), information technology ($B=.13$, $p=.05$) technology ($B=.24$, $p=.05$) strategic orientation ($B=.54$, $p=.00$) positively influences use of non-financial indicators. However, organisational structure ($B=.20$, $p=.05$) negatively influences use of non- financial indicators.

7.6.2.1.3 H2aiii) *Contingency variables and project indicators*

Results in Table 7.14 reveal that environmental unpredictability ($B=.23$, $p=.00$), environmental dynamism ($B=.14$, $p=.05$), information technology ($B=.12$, $p=.05$), technology ($B=.21$, $p=.05$), strategic orientation ($B=.39$, $p=.00$) positively influences use of project indicators. However, environmental competitiveness ($B=-.16$, $p=.05$) is negatively related to use of project indicators.

7.6.2.1.4 H2aiv) *Contingency variables and performance targets*

Results in Table 7.14 reveal that organisational leadership ($B=.41$, $p=.00$), information technology ($B=.41$, $p=.00$) and strategic orientation ($B=.41$, $p=.00$) are positively related to use of performance targets.

7.6.2.1.5 H2av) Contingency variables and traditional data collection tools

Results in Table 7.14 reveal that environmental competitiveness ($B=.12$, $p=.05$), information technology ($B=.20$, $p=.00$), strategic orientation ($B=.15$, $p=.05$) and organisational structure ($B=.55$, $p=.00$), are positively related to use of traditional data collection methods. However, organisational leadership ($B=-.19$, $p=.00$) is negatively related to use of traditional data collection methods.

7.6.2.1.6 H2avi) Contingency variables and ICT-Based data collection tools

Results in Table 7.14 point up that environmental competitiveness ($B=.17$, $p=.05$), organisational culture ($B=.23$, $p=.00$), information technology ($B=.41$, $p=.00$) and strategic orientation ($B=.41$, $p=.00$) are positively related to use of ICT-Based data collection tools. However, environmental unpredictability ($B=-.11$, $p=.05$), environmental dynamism ($B=-.14$, $p=.05$) and technology ($B=-.32$, $p=.00$) negatively predict the use of ICT-based data collection tools.

7.6.2.1.7 H2avii) Contingency variables and performance rewards

Results in Table 7.14 show information technology ($B=.13$, $p=.05$), strategic orientation ($B=.46$, $p=.00$) and organisational structure ($B=.36$, $p=.00$) are positively related to use of performance rewards in NPOs. Environmental unpredictability ($B=-.12$, $p=.05$) and technology ($B=-.29$, $p=.00$) are negatively related to the use of performance rewards in NPOs.

7.6.2.2 H2b) *There is a relationship between performance measurement practices and organisational effectiveness*

7.6.2.2.1 H2bi) Performance measurement and organisational capacity

Results in Table 7.14 reveal that performance targets ($B=.46$, $p=.00$), ICT-Based data collection tools ($B=.27$, $p=.00$) and performance rewards ($B=.16$, $p=.01$) positively predict organisational capacity. Traditional data collection ($B=-.18$, $p=.05$) is negatively related to organisational capacity.

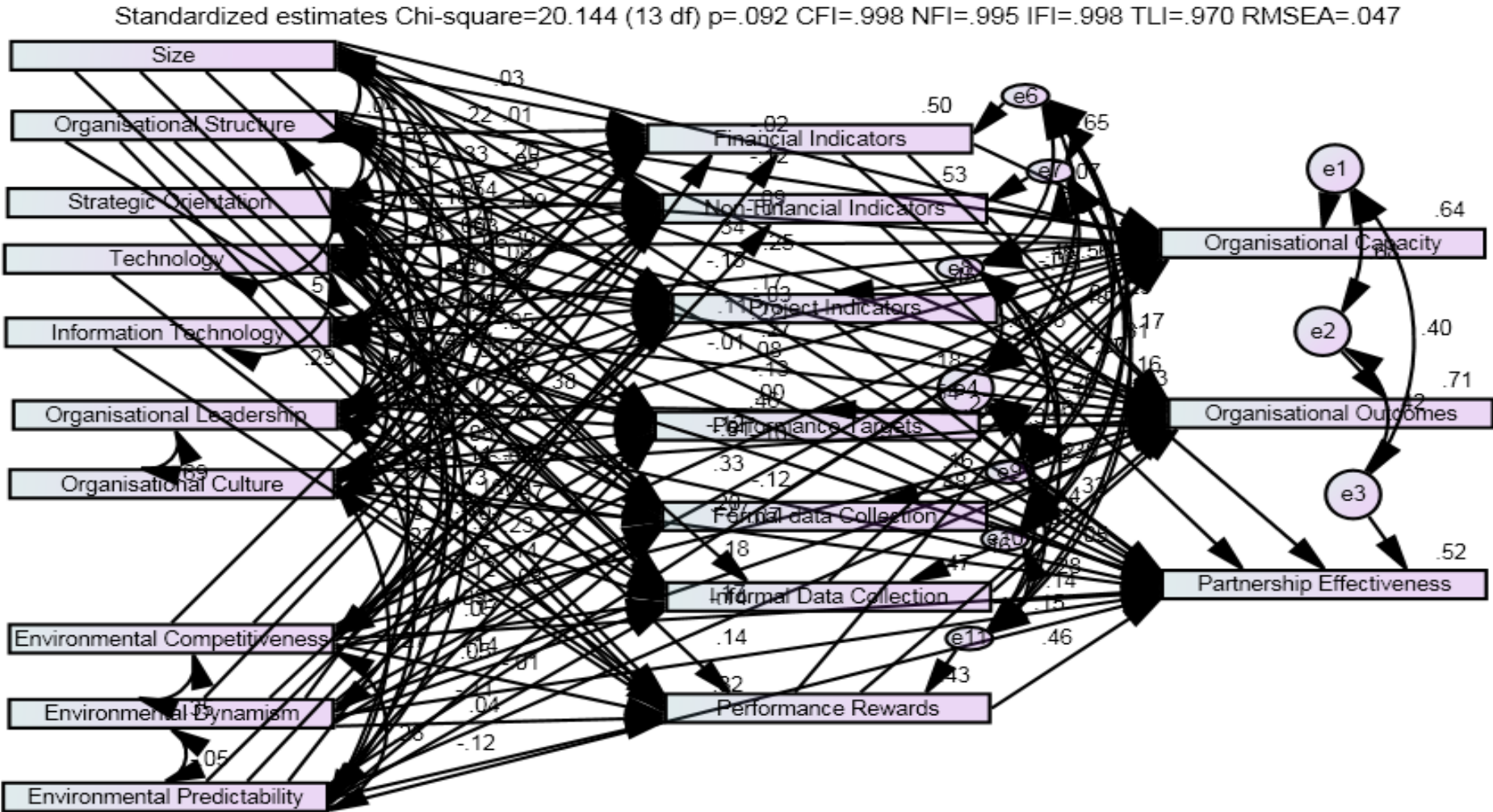


Figure 7.5 SEM results of structural model 2: mediation through performance measurement

7.6.2.2.2 H2bii) Performance measurement and partnership effectiveness

Results in Table 7.14 illustrate that non-financial indicators ($B=.20$, $p=.05$), performance targets ($B=.33$, $p=.00$) and performance rewards ($B=.46$, $p=.00$) positively predict partnership effectiveness.

7.6.2.2.3 H2biii) Performance measurement and organisational outcomes

Results in Table 7.14 show that performance targets ($B=.36$, $p=.00$), traditional data collection ($B=.12$, $p=.05$), ICT-Based data collection tools ($B=.14$, $p=.05$) and performance rewards ($B=.46$, $p=.00$) positively influence organisational outcomes. However, use of project indicators ($B=-.17$, $p=.05$) has a negative influence on organisational outcomes.

7.6.2.3 H2c) Performance measurement practices mediate the relationship between contingency variables and organisational effectiveness

Table 7.14 reveal that environmental unpredictability, environmental dynamism, environmental competitiveness, organisational leadership, information technology, technology, strategic orientation and organisational structure have significant indirect effect on organisational effectiveness through performance measurement practices

7.6.2.3.1 H2ci) Contingency variables, performance measurement and organisational capacity

Results in Table 7.14 indicate that performance measurement fully mediates the relationship between organisational leadership ($B=.15$, $p=.00$) and organisational capacity as well as strategic orientation ($B=.33$, $p=.00$) and organisational capacity. Performance measurement partially mediates the relationship between environmental dynamism ($B=-.08$, $p=.05$) and organisational capacity in addition to technology ($B=-.13$, $p=.05$) and organisational capacity

Table 7.14 Contingency variables and performance measurement practices (Model 2)

Contingency Variables	Financial Indicators		Non Financial Indicators		Project Indicators		Performance Targets		Traditional Data Collection		ICT-based Data Collection		Performance Rewards	
	R ² =0.50		R ² =0.53		R ² =0.45		R ² =0.54		R ² =0.49		R ² =0.47		R ² =0.43	
	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P
Environ. Unpredictability	0.19	**	0.16	*	0.23	**	0.09	0.14	0.05	0.26	-0.11	*	-0.12	*
Environ. Dynamism	0.06	0.28	0.06	0.28	0.14	*	-0.07	0.15	0.05	0.37	-0.14	*	0.05	0.47
Environ Competitiveness	-0.02	0.73	-0.08	0.17	-0.16	*	0.10	0.12	0.12	*	0.17	*	-0.01	0.93
Organisational Culture	-0.02	0.78	-0.04	0.56	-0.01	0.94	0.06	0.43	0.00	0.99	0.23	**	-0.03	0.69
Organisational Leadership	-0.01	0.87	0.15	*	0.09	0.28	0.25	**	-0.19	*	-0.07	0.30	0.14	0.10
Information Technology	0.06	0.29	0.13	*	0.12	*	0.15	**	0.20	**	0.41	**	0.13	*
Technology	0.57	**	0.24	*	0.21	*	-0.05	0.53	0.02	0.81	-0.32	**	-0.29	**
Strategic Orientation	0.34	**	0.54	**	0.39	**	0.38	**	0.15	*	0.38	**	0.46	**
Organisational Structure	-0.22	0.02	-0.20	*	-0.09	0.38	0.08	0.32	0.55	**	0.10	0.34	0.36	**
Organisational size	0.03	0.51	0.01	0.79	0.05	0.24	0.03	0.50	0.04	0.42	0.07	0.13	0.06	0.17

Performance measurement practices	Organisational Capacity		Partnership Effectiveness		Organisational Outcomes	
	Beta	P	Beta	P	Beta	P
Project Indicators	-0.05		0.56		-0.17	*
Non Financial Indicators	0.01		0.93		0.20	
Financial Indicators	0.07		0.44		-0.20	
Performance Targets	0.46	**	**	**	0.33	**
Traditional Data Collection	-0.18	*	*	*	0.05	
ICT-Based Data Collection	0.27	**	**	**	0.14	*
Performance Rewards	0.16	*	*	*	0.46	**

Direct and indirect effects

	Organisational Capacity						Partnership Effectiveness						Organisational Outcomes					
	Direct		Indirect		Total		Direct		Indirect		Total		Direct		Indirect		Total	
	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P	Beta	P
Environmental Unpredictability	0.20	**	-0.02	0.70	0.18	**	0.32	**	-0.09	*	0.23	**	0.17	**	-0.09	*	0.08	0.11
Environmental Dynamism	0.34	**	-0.08	*	0.26	**	0.15	0.01	-0.05	0.24	0.10	0.11	0.18	**	-0.05	0.16	0.13	*
Environmental Competitiveness	-0.13	*	0.07	0.10	-0.05	0.34	-0.14	0.03	0.07	0.14	-0.07	0.36	-0.27	**	0.10	*	-0.17	*
Organisational Culture	-0.01	0.84	0.09	0.06	0.07	0.37	0.07	0.41	0.04	0.42	0.10	0.23	-0.01	0.78	0.04	0.40	0.03	0.67
Organisational Leadership	0.11	0.12	0.15	**	0.26	**	-0.13	0.11	0.14	*	0.02	0.87	**	0.97	0.11	0.07	0.11	0.12
Information Technology	-0.18	**	0.17	**	-0.01	0.87	-0.10	0.11	0.17	**	0.07	0.26	0.08	0.11	0.17	**	0.25	**
Technology	0.34	**	-0.13	*	0.21	0.01	0.46	**	-0.30	**	0.16	0.13	0.22	*	-0.30	**	-0.08	0.33
Strategic Orientation	-0.09	0.22	0.33	**	0.24	**	-0.13	0.13	0.37	**	0.24	*	0.17	**	0.32	**	0.49	**
Organisational Structure	-0.12	0.23	0.01	0.86	-0.11	0.26	-0.28	*	0.25	**	-0.02	0.83	-0.25	*	0.31	**	0.06	0.52
Organisational size	-0.02	0.64	0.03	0.17	0.02	0.70	-0.03	0.47	0.04	0.14	0.00	0.96	0.01	0.86	0.04	0.13	0.05	0.28

7.6.2.3.2 H2cii) Contingency variables, performance measurement and partnership effectiveness

Results in Table 7.14 indicate that performance measurement fully mediates the relationship between organisational strategic orientation ($B=.37$, $p=.00$) and partnership effectiveness. Performance measurement partially mediates the relationship between organisational environmental unpredictability ($B=-.09$, $p=.05$) and partnership effectiveness

7.6.2.3.3 H2ciii) Contingency variables, performance measurement and organisational outcomes

Results in Table 7.14 indicate that performance measurement fully mediates the relationship information technology ($B=.17$, $p=.00$) and organisational outcomes. Performance measurement partially mediates relationship between strategic orientation ($B=.32$, $p=.00$) and organisational outcomes over and above environmental competitiveness ($B=.10$, $p=.00$) and organisational outcomes.

7.6.3 Model 3: Mediation through PM system context (HC)

Model 3 was proposed to examine the relationship between contingency variables, PMS context and organisational effectiveness. The results are presented in Figure 7.6 and Table 7.15. The results indicate that contingency variables explain variation in PMS information flow systems (55%), PMS information use (53%), PMS dynamism (24%) and PMS strength and coherence (44%). Contingency variables and PM system context explain 59% in organisational capacity, 43% in partnerships effectiveness and 57% in organisational outcomes.

7.6.3.1 H3a) There is a relationship between contingency variables and PMS Context

7.6.3.1.1 H3ai) Contingency variables and PMS strength and coherence

Results in Table 7.15 indicate that environmental unpredictability ($B=.18$, $p=.00$), environmental dynamism ($B=.16$, $p=.00$), organisational culture ($B=.16$, $p=.01$), organisational leadership ($B=.24$, $p=.00$), technology ($B=.25$, $p=.01$) and strategic orientation ($B=.28$, $p=.00$) are positively related to PMS strength and coherence. However, organisational structure ($B=-.24$, $p=.00$) negatively influences PMS strength and coherence.

7.6.3.1.2 H3a_{ii}) Contingency variables and PMS dynamism

Results in Table 7.15 reveal that environmental dynamism ($B=.29$, $p=.00$) and organisational leadership ($B=.31$, $p=.00$) positively influences PMS dynamism. However, organisational culture ($B=-.25$, $p=.00$) is negatively related to PMS dynamism.

7.6.3.1.3 H3a_{iii}) Contingency variables and PMS information flow systems

Results in Table 7.15 reveal that environmental unpredictability ($B=.24$, $p=.00$), environmental dynamism ($B=.20$, $p=.00$), information technology ($B=.12$, $p=.05$), technology ($B=.26$, $p=.00$) and strategic orientation ($B=.30$, $p=.00$) are positively related to PMS information flow systems in NPOs.

7.6.3.1.4 H3a_{iv}) Contingency variables and PMS information use

Results in Table 7.15 illustrate that organisational leadership ($B=.31$, $p=.00$), strategic orientation ($B=.26$, $p=.00$) and organisational structure ($B=.23$, $p=.01$) positively influences PMS information use

Standardized estimates Chi-square=20.144 (13 df) p=.092 CFI=.997 NFI=.993 IFI=.997 TLI=.971 RMSEA=.047

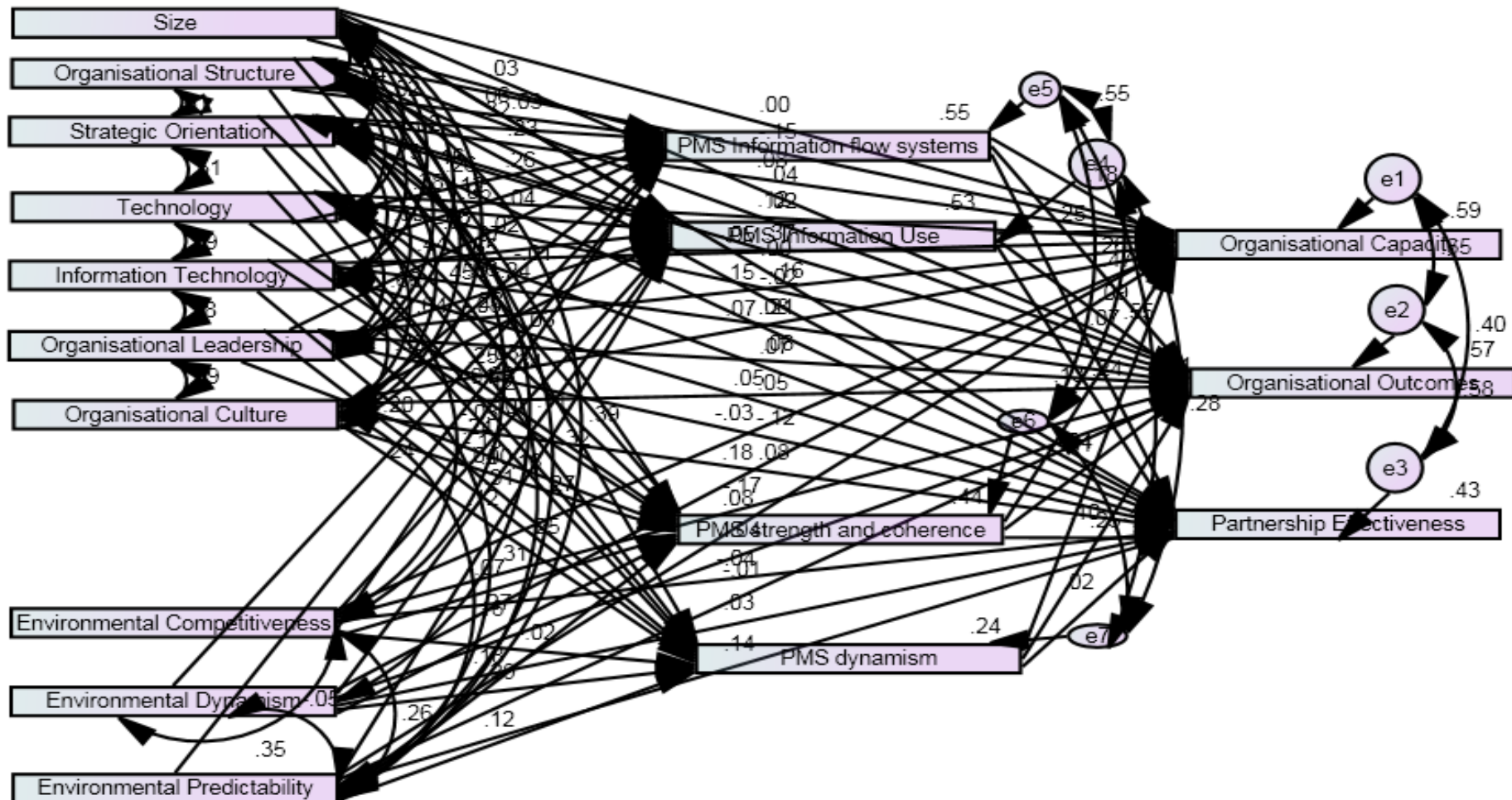


Figure 7.6 SEM results of structural model 3: mediation through PM system context

7.6.3.2 H3b) There is a positive relationship between PMS context and organisational effectiveness

7.6.3.2.1 H3bi) PMS context practices and organisational capacity

Results in Table 7.15 reveal that PMS information flow systems ($B=.18$, $p=.01$) and PMS information use ($B=.25$, $p=.00$) positively influence organisational capacity.

7.6.3.2.2 H3bii) PMS context practices and Partnership effectiveness

Results in Table 7.15 illustrate that PMS strength and coherence ($B=.25$, $p=.01$) and PMS information use ($B=.24$, $p=.01$) positively influence partnership effectiveness.

7.6.3.2.3 H3biii) PMS context practices and Organisational outcomes

Results in Table 7.15 demonstrate that PMS information flow systems ($B=.26$, $p=.01$) positively influence organisational outcomes in NPOs.

7.6.3.3 H3c) PM system context mediates the relationship between contingency variables and organisational effectiveness

Results in Table 7.15 reveal that environmental unpredictability; environmental dynamism, organisational leadership and strategic orientation have significant indirect effect on organisational effectiveness through PM system context practices.

7.6.3.3.1 H3ci) Contingency variables, PMS context practices and organisational capacity

Results in Table 7.15 below indicate that PM system context fully mediates the relationship between strategic orientation ($B=.16$, $p=.00$) and organisational capacity and environmental unpredictability ($B=.10$, $p=.00$) and organisational capacity. PMS context partially mediates the relationship between environmental dynamism ($B=.08$, $p=.05$) and organisational capacity and organisational leadership ($B=.11$, $p=.05$) and organisational capacity.

Table 7.15 Contingency variables and PMS context practices (Model 3)

	PMS Strength and Coherence		PMS dynamism		PMS Information flow systems		PMS Information Use	
	R ² =0.44		R ² =0.24		R ² =0.55		R ² =0.53	
	Beta	P	Beta	P	Beta	P	Beta	P
Environmental Unpredictability	0.18	**	0.12	0.06	0.24	**	0.12	0.07
Environmental Dynamism	0.16	**	0.29	**	0.20	**	0.04	0.40
Environmental Competitiveness	-0.07	0.29	-0.02	0.81	-0.01	0.81	-0.03	0.55
Organisational Culture	0.16	*	-0.25	**	0.06	0.42	-0.08	0.24
Organisational Leadership	0.24	**	0.31	**	-0.07	0.27	0.31	**
Information Technology	-0.03	0.68	0.00	0.97	0.12	*	0.07	0.17
Technology	0.25	*	0.10	0.33	0.26	**	0.04	0.66
Strategic Orientation	0.28	**	0.12	0.17	0.32	**	0.26	**
Organisational Structure	-0.24	**	0.03	0.78	0.06	0.49	0.23	*
Organisational size	-0.01	0.78	0.03	0.68	0.03	0.40	0.03	0.42

Performance management Practices and Organisational effectiveness

	Organisational Capacity		Partnership Effectiveness		Organisational Outcomes	
	R ² =0.59		R ² =0.43		R ² =0.57	
	Beta	P	Beta	P	Beta	P
PMS Strength and Coherence	0.13	0.09	0.25	*	0.01	0.95
PMS dynamism	0.04	0.40	0.02	0.72	0.10	0.06
PMS Information flow systems	0.18	*	0.07	0.56	0.26	*
PMS Information Use	0.25	**	0.24	*	0.09	0.22

H3c Mediation through PMS context Practices (Model 3)

	Organisational Capacity			Partnership Effectiveness			Organisational Outcomes												
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total										
	Beta P	Beta P	Beta P	Beta P	Beta P	Beta P	Beta P	Beta P	Beta P										
Environmental Unpredictability	0.08	0.13	0.10	**	0.18	**	0.14	*	0.09	**	0.23	**	-	0.01	0.95	0.09	**	0.08	0.11
Environmental Dynamism	0.18	**	0.08	*	0.26	**	0.03	0.61	0.07	*	0.10	0.11	0.04	0.42	0.08	**	0.13	*	
Environmental Competitiveness	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Organisational Culture	0.03	0.56	0.02	0.49	0.05	0.34	0.04	0.58	0.03	0.36	0.07	0.36	0.17	0.01	0.01	0.66	0.17	0.01	
Organisational Leadership	0.07	0.29	0.00	0.94	0.07	0.37	0.08	0.33	0.02	0.72	0.10	0.23	0.05	0.51	0.02	0.56	0.03	0.67	
Information Technology	0.15	0.*	0.11	*	0.26	**	0.12	0.16	0.13	*	0.02	0.87	0.06	0.44	0.05	0.27	0.11	0.12	
Technology	-	-	-	-	-	-	0.05	0.42	0.02	0.55	0.07	0.26	0.21	**	0.04	0.13	0.25	**	
Technology Strategic Orientation	0.12	0.15	0.09	0.07	0.21	0.01	0.07	0.46	0.09	0.08	0.16	0.13	0.16	0.07	0.08	*	0.08	0.33	
Organisational Structure	0.08	0.19	0.16	**	0.24	**	0.09	0.33	0.16	**	0.24	*	0.37	**	0.12	**	0.49	**	
Organisational size	-	-	-	-	-	-	0.03	0.83	0.00	0.95	0.02	0.83	0.02	0.89	0.04	0.41	0.06	0.52	
Organisational size	0.00	0.92	0.01	0.49	0.02	0.70	0.00	0.91	0.01	0.72	0.00	0.96	0.04	0.42	0.01	0.38	0.05	0.28	

7.6.3.3.2 H3cii) Contingency variables, PMS context practices and Partnership effectiveness

Results in Table 7.15 indicate that PM system context fully mediates the relationship between strategic orientation ($B=.16$, $p=.00$) and partnership effectiveness. PMS context partially mediates the relationship between organisational environmental unpredictability ($B=.09$, $p=.00$) and partnership effectiveness

7.6.3.3.3 H3ciii) Contingency variables, PMS context practices and organisational outcomes

Results in Table 7.15 indicate that PM system context fully mediates the relationship environmental dynamism ($B=.08$, $p=.00$) and organisational outcomes. Performance measurement partially mediates the relationship between strategic orientation ($B=.12$, $p=.00$) and organisational outcomes.

7.6.4 Mediation effects of performance management practices.

This section summarises the mediation effects of PM practices on contingency variables and organisational effectiveness. In-order to test mediation effects of variable, the relationship between independent variable and dependent variable should be established first. The *total effects* reported in models 1, 2 and 3 reveals that some contingency variables are positively or negatively related to organisational effectiveness domains.

The results in Tables 7.13, 7.15 and 7.15 reveal that environmental unpredictability positively influences organisational capacity ($B=.18$, $p=.00$) and partnership effectiveness ($B=.23$, $p=.00$). Environmental dynamism positively influences organisational capacity ($B=.26$, $p=.00$) and Organisational Outcomes ($B=.13$, $p=.05$). Environmental competitiveness negatively influences Organisational outcomes ($B=-.17$, $p=.05$). Organisational leadership positively predicts Organisational Capacity ($B=.26$, $p=.00$). Information technology positively predicts Organisational outcomes ($B=.25$, $p=.00$). Technology positively predicts Organisational capacity ($B=.21$, $p=.05$). Strategic Orientation positively predicts Organisational capacity ($B=.24$, $p=.00$) Partnership Effectiveness ($B=.24$, $p=.05$) and Organisational outcomes ($B=.49$, $p=.00$). However organisational culture,

organisational structure, organisational size variables do not predict organisational effectiveness.

Although some contingency variables may have *indirect effect* through PM practices, it does not imply there is mediation (Kenny, 2012). There are a number of significant full or partial mediation effects on several variables as summarised in table 7.16. It can be concluded that PM practices mediate the relationship between strategic orientation, technology, leadership, external environment, information technology and organisational effectiveness. However does not mediate the relationship between organisational culture, organisational structure and organisational size and organisational effectiveness

Table 7.16 Summary of Mediation effects of Performance management practices

Performance planning (model 1)	
Performance planning	<i>fully mediates</i> the relationship between
	a) Organisational leadership and organisational capacity
	b) Technology and organisational capacity
Performance planning	<i>partially mediates</i> the relationship between
	d) Strategic orientation and organisational effectiveness domains
	e) Information technology and organisational outcomes
	f) Environmental competitiveness and organisational outcomes
Performance measurement (Model 2)	
Performance measurement	<i>fully mediates</i> the relationship between
	a) Organisational leadership and organisational capacity
	b) Strategic orientation and organisational capacity
	c) Strategic orientation and partnership effectiveness
	d) Information technology and organisational outcomes
Performance measurement	<i>partially mediates</i> the relationship between
	e) Environmental dynamism and organisational capacity
	f) Technology and organisational capacity
	g) Environmental unpredictability and partnership effectiveness
	h) Strategic orientation and organisational outcomes
	i) Environmental competitiveness and organisational outcomes
PMS context(Model 3)	
PMS context	<i>fully mediates</i> the relationship between
	a) Strategic orientation and organisational capacity
	b) Environmental unpredictability and organisational capacity
	c) Strategic orientation and partnership effectiveness
	d) Environmental dynamism and organisational outcomes
PMS context	<i>partially mediates</i> the relationship between
	e) Environmental dynamism and organisational capacity
	f) Organisational leadership and organisational capacity
	g) Environmental unpredictability and partnership effectiveness
	h) Strategic orientation and organisational outcomes

7.7 Summary results for testing the research hypotheses

A test of a statistical hypothesis is a procedure for deciding whether to “accept” or “reject” the hypothesis. In this study, the *research hypotheses* are supported if the two-sided significance level is below or equal to 0.05. The summaries of composite hypotheses are presented below.

Table 7.17 present a summary of accepted and rejected hypotheses put forward to explain the relationships between Contingency variables and performance management practices. The results confirm hypothesised relationships between *environmental unpredictability, organisational structure, strategic orientation, technology, information technology and organisational leadership* and performance management practices hence they are accepted while hypotheses on *organisational size, organisational culture, environmental competitiveness and environmental dynamism* are rejected.

Table 7.18 presents summary of accepted and rejected hypotheses on relationships between performance management practices and organisational effectiveness. The results confirms hypothesised relationships between *Performance planning, practices, performance targets, data collection methods, rewards, PMS information flow system, PMS information use and PMS Strength and coherence* and organisational effectiveness but use of performance indicators and *PMS dynamism* are rejected.

Table 7.19 presents summary of accepted and rejected hypotheses on mediation effects of PM practices on the relationships between contingency variables and organisational effectiveness. First, the results indicate that *environmental unpredictability, environmental dynamism, strategic orientation, technology, information technology and organisational leadership* positively influence organisational effectiveness. However, *environmental competitiveness* is negatively related to organisational outcomes. Organisational culture, organisational structure, organisational sizes do not predict organisational effectiveness. Second, It can be concluded that PM practices mediate the relationship between *strategic orientation, technology, organisational structure, leadership, environmental unpredictability, information technology*. However does not mediate the relationship between *organisational culture, environmental dynamism, environmental competitiveness and organisational size* and organisational effectiveness.

Table 7.17 Contingency variables and performance management practices (Ha)

Hypothesis Ha)	DEPENDENT VARIABLES												
	Model 1	Model 2							Model 3				<i>p=0.05</i>
INDEPENDENT VARIABLES	PM Planning	Project Indicators	Non Financial Indicators	Financial Indicators	Targets	Traditional Data col.	ICT Data col.	Rewards	PMS Infor. Flows systems	PMS Infor. Use	PMS dynamism	PMS Strength	Accept/Reject
Environmental Unpredictability	R	A	A	A	R	R	A	A	A	R	R	A	A
Environmental Dynamism	R	A	R	R	R	R	A	R	A	R	A	A	R
Environmental Competitiveness	A	A	R	R	R	A	A	R	R	R	R	R	R
Organisational Culture	R	R	R	R	R	R	A	R	R	R	A	A	R
Organisational Leadership	A	R	A	R	A	A	R	R	R	A	A	A	A
Information Technology	A	A	A	R	A	A	A	A	A	R	R	R	A
Technology	A	A	A	A	R	R	A	A	A	R	R	A	A
Strategic Orientation	A	A	A	R	A	A	A	A	A	A	R	A	A
Organisational Structure	A	R	A	A	R	A	R	A	R	A	R	A	A
Organisational size	R	R	R	R	R	R	R	R	R	R	R	R	R

Accepted

- There is a positive relationship between **environmental unpredictability** and usage of comprehensive PM practices
- There is a relationship between **organisational structure** and usage of broad PM practices
- There is a positive relationship between **strategic orientation** and usage of comprehensive PM practices
- There is a positive correlation between **organisational leadership** and usage of broad PM practices
- There is a positive relationship between **technology** and usage of comprehensive PM practices
- There is a positive relationship between **information technology** and usage of broad PM practices in NPOs

Rejected

- There is a positive relationship between **organisational size** and usage of broad PM practices
- There is a positive relationship between **organisational culture** and usage of broad PM practices
- There is a relationship between **environmental competitiveness** and usage of broad PM practices
- There is a relationship between **environmental dynamism** and usage of broad PM practices

Table 7.18 Performance management practices and organisational effectiveness (Hb)

Hypothesis Hb)	DEPENDENT VARIABLE			
	Organisational Effectiveness			<i>p=0.05</i>
INDEPENDENT VARIABLES	Organisational Capacity	Partnership Effectiveness	Organisational Outcomes	Accept/Reject
Model 1				
PM Planning	A	A	A	A
Model 2				
Project Indicators	R	R	A	R
Non Financial Indicators	R	A	R	R
Financial Indicators	R	R	R	R
Performance Targets	A	A	A	A
Formal Data Collection	A	R	A	A
Informal Data Collection	A	R	A	A
Performance Rewards	A	A	A	A
Model 3				
PMS Strength and Coherence	R	A	R	A
PMS dynamism	R	R	R	R
PMS Information flow systems	A	R	A	A
PMS Information Use	A	A	R	A

Accepted

- There is a positive relationship between **performance planning practices** and organisational effectiveness domains
- There is a positive relationship between **performance targets** and organisational effectiveness domains
- There is a positive relationship between **data collection methods** and organisational effectiveness domains
- There is a positive relationship use of **rewards** and organisational effectiveness domains
- There is a positive relationship between **PMS information flow system** and organisational effectiveness
- There is a positive relationship between **PMS information use** and organisational effectiveness
- There is a positive relationship between **PMS Strength and coherence** and organisational effectiveness

Rejected

- There is a relationship between **use of performance indicators** and organisational effectiveness domains
- There is a positive relationship between **PMS dynamism** and organisational effectiveness

Table 7.19 Mediation effects of PM practices on contingency variables and organisational effectiveness (Hc)

Hypothesis Hc)	DEPENDENT VARIABLES									
	Performance Planning(Model 1)			Performance Measurement(Model 2)			PM system context (Model 3)			<i>p=0.05</i>
INDEPENDENT VARIABLES	Organisational Capacity	Partnership Effectiveness	Organisational Outcomes	Organisational Capacity	Partnership Effectiveness	Organisational Outcomes	Organisational Capacity	Partnership Effectiveness	Organisational Outcomes	Accept/Reject
Environ Unpredictability	R	R	R	R	A	A	A	A	A	A
Environ. Dynamism	R	R	R	A	R	R	A	A	A	R
Environ. Competitiveness	A	A	A	R	R	A	R	R	R	R
Organisational Culture	R	R	R	R	R	R	R	R	R	R
Organisational Leadership	A	A	A	A	A	R	A	A	R	A
Information Technology	R	A	A	A	A	A	R	R	R	A
Technology	A	A	R	A	A	A	R	R	A	A
Strategic Orientation	A	A	A	A	A	A	A	A	A	A
Organisational Structure	A	A	A	R	A	A	R	R	R	A
Organisational size	R	R	R	R	R	R	R	R	R	R

Accepted

PM practices mediates the relationship between

- *Environmental unpredictability and organisational effectiveness*
- *organisational structure and organisational effectiveness*
- *Strategic orientation and organisational effectiveness*
- *Organisational leadership and organisational effectiveness*
- *Technology and organisational effectiveness*
- *Information technology and organisational effectiveness*

Rejected

- *Organisational culture and organisational effectiveness*
- *Environmental competitiveness and organisational effectiveness*
- *Environmental dynamism and organisational effectiveness*
- *Organisational size and organisational effectiveness*

Accepted

- *Performance planning practices mediates the relationship between some contingency variables and organisational effectiveness*
- *Performance measurement practices mediates the relationship between some contingency variables and organisational effectiveness*
- *PM system context practices mediates the relationship between some contingency variables and organisational effectiveness*

7.8 Conclusion

The current study aimed at investigating the relationships between contingency variables, PM practices and organisational effectiveness simultaneously. The purpose of the survey was not to infer causality rather to develop a model fit of contingency variables and PM practices that can predict organisational effectiveness. Among the contingency variables, strategic orientation was found to be significantly related to comprehensive PM practices in the Kenyan NPOs. However, organisational size was not significantly related to PM practices. Performance planning, performance targets and performance rewards significantly predict organisational effectiveness in the non-profit sector. PM practices mediate relationships between organisational effectiveness and strategic orientation, technology, leadership, information technology, environmental unpredictability, Environmental dynamism and environmental competitiveness, the Kenyan non-profit sector. The next chapter discusses the results of the study.

CHAPTER 8

DISCUSSION

The aim of this study was to propose and validate a model that explains relationships between contingency variables, PM practices and organisational effectiveness. A preliminary field study was utilised to understand NPO leaders' perceptions on key study variables as well as the research context. A cross-sectional survey was adopted to test the hypothesised relationships using the structural equation modelling approach. The objectives of the study are:

1. To identify the current performance management practices in NPOs in Kenya.
2. To examine the linkage between contingency variables and performance management practices in NPOs in Kenya.
3. To investigate to what extent performance management practices affect organisational effectiveness in NPOs
4. To validate a structural model that explains how performance management practices affect organisational effectiveness in the Kenyan non-profit sector

To achieve the above objectives the following five research questions have been addressed:

1. How do NPO leaders define and understand non-profit sector characteristics and organisational effectiveness? **RQ1**
2. How do NPO leaders define performance measurement and what are the current performance management practices of NPOs in Kenya? **RQ2**
3. Does the proposed model of contingency variables, performance management practices and organisational effectiveness fit the data? **RQ3**
4. What is the relationship between contingency variables and performance management practices in Kenyan NPOs? **RQ4**

5. What is the linkage between performance management practices and organisational effectiveness of NPOs in Kenya? **RQ5**
6. What are the mediation effects of performance management practices on the relationships between contingency variables and organisational effectiveness? **RQ6**

The field study addressed RQ1 and RQ2, while RQ3, RQ4, RQ5 and RQ6 were addressed by the cross-sectional survey. This chapter will discuss the results in view of the research questions, previous studies and implications for the practice. The chapter is organised as follows:

- Current performance management practices in NPOs
- Linkage between contingency variables and PM practices
- Relationships between PM practices and organisational effectiveness
- Mediation effects of PM practices in the non-profit sector
- Conclusions

8.1 Current performance management practices in the Kenyan non-profit sector

The field study explored the definitions and relationship between the non-profit sector characteristics, PM practices, determinants, challenges and benefits of performance management in Kenyan NPOs. The field study findings reveal that NPO entities in Kenya have multiple characteristics that lead to complex organisational entities, which in turn influence PM practices. As there are varying levels of adoption of formal PM systems within the NPOs, performance management could be categorised into the following: performance planning, performance measurement and performance context. Under performance planning, there is a great diversity in strategies and plans; and the concept of *core values* emerged as the key to NPO sector success. Performance measurement practices reveal that the logical framework is widely used among the NPOs with a focus on output and financial indicators and targets. Analysing the performance measurement practices within the NPOs, the researcher uncovered a close linkage between the emphasis on measurement of achievement objectives and the use of logical frameworks, which leads to focusing on output and financial indicators and targets in the NPOs. This may be due to the constraints that NPOs face in collecting qualitative data.

Rewards for excellent performance are not clear, but the penalties for poor performance are. The use of team-based performance targets were related to team-based rewards systems in the NPOs. The PM system context indicated that NPOs use performance information to track past performance and shape future actions. Although the PM systems have changed over time, the actual implementation seems to be limited.

8.1.1 NPO characteristics and performance management practices

The field study revealed diversity in the Kenyan non-profit sector in terms of ownership, activity, service sector, structure, form and scope. Kenyan NPOs are not organised by activity (relief, advocacy, or development) or service sector (such as health, education, agriculture), as suggested by previous studies (Ritchie and Kolodinsky, 2003; Thomson, 2010; Beamon and Balcik, 2008; Taylor et al., 2009). Instead, NPOs are organised along the lines of ownership (international or national), structure (centralised or decentralised), scope (CBOs, Social enterprises, or VCOs) and organisational form (unitary or coalition).

The changing nature of the definition of the sector reflects the increased scope of NPOs' work from relief to sustainable development systems as Liston (2008) and Korten (1987) have mentioned earlier. Most advocacy Kenyan NPOs widened their focus to include development due to the historic, democratic elections of 2002 in which most civil society leaders joined the government (Shivji, 2007). NPO characteristics influence the organisational structure, strategies, stakeholders' authority, demands for accountability, amount of funding available, staff, resources and leadership, which has practical implications for PM practices and effectiveness of the sector. The intricacy of the Kenyan non-profit sector makes it difficult to form typologies based on these characteristics, contrary to previous studies recommendations (see Ritchie and Kolodinsky 2003). It is believed that national NPOs lack the capacity and effective governance systems to measure performance. Thus, they are required to provide more performance data to demonstrate their relevance, not only to the government, but also to the funders. On the other hand, international NPOs have the capacity, knowledge, resources and organisational structures to effectively adopt and implement broad PM frameworks (Shivji, 2007; Mueller et al., 2006). Although several studies from developed countries (Thomson 2010; Carman 2007) have found differences in performance measurements among NPO types and service sectors, this study revealed that there were no performance

measurement variations between national and international NPOs, nor were there variations based on different service sectors or due to NPOs operating across multiple sectors. In Kenya some national NPOs have formal systems while some international NPOs do not have. A close examination of the characteristics of NPOs with formal systems indicates that they are large; decentralised; with a number of partners and donors; and their work involves relief, supply chain and logistic dimensions in arid and semi-arid areas.

PM systems in different countries can be rooted in contrasting social systems and culture (Clarkson et al., 2010). Developing countries tend to have a lower human development index, higher population growth and lower levels of income and industrialisation (Mimba et al., 2007). These features tend to affect the characteristics and operation of the public and third sectors in developing countries (Ohemeng, 2009). Kenyan NPOs are diversified due to institutional, financial and program sustainability problems as well as because of incoherent and ineffective regulation, unpredictable funding and donor dependency (NGO Coordination Board, 2010). Thus, the adoption and implementation of PM systems should be cognisant of culture-specific structural and contextual characteristics.

8.1.2 Organisational effectiveness

The field study findings revealed that NPO managers recognised broad effectiveness domains similar to Lecy et al. (2011); however, when asked to give specific examples, they emphasised the achievement of objectives and public perception, which reflect an emphasis on goal attainment and reputational approaches respectively. The key effectiveness domains were organisational management, project design and implementation, networks and partnerships. Although NPOs value the above domains, they emphasise achievement of project objectives/targets. This may be due to NPOs' reliance on external funders (Shivji 2007). Furthermore, research indicates that measurement of multiple domains may be difficult for non-profits due to information overload and a lack of resources and experience in implementing broad PM systems (Moxham, 2009; LeRoux and Wright, 2010). It is interesting to note that despite the diversity in the sector, the understanding of NPO effectiveness dimensions remained similar across the organisations studied. Although the NPOs recognised broad effectiveness domains and related performance planning activities, performance measurement practices were

narrowly focused on quantitative objectives and targets. This may be attributable to the limited resources available to NPOs operating in developing countries.

NPO effectiveness is a multidimensional construct incorporating organisational capacity and outcomes (Sowa et al., 2004). The quantitative results indicate that when it comes to organisational capacity the NPOs performed well on goal/program objectives, activities clarity and program resources utilisation, all of which are categories associated with the program design domain. On the other hand, the NPOs performed poorly on areas such as resistance to global policy agenda, donor requirements, ability to network and resource mobilisation, all of which are associated with external environment responsiveness and which demonstrated a lot of variation among the NPOs sampled. The NPOs performed relatively well on utilisation of strategic documents, decision-making processes and partnership networking measures. On organisational outcomes, the results show that the NPOs performed well on achieving donor confidence and reputation, improvement in the service quality to beneficiaries and on beneficiary satisfaction associated with organisational management domain. On the other hand, the NPOs performed poorly on funding diversity and stability, achievement of long-term objectives and innovation measures.

The possible linkage of actions and programs to the mission and vision through use of results based frameworks could explain the above findings. The frameworks presently used in the sector give emphasis resource utilisation and objectives clarity. Kenyan NPOs may not be able to resist global trends and donor requirements due to over-reliance on international donors who impose their own policies and conditions. The NPOs were more effective in achievement of donor confidence and service quality to beneficiaries' domains due to the primary importance of these two stakeholders groups to the NGOs sustainability. The Kenyan NPOs' aim to build good reputations with stakeholders because the donors provide the funding, while the beneficiaries are essential to program evaluation and providing feedback to the funder. Donors use the performance information to determine continued future funding. However, Kenyan NPOs appear to be struggling to achieve funding diversity and long-term outcomes and objectives. The issue of asymmetric information has been widely discussed in the accounting literature where it refers to there being unbalanced, scarce, or incomplete information available to both the organisational actors and external stakeholders. Since NPOs do not distribute profits to owners, donors fund 'trustworthy' NPOs, as

fundlers may not adequately monitor the quantity and quality of the project outcomes (Kendall and Knapp, 2000). The success of most NPOs depends largely on trust built among the multiple stakeholders. This affects the overall control systems used in the sector, as it is largely dependent on trust rather than accounting principles.

From the above discussion, one can see that there is a linkage between PM practices within NPOs and the definition of NPO effectiveness. NPO characteristics influence the PM practices. Performance-planning practices are widely defined across the NPOs, but they are not translated into performance measurements in those same NPOs. Although performance planning practices reflect the NPOs intrinsic and multidimensional outcomes, performance measurement practices reflect the narrow focus of PM frameworks. Thus, this leads to narrow measurements of organisational effectiveness. The NPOs' focus on goal attainment and reputation among the NPOs is further reflected in the understanding of organisational effectiveness and related examples. Although managers understand organisational effectiveness as a multidimensional concept, the actual measurement focuses on goal attainment and reputation. Clearly, there seems to be a link between PM practices in the NPOs and an understanding of organisational effectiveness as depicted in Figure 8.1.

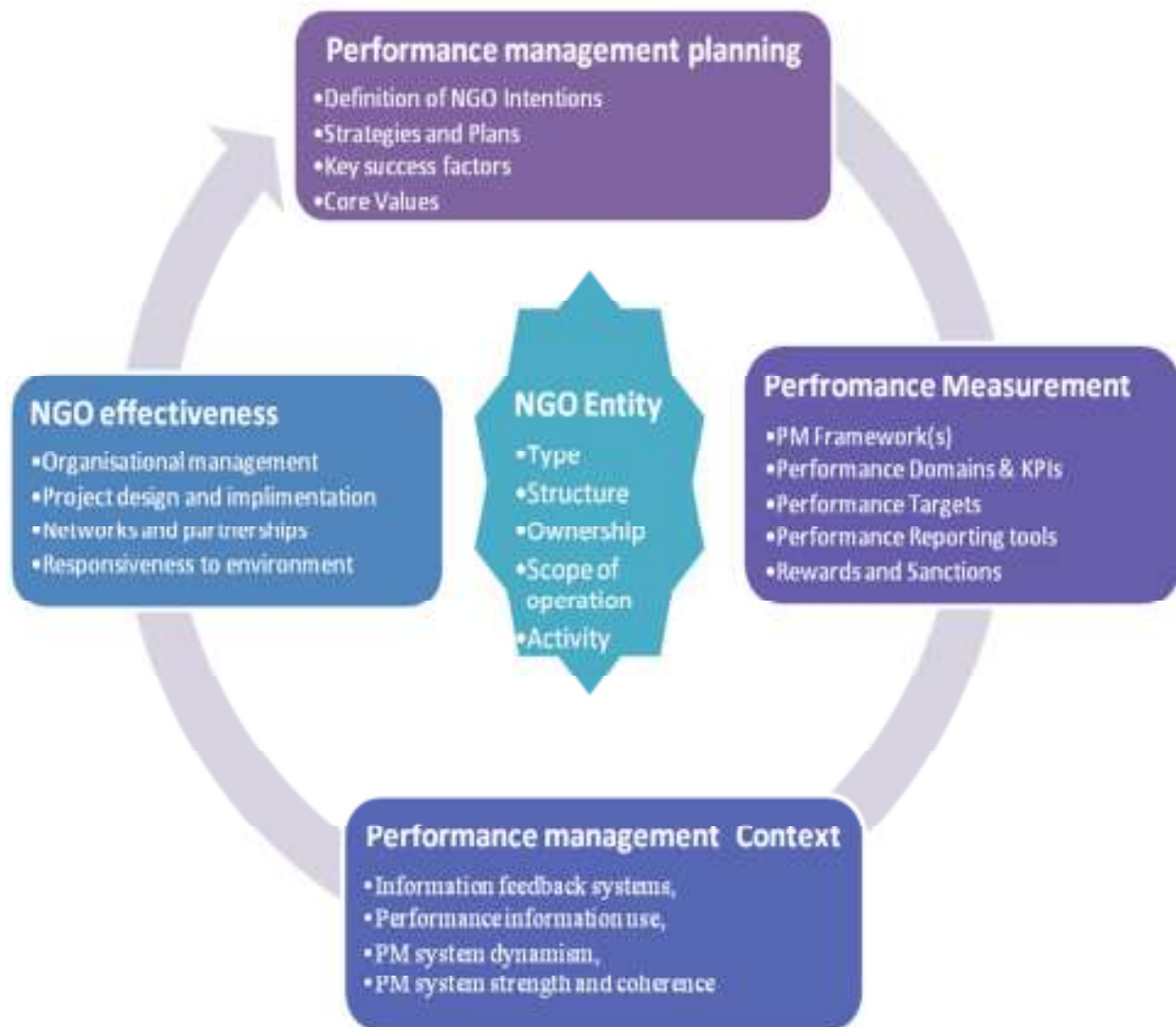


Figure 8.1 Performance management and organisational effectiveness

8.1.3 Performance measurement frameworks

There are varying levels of adoption of formal frameworks within the Kenyan non-profit sector. Although NPOs utilise diverse measurement frameworks the most dominant framework is the logical framework (see Table 5.7). NPOs mostly use the logical framework to measure performance and as a consequence they focus mainly on output indicators, quantitative objectives and targets. Some of the NPOs use multidimensional PM frameworks such as the balanced scorecard or the Social Return on Investment (SROI), contrary to Carman's (2007) findings. Similar findings were reported in the cross-sectional survey, which revealed that there was no single dominant framework as there was great variation among the sample

NPOs as evidenced by large standard deviations (see Table 7.5); however, using the logical framework and results based management were ranked highly. The frameworks could be sorted into the following categories: multi-dimensional, program specific and staff performance appraisal frameworks. The frameworks vary depending on the theoretical perspective used. The program specific frameworks originate from non-profit and international development literature the staff specific frameworks originate from human resource studies and the multidimensional models are adapted from accounting and business management perspectives.

This diversity in the use of frameworks may be due to the broad nature of NPO missions, objectives strategies and plans. Similar to previous studies, this study reported low utilisation of the balanced scorecard framework within the non-profit sector compared to the use of logical frameworks or results based management. This study confirms Moxham's (2009) assertion that there is low penetration of formal frameworks in the non-profit sector. Although NPOs claim to have diverse performance measures, formal assessments of performance and utilisation of multi-dimensional frameworks were less frequent (Carman, 2007; Thomson, 2010). Performance measurement frameworks and performance feedback systems were underdeveloped as the NPOs lack experience in utilising such tools as well as resources constraints, lack of reporting guidelines, varying project complexity and dependence on public funding and client's needs (Moxham and Boaden, 2007). While NPOs can use both formal and informal processes in measuring performance, formal assessments should be preferred against informal to keep records of performance data.

The logical frameworks and the results based management frameworks have been fronted by international development agencies such as the UK Department for International Development (DFID), the U.S. Agency for International Development (USAID) and UNDP as the most appropriate performance measurement tools. These particular frameworks suffer from their inability to capture the overall organisational effectiveness as they focus on project design and implementation, as earlier discussed.

In the non-profit sector the primary responsibility of monitoring and collecting performance data rests with internal staff who are using limited internal income. The donors prefer and fund external evaluation of NPOs performance on project implementation linked to project funding. The prevalent practice in the Kenyan

non-profit sector is that the funders do not provide separate funds for developing internal performance measurement systems. However, they contract external monitoring and evaluation consultants to carry out baseline surveys, formative evaluations and mid-term and summative evaluations. This evaluation process is further complicated where an NPO implements two or more projects backed by different funders. Each project is evaluated differently based on the indicators preferred by the specific funder. These findings call attention to the question about the role of funders' requirements and the provision of funding for data collection, as broached earlier by Thomson (2010). This may explain the low adoption of comprehensive PM systems among Kenyan NPOs. Kenyan NPOs use staff performance appraisal frameworks, usually associated with the private sector, such as performance contracting, Personal Development Review Tool (PDR) and 360 Degree Feedback. This is particularly prevalent in international NPOs. These frameworks not only assist managers in the appraisal of past performance, but also set forth job related expectations, development goals, resources needed and reward systems (Behn and Kant, 1999; Smith and Lipsky, 1995). Performance contracting is preferred by international development agencies, having recently been adopted in the Kenyan public sector hence may be more suitable in partnership programs and time-bound projects. The PDR emphasises formal and informal learning and training (Magnussen, 1997; Rughani, 2001) which is more important in NPOs due to their dependence on social capital. It is argued that 360 Degree Feedback system can act not only as a performance appraisal tool, but also as an effective development tool as recipients have an opportunity to adjust behaviours and develop skills that will enable them to excel at their jobs (Fleenor et al., 2008). Although staff appraisal frameworks are important in organisations, they are certainly more beneficial if they are incorporated in the wider performance management process.

8.1.4 Challenges of performance measurement

The field study sought to understand the determinants, challenges and benefits of performance measurement. The contextual and technocratic challenges facing the successful implementation of PM systems in Kenyan NPOs include: unreliable external data sources, lack of capacity and resources, unrealistic donor demands, beneficiaries' unpredictability and resource intensive PM systems. Others include: challenges in the use of indicators, goal displacement, rewards systems challenges and employee gaming. The above challenges can be categorised as contextual

challenges and technocratic challenges respectively (Lindgren, 2001; Fischer, 2001).

Despite theoretical advancement, actual process of performance measurement are difficult due to contextual challenges like data limitations, value conflicts, methodological disagreements, the intangibility of non-profits' work and difficulty in assessing long-term benefits (Campbell, 2002; Poister, 2003). Legal and ethical confidentiality requirements and data protection laws hinder impact reporting and measurement among Kenyan NPOs, especially those dealing with sensitive issues and vulnerable groups (see also Morley et al., 2001). The time and financial resources required to complete performance measurement routines in NPOs were enormous. Even though an NPO may have been willing to implement a PM system, it could not have diverted scarce resources away from service delivery to performance measurement (Moxham and Boaden, 2007). Such a challenge is even bigger in Kenyan NPOs due to the budget constraints placed upon them by the funders. Primary funders impose performance indicators, particularly international development agencies in developing countries (Rapaport et al., 2005). The funding insecurity, resulting from short funding cycles of 1 to 3 years, leads to a focus on short-term goals in the non-profit sector. Unexpected disasters and related changing beneficiaries needs pose challenges to performance measurement that seem to be unique to Kenyan NPOs. Kenya has witnessed several natural disasters, terrorist attacks, post-election violence and famine in recent years, all of which have lead to NPOs focusing on service delivery activities, thus negatively affecting the performance evaluation process. Furthermore, new beneficiary needs come with increased donor funding, thus most NPOs have refocused their efforts towards the short-term need to attract funding. Questions have been raised over the Kenyan NPOs' utilisation of large sums of money raised by donors and individual contributions towards national disasters. It is not understood whether the current performance management systems are flexible enough to cope with such unexpected events. Thus, these contextual challenges also pose challenges to performance measurement.

Technocratic challenges include the structural limitations, content pitfalls (weaknesses resulting from the contents of PMS systems) and use of performance measures challenges. Performance measurement is a category in the sector that covers performance reporting, monitoring and evaluation, outcome measurement, output measurement, impact measurement and self-assessment. The confusion in

performance measurement terminology limits the implementation of PM frameworks (Moxham 2009). The narrow focus on program and community level indicators restricts useful application of performance measurement tools (Miller, 2007). The reliance on quantitative output measures leads to poor validity of measures due to the intangibility of services provided. Thus, measures do not truly represent program goals and objectives (Lindgren, 2001). Qualitative measures on the process and complex outcomes are left out due to the difficulty in measuring them. According to Thomson (2010), NPOs face challenges in identifying relevant valid performance measures, methods for applying assessments and interpreting results. Taylor et al. (2009) argue that despite the performance measurement frameworks proposed for the sector, there are drawbacks such as limitations in scope and lack of agreed benchmarks.. Organisations with greater technocratic competence are more effective at performance measurement and organisational learning and thus post superior program results (Mausolff and Spence 2008). Lack of incentives to measure outcomes may be due to the emphasis on short term, output type measures as well as accountability demands, funding insecurity (Moxham and Boaden 2007), or the nature of the programs/projects (Miller, 2007).

Solving structural and contextual issues does not guarantee successful use of performance measurement frameworks. The use of formal frameworks leads to goal displacement, which results in diversions from achieving program objectives to achieving performance targets, especially when resource allocation is based on poor indicators and targets. Pitfalls include subjectivity in the use of PM frameworks due to the personal judgements required when recording, collecting and interpreting performance measures. This subjectivity can lead to unfair comparability among agencies and staff performance (Lindgren, 2001). The problem is further compounded when staff and volunteers feel future performance is dependent on specific measures and decision-making processes. This may lead to employee gaming as well as a reduction in local initiatives and innovation. Employee gaming refers to the manipulation of results by managers or employees so that they reflect only favourable performances. While this may not be unique to the NPO sector, the employee gaming witnessed in Kenyan NPOs may be due to the inherent reliance on internal staff, lack of resources and limitations of the PM systems, which have lead to an obsession with results and goal displacement. Alexander et al. (2010) reported that both academics and non-profit sector practitioners agreed that performance measurement in the sector is complex and taxing.

Difficulty in drawing causal linkage between the community outcomes, organisational effectiveness and performance indicators is well documented in literature (Moxham, 2010). NPOs make valuable contributions to society; the challenge is how this contribution can be measured, what to measure and who to measure (Poister, 2003). Although technical training in performance measurement can reduce technocratic barriers (Carman, 2007), NPOs that serve highly transitory clients and groups, or address unique community problems, are likely to face more technological challenges than other NPOs (Thomson, 2010). Causal linkages among the inputs, outputs, outcomes and organisational performance cannot be confirmed on the basis of available performance measures. This may be due to beneficiary confidentiality issues within the sector. Carman and Fredericks (2008 p.51) found that some managers viewed measurement as a “resource drain and distraction”. Thus, addressing these contextual and technocratic challenges is essential for future success of performance measurement in Kenyan NPOs.

8.1.5 Benefits of performance measurement

The field study findings indicated that the benefits of performance measurement were criteria such as: attracting funding, clarity of objectives, self-sustainability and improved efficiency. Although Zimmerman and Stevens (2006) question the importance of performance measurements in helping NPOs deliver better services and get more funding, the field study revealed that implementation of the balanced scorecard framework attracted new funding. This is because measurement gave the funders confidence in the capacity of the NPO. Moxham (2009) criticised performance measurement frameworks in non-profits for serving multiple stakeholder accountability requirements (and thus not relevant to organisational needs), being resource intensive, distracting staff from other organisational activities and focusing on short-term results. Similarly, in Carman and Frederick’s (2008 p. 56) study, managers viewed performance measurement as a “resource drain and distraction” from the NPO activities. This study revealed that despite the challenges, managers still recognised the importance of performance measurement to improving NPO effectiveness. The importance of performance measurement in identification of stakeholders needs has been discussed in the literature (see Neely et al., 2001). This study confirmed that application of SROI helped the one NPO identify the beneficiaries’ needs and thus avoid conflict in project implementation. The findings on the perception of the influence of performance measurement on goal clarity are similar to Berman and Wang’s (2000) survey results, which

indicated that NPOs agreed that that measurement clarified NPOs goals and objectives. Although the managers in this study identified some clear benefits of PM, they seemed to struggle to give specific examples and concrete evidence of the benefits. It emerged that managers from those NPOs implementing formal PM systems were more aware of benefits and were able to back their opinions with examples as compared with those managers of NPOs not implementing PM systems. Thus, for NPOs to successfully implement and benefit from the PM system they need to address the challenges of PM system implementation.

8.2 Linkage between contingency variables and PM practices in non-profit organisations

The field study indicated that internal organisational factors influenced performance measurements in Kenyan NPOs. The recurrent factors were culture, modern technology, leadership, organisational structure, size and organisational resources. External environmental factors also had a role to play in performance measurement within the NPO sector. The external factors that most NPOs considered to be key were competition, stakeholders' requirements (specifically government requirements), donors and beneficiaries, regulatory processes and external partnerships. The field study findings on the organisational and environmental determinants were integrated with the cross-sectional survey results and are discussed in below.

8.2.1 Organisational determinants

8.2.1.1 *Organisational size and performance management practices*

Size is among the contingent variables that capture the complexity of the organisations and their need for performance management systems. The field study revealed that large NPOs with resources invest more in comprehensive performance management systems when compared to smaller NPOs facing resource constraints challenges. Similarly, Moxham and Boaden (2007) reported that underdeveloped PM frameworks in small NPOs are due to their inexperience in utilising such tools as well as resources constraints. This may be due to the greater resources available to large NPOs, as discussed by Waweru and Spraakman (2009). Contrary to the field study findings, the survey results revealed no correlation between NPO size (total income) and PM practices—similar to Hoque and James' (2000) study. Previous studies have found a positive relationship between size of an organisation

and use of comprehensive performance measurement practices. For instance, Zimmerman and Stevens (2006) confirmed a significant relationship between the size of the budget and the performance measures used. Similarly, Thomson (2010) concluded that the outcome measurement was significantly associated with the size of an NPO's budget and number of staff. Since resources constraints can be a major issue in NPOs, it is expected that large NPOs will have enough resources to invest in performance management tools. *Resources* encompass NPOs access to and allocation of money, staff time and physical resources to support performance management and measurement (Campbell, 2002; Carman, 2009; Yang and Hsieh, 2007; Thomson 2010). On the contrary, Harrow (1999) believes that smaller NPOs emphasise altruistic and other less quantifiable criteria for measuring performance than do larger NPOs; thus, motivation is not necessarily linked to resource constraints.

There seems to be many variations regarding reporting of income in the non-profit sector due to the multiple sources of funds; unlike in the private sector where the financial information reporting is clear and is standardised. The self-reported income statements may be misleading as a measure of organisational size due to either over reporting or under reporting. Generally, NPOs in Africa tend to under report the income from international donors due to the fear of persecution by the government. The cross-sectional survey results could further be explained by the lack of agreement on how to define and measure the organisational size in the Kenyan non-profit sector as evidenced by disagreement among the FGD participants (see section 5.2.1).

Although management accounting researchers have used budget size and number of employees as proxies for organisational size, the inconsistency in the current study raises concerns regarding the applicability of such measurement to the non-profit sector. Organisational size has traditionally been measured in three approaches: the circles approach, energetic approach and components approach (Gupta, 1980). The circles approach is related to the measurement of circles of activities completed within the organisation. The energetic approach refers to the contribution of individual members, the discretionary resources available to the organisation, or the degree to which machines are used. The most common, the components approach, refers to a simple count of organisational members. Although organisational size has been viewed as a one-dimensional construct, this study reinforces Gupta's (1980) findings, which suggested that researchers needed

to view organisational size as a multi-dimensional construct for any meaningful comparison among contingency studies to be made. Researchers may need to reconsider Gupta's (1980) concerns and develop a more reliable measure of organisational size for the sector. The implication is that the relationship between NPO size and PM practices in the sector were difficult to confirm in the current study.

8.2.1.2 *Strategic orientation and performance management practices*

The review of previous literature indicated that the linkage between strategic orientation and PM practices in the non-profit sector has not been investigated. On strategic orientation, the survey results indicated that NPOs in Kenya focused on external defensiveness, internal defensiveness, futurity, pro-activeness and analysis. It is important to note that although Kenyan NPOs emphasise innovativeness they appear to be risk averse, with the majority of the respondents indicating they never or rarely embark on risky projects beyond their mission and focus. Furthermore, the NPOs occasionally change their strategies due to fewer changes in the external environment. Apart from PM dynamism, strategic orientation (dominated by futurity, external defensiveness and innovativeness) was positively associated with all other comprehensive PM practices.

The implication of the results from this study regarding the linkage between strategic orientation and PM practices are twofold. First, this study demonstrates that the application of specific strategic typologies (i.e. defenders, reactors, prospectors and analysers) within the contingency theory and management accounting field may be gravely misleading and do not reflect the actual practice in organisations. Although previous research has advocated the use of strategic typologies, the current study supports the view that NPOs do not use one dominant strategy. In particular, the field study results on diversity of strategic activities substantiate Yap and Ferreira's (2011) findings that strategic typologies are not applicable in the non-profit context. The Kenyan NPOs pursued several strategies with one strategy emerging more dominant than the other at particular periods. This reinforces previous research findings regarding the importance of strategy in reflecting the distinctive industry environment and organisational structures (Stone et al., 1999; Brown and Iverson 2004; Akingbola, 2006;). There is a complex interaction between strategies, structure, PMs and external environment as put forward in contingency theory (Waweru and Spraakman, 2009). Secondly, the

study highlights the importance of strategic orientation in the design and adoption of effective performance management systems within the non-profit sector. Although this relationship is well investigated in private and public sector organisations, the literature review revealed that it is often ignored in research into the non-profit sector.

The strategic activities in most NPOs are diverse as NPOs in Kenya engage in more than one activity or service sector, some which are unrelated to their mission. Shivji (2007) notes that a shift in strategic activities and plans among NPOs is often the result of changes in funding trends among the donor community. In NPOs, the strategic orientation is largely viewed as how organisations interpret and respond to three problems; namely, product innovation problems, administrative problems and operational problems (Miles and Snow 1978; Brown and Iverson 2004). Product innovation includes decisions on products, partnerships and beneficiaries to address community problems. Operational problems are related to service delivery, alignment of information, communication linkages and managing volunteers. Lastly, administrative problems include the structures and processes used to direct and monitor operations, efficiency, resource utilisation and environmental scanning to reduce operations uncertainty. However, the type of strategy the non-profit adopts will depend on the context (Edwards, 1999).

8.2.1.3 *Organisational structure and performance management practices*

On organisational structure, the cross-sectional survey results indicated that the NPOs focused on less stratified and more formalised and decentralised structures. The degree of complexity was diverse among the NPOs. They emphasised participation in decision-making, friendliness and closeness between managers and staff while at the same time focusing on formal job descriptions and observance of regulations and rules. Professional training and occupational specialisation was emphasised less, with variation among the NPOs sampled. This may be due to the social capital created by the participation of beneficiaries, local community and volunteers in the production and delivery of services. According Brown and Iverson (2004, p 377), non-profit managers make choices and decisions that “involve interpreting and framing the environment, developing and implementing programs and services and creating processes and structures to monitor and control resources” in an attempt to improve performance and meet their goals. The variety of structural patterns observed in organisations is limited by the tendencies of

interrelated organisational attributes to develop coherent patterns reflecting identifiable organisational forms (Chenhall, 2007).

Organisational structure was positively associated with performance planning practices, traditional data collection methods, performance rewards and PMs information use, but negatively related to use of non-financial measures and PMs strength and coherence. These findings agree with contingency studies, which argue that formal and decentralised organisations are associated with reliance on PM systems, broad formal controls, aggregated data and rewards (Chenhall, 2007). Management accounting researchers believe that formalised structures are associated with decentralised structure in organisations. The large number of stakeholders, multiple donors and multiple decentralised projects requires formal PM systems. However, the nature of the non-profit sector leads to an emphasis on less stratified organisations. This study supports the view that staff participation in planning and decision-making influenced NPOs' abilities to complete useful outcome measurements. Decentralisation, accompanied with increased staff, volunteer autonomy and empowerment positively influences NPOs ability to complete useful outcome measurement (Poole et al., 2001). Kronkisky (2007 p. 2) defines *decentralised structure* as a collaborative decision-making process for daily management (with staff involvement) at is most useful for NPOs with "informal, flexible and highly professional environments". Decentralised NPOs embrace formal performance measurement and reporting systems more often compared to centralised NPOs due to the need to manage resources and staff in remote areas where the projects are implemented.

The field study findings indicate the existence of formal documented rules and regulations associated with performance management process. In addition, the diverse work force necessitates some level of formalisation of tasks to avoid conflict. Internal requirements resulting from the presence of policies to adopt PM systems (originated by the board and enforced internally by the management) positively affected the adoption of PMS (de Lancer Julnes and Holzer, 2001; Thomson, 2010). Such policies may include such things as specification of past performance results, rewards for performance, as well as written procedures, rules and communication strategies. Non-profits that seek to serve broader beneficiary needs and expand services to new areas had more decentralised structures while those that focus on a clearly defined service niche exhibited more centralised structures. Staff and volunteer commitment to the structure was important to organisational success;

hence, structural dysfunctions are associated with organisational failure. Thus, it can be concluded that NPOs need to strike a balance between the different patterns of organisational structure to achieve an organisational form that will lead to a useful performance management system.

8.2.1.4 *Technology and performance management practices*

The quantitative results showed that NPOs face task complexity, task uncertainty and task independence, but more so task uncertainty. The respondents agreed that although the work tasks in the non-profit sector involved a variety of activities (task variety), the measures of staff task performance were clear and variations easily analysed (task analysability) with low complexity, all of which is contrary to contingency theory literature (see Chenhall, 2007; Hage and Aiken, 1969). Although NPOs have been asked by donors and regulators to standardise their operations and routinise their grassroots operations (Jain, 1996), flexible organisational choices at the grassroots level greatly improve achievement of NPO objectives (Edwards, 1999). Donors need be flexible in allowing local NPOs to implement their projects at their own pace, allowing balance between resource utilisation and allowing changes in organisational objectives.

Technology measured by task uncertainty positively predicted broad performance planning practices, use of balanced performance indicators, PMs information flow systems and PMs coherence, but is negatively associated with use of ICT-based data collection methods and performance rewards. It is argued that service delivery to clients in NPOs also encompass workflow, processes and tasks similar to manufacturing firms. In the non-profit sector, the type of clients served, projects and programs implemented and services delivered determine the aspect of technology. Thus, it is expected that NPOs running programs and projects serving heterogeneous clients by providing nonstandard and diverse products and services will exhibit high technological complexity, high task variability with low task analysability and high technological independence. This requires a broad performance management system and encourages informal controls such that there is less reliance on accounting and financial performance measures, a greater number of standardised procedures, high flexibility with regard to beneficiary requirements and employee participation, easy coordination between processes and regular performance reports (Chenhall, 2007; Poole et al., 2001).

The Kenyan NPOs exhibited high task variety in the sector; however, NPO operations are less complex compared to large manufacturing firms. The lack of specialisation in the Kenyan NPO sector points to high task variability. However, the tasks can easily be analysed, as they are not complex. It is normal for project/program managers or executive directors in NPOs to perform a variety of functions that otherwise would traditionally be performed by separate departments or persons in private organisations. The high task variability results from the polyvalent nature of the organisations (Kendall and Knap 2000)—they combine relief, development and advocacy functions, as earlier evidenced in the field study. Formalised structures enable NPOs to analyse the variable tasks. The nature of the work tasks accomplished in NPOs limit the modernisation of data collection tools and use of performance-based rewards in NPOs.

8.2.1.5 *Organisational culture and performance management practices*

The survey results pointed towards most NPOs emphasising a ‘soft culture’ marked by collectivism and power decentralisation as well as being less proactive. This means that there was an atmosphere of cooperation, loyalty, good informal relationships, team spirit, and togetherness and that work was done based on participation and consensus. This is important to the NPO sector due to the importance of social capital and emphasis on core values and clan controls (Chenhall et al., 2010). However, NPO staff were less proactive, tried less often to forestall problems and were less receptive to new ideas. Organisational culture (dominated by power decentralisation, collectivism, and soft culture) positively predicted performance planning; ICT based data collection methods and PMS strength and coherence, but was negatively related to PMS dynamism. Similarly, in the field study the participants agreed that the public sector culture in Kenya led to resistance to changes in performance measurement.

This study reinforces the argument that a strong organisational culture may dominate national culture in work situations (Chenhall, 2007). The results are in agreement with previous studies that found that soft and proactive organisational culture has a positive impact on PM practices (Poole et al., 2001; Sarros et al., 2010; Duke and Edet, 2012). Despite the fact that this study did not find a significant relationship between organisational culture and performance measures, there is emphasis on the use of team-based measures in developing countries (Waweru and Spraakman, 2009). Waweru and Spraakman argue that team-based

measures would be expected in developing countries where cultures are said to be more collective with high levels of risk avoidance. This can be explained by role of national cultures on adoption of PM systems (Berry et al., 2009)

The coherence between the overall performance measurement culture and an individual's beliefs and norms led to successful implementation of the PM systems in the Kenyan NPOs. It has been argued that employees' acceptance of the implementation process can be symbolic compliance or professional pragmatism (at the individual level), formal instrumentality or collegial trust (group level) and superficial implementation or sensible centralism (organisational level) (Teelken, 2008). Thus, the NPOs need to understand the central issues at individual, group and organisational levels that may affect the implementation of the PM system integration. Integration as a cultural factor reflects the extent to which PM practices are integrated throughout the core managerial systems, such as strategic planning of the organisation (Thomson 2010). The staff induction process is key to this integration, as demonstrated in the qualitative findings. The formal integration of the performance management at the initial strategic planning and how it is communicated to the staff will determine the "staff buy in" (Campbell 2002; de lancer Jules and Holzer 2001). Similarly, the way performance management is brought to the attention of new staff and volunteers at the time of induction is key to success in building an effective performance management culture.

8.2.1.6 *Organisational leadership and performance management practices*

The quantitative results indicated that although the management team have excellent working relationships with the board and provide sufficient direction and overall leadership, they give less emphasis on private sector management practices, risk taking and proactive thinking. These findings are consistent with the risk-averse aspects of the strategic orientation and less proactive culture among the staff discussed earlier in this section. Organisational leadership (measured by effective board governance and management excellence) was positively related to performance planning practices, use of non-financial indicators, performance targets, performance information use, PMS dynamism and PMS strength and coherence, but negatively related to traditional data collection methods.

The field study revealed that two key factors within the leadership domain influencing performance measurement in Kenyan NPOs are ownership closeness (founders' syndrome) and career background of the leader. In the field study, it was

noted that national NPOs suffer from a lack of professionalism due to founders' syndrome. Block (2003) associates founders' syndrome with the failure of NPOs when the founder stays beyond the growth period. Thus, founders' syndrome reported in the qualitative findings can be counterproductive in the implementation of comprehensive PM systems in Kenyan NPO. Although the quantitative survey did not follow-up this aspect further (due to the sensitivity of the issue in the sector), founder's syndrome needs to be addressed through succession planning among the national NPOs. This will ensure not only successful implementation of the PM systems, but also survival and growth of the NPOs beyond the "life" of its progenitor. The impact of individual managers' professional backgrounds and positions on implementation of performance management systems in NPOs is well documented (Teelken 2008). LeRoux and Wright (2010) and Moynihan and Ingraham (2004), found that organisations that are more professionalised, as measured by the executive director's education level, exhibited increased performance information use thus positive effect on effectiveness of strategic decision making. According to LeRoux and Wright (2010), NPO managers have traditionally been individuals trained in social work; however, now these positions are increasingly being filled by persons with business degrees. Thus, managers with business training are expected to report an increased use of performance management tools.

The effectiveness of board governance has been associated with effective performance management, effective decision making and overall NPO effectiveness. In addition, effective leaders utilised private sector performance management tools (Herman and Renz, 2008; LeRoux and Wright, 2010; Carman, 2007). In developing countries the boards are involved in policymaking and day-to-day operations of the NPOs. The board's role and interest in performance measurement data thus influenced the extent to which these reports contain performance information. However, board governance in Kenyan NPOs needs to be strengthened through further training. Even though the organisational and external environments are important factors influencing performance measurement in NPOs, leadership characteristics such education and functional training, effective governance, professionalism and managerial styles cannot be ignored.

8.2.1.7 *Information technology and performance management practices*

The quantitative results indicated that most NPOs used personal computers, the Internet, email and other communication technologies in the completion of their tasks, but they have less computerised management information systems. The field study findings indicated that large Kenyan NPOs utilised modern technologies such as computerisation, payroll systems, ICT, ERP and GPRS systems, which positively influenced performance measurements and effectiveness. Information technology (measured by use of personal computers, the Internet and other communication technologies) positively predicted performance planning, data collection methods, performance rewards, non-financial indicators, use of project indicators, use of performance targets and PM information flow systems. Similarly, previous studies have concluded that modern technology positively influences performance measurement (Carman, 2007; Moxham, 2009). Pasupathy and Medina-Borja, (2008), documented the implementation of PMS in one NPO based on the use of Microsoft Excel, Access and Visual Basic programsoftware. This study found a positive correlation between organisation size and use of IT in the Kenyan non-profit sector, thus reinforcing the argument that the level of IT adoption is dependent on organisational size and resources allocated (Finn et al., 2004; Te'eni and Young, 2003).

Access to information, knowledge, skills, tools and IT systems are necessary for performance measurement (Thomson, 2010). The adoption of ICT in the Kenyan non-profit sector could be attributed to the recent growth in the telecommunication industry in Kenya. Communication technologies such mobile phones, PDAs and SMS are mostly utilised in Kenyan NPOs due to poor communication and infrastructure in areas where the NPOs work. Some of the arid and semi arid areas in which the NPOs work are inaccessible, with no road networks, post offices, or Internet facilities. However, telecommunication companies (e.g. Safaricom, Orange and Airtel) have recently invested in infrastructure in these areas that allow them to provide value-added services like mobile money transfers (MPESA) and mobile banking, all of which have proved useful in the NPOs' work. Specialised computer programs and management information systems are less utilised due to their immense cost. The adoption of new technologies can help non-profits efficiently manage scarce resources through cutting overhead costs and expanding their strategic goals (Galli, 2011).

The use of ICT within the sector has been attributed to the diverse nature of the sector, the shrinking costs of ICT, more effective communication, increasing access to the Internet and increased levels of technology training (Dameri, 2005; Finn et al., 2004). The lack of IT resources and skills may be barriers to outcome measurement (Poole et al., 2001). Adoption and integration of ICT in the non-profit sector will have important effects on the NPOs particularly on the reach, richness and affiliation of information flow. The field study confirmed that Internet usage not only assists in information flow within the organisation, but also supports interaction with beneficiaries. To benefit from ICT it is essential that Kenyan NPOs not only adopt ICT, but also invest Management Information Systems and equip staff with appropriate training and skills.

8.2.2 External environment

The results indicated that the external environment in the non-profit sector seems to be competitive, less dynamic and predictable.

8.2.2.1 *Environmental competitiveness and performance management practices*

The quantitative results showed that there is a high environmental competitiveness in the Kenyan non-profit sector; however, the external funding and competition for local and community resources emerged as the most competitive factors. Technological innovation appear to be less competitive compared to other aspects of the external environment. The field study findings revealed that the participants considered competition for funding a significant determinant of performance measurement. Environmental competitiveness (measured by technological innovation and competition for local resources) positively predicated performance planning practices and data collection methods, but was negatively related to the use of project indicators.

The above research findings reinforce previous research on the role of competition on PM practices. According to Beamon and Balcik (2008, p. 584), “performance measurement is critical in the non-profit sector, due to increasing competition from a proliferating number of agencies, all competing for scarce donor funding”. The type of competitive environment in which the NPO operates in, determine need for interactive information to communicate strategic threats and uncertainties (Waweru and Spraakman 2009). This study found a significant negative relationship between competition and project indicators, but no relationship with

either financial or non-financial indicators. Similarly, an empirical study by Zimmerman and Stevens (2006) found no significant relationship between non-profits' use of performance measures and funding renewal. Thus, there it appears the competition for funding or resources does not affect the choice of performance indicators, particularly project indicators, contrary to other researchers' findings (see Thomson, 2010). The relationship between competition for funding and performance measurement practices may be dependent on funders' influences on individual NPOs: particularly government funded NPOs in developed economies (Carlson et al., 2010; Carman, 2009). In developing countries like Kenya, the government and the NPOs compete for the same donor and local resources (NGO Coordination Board, 2010). The implication of this is that the independence of the NPOs from the influence of donor procedures varies from one NPO to another depending on the leadership (Bujra and Adejumobi, 2002). NPOs in Kenya depend on local resources and external funding from donors to fulfil their visions. Funding competition among NPOs in Kenya has increased due to the shrinking number of funders and amounts of funding available to NPOs, which is a direct result of the economic recession of 2008 across Europe and the USA. These are the main sources of funding for NPOs in Kenya (NGO Coordination Board, 2010).

The technological innovation and competition for local resources positively affects performance planning and data collection methods. Technological innovation can create a competitive edge for NPOs in the Kenyan non-profit sector. In the recent past, funders had preferred projects such as those that incorporated new ideas such as the use of technology to deliver services, utilisation of solar energy, biogas and other modern, value-added technologies being applied to traditional agricultural activities. Thus, this competitive environment necessitated the need for performance planning and continuous collection of performance data. Local resources are important because, NPOs with diverse revenue sources may be more effective at performance management (LeRoux and Wright, 2010) as funding diversity promotes stability and resilience, autonomy, risk taking and effective decision-making. Conversely, resource diversity may limit use of performance indicators as NPO managers are challenged in decision making by reconciling the diverse expectations of their multiple stakeholders with no primary 'shareholder' (Speckbacher, 2003). Thus it can be concluded that different aspects of the competitive environment will have varying influences on performance management practices.

8.2.2.2 *Environmental dynamism and performance management practices*

The survey results indicated that the external environment appears somehow dynamic, particularly the social economic environment; however, changes in the regulatory and policy environment are far less frequent. The field study findings indicated that the sector experiences social economic changes, such as changes in beneficiaries' needs due to unexpected disasters. Additionally, the participants raised concerns regarding frequent changes in the political and security environment. Kenya has witnessed several natural disasters, terrorist attacks, post election violence and famine in recent years, which has led NPOs to refocus their activities and thus has had an effect on the performance evaluation process. Environmental dynamism (dominated by the socio-economic, political and security environments) was positively related to the use of project indicators, PMS strength and coherence, PMS dynamism and performance information use. However, it negatively predicted use of ICT-based data collection methods in the sector.

The dynamism in the socio-economic environment in Kenya may be due to the presence of persistent natural disasters such as droughts and floods, which lead to famine, disease and displacement, thus affecting the socio-economic status of the beneficiaries. Thus, NPOs are forced to respond to these new needs through provisioning of relief services. Likewise, Yurenka's (2007) study demonstrated increasing fundraising expenditure and fundraising inefficiency following the September 2001 terrorist attacks in the USA. This resulted from a shift in funding towards non-profits working in security, public safety and technology and a shift away from civil society non-profits working in civil rights and human services. On the contrary, a study by Edwards (1999) concluded that differences in the socio-economic environment (poverty levels and human needs) did not account for variation in NPO performance. However, NPOs working in communities with homogenous social status performed better than those NPOs working in socially heterogeneous communities. This could be explained by the role of heterogeneous services on organisational structure and technology, as earlier discussed in this chapter.

This study agrees with previous literature that changes in the economic and political structures as well as in the security environment may have positive or negative impacts on the future overall performance and effectiveness of non-profits (Riddell and Robinson, 1996; Galli, 2011). Discussing environmental dynamism,

Waweru and Spraakman (2009) cite dynamism variables such as the state of the macro economy and government regulation. Kenya has experienced high inflation rates and bank interest rates in the last three years coupled with fluctuating fuel prices which has not only slowed down the economy but also created uncertainty among the residents. On the other hand, the regulatory and policy environment seems stable with over half of the respondents indicating it either rarely or occasionally changes. These sluggish changes in the regulatory and policy environment (particularly related to the sector) may be responsible for overlapping regulations in the sector. This has been blamed for confusion in the definition, categorisation and annual reporting in the sector (Jillo, 2009). Although regulations are meant to protect public interest, the legal provisions in most countries restrict the space in which non-profits can contribute to development through barriers to entry, operation activities, information and communication, reporting, acquisition of resources, free speech and advocacy and tax exemptions (Jillo, 2009; The International Centre for Not-For-Profit-Law, 2008; Kameri-Mbote, 2000).

This study indicated that environmental dynamism negatively affects use of ICT-based data collection tools. Changes in the external technological environment may be a distinct disadvantage to a sector facing financial and resource constraints, limited technical expertise and lack of access to information on the tools available. The dynamism or turbulence in the socio-economic factors affects the adoption and updating of PM systems and effectiveness of poverty reduction programs that target the poor on a long-term basis.

8.2.2.3 *Environmental unpredictability and performance management practices*

The quantitative results indicated that the stakeholders' requirements and demands seemed to be predictable, particularly donor requirements and accountability demands. The field study findings showed that PM practices in NPOs were influenced by several stakeholders including: governments, donors, public interest group regulators and beneficiaries. The high unpredictability of stakeholder demands, particularly the donors, may be due to clear communication of the requirements and conditions attached to the funding from the donors. Environmental unpredictability was negatively related to ICT-based data collection and performance rewards while being positively related to performance indicators, PMS strength and coherence and PMS information flow systems.

The influence of funders' reporting mandates has received much attention in the literature compared to the demands of other stakeholder groups. Although de Lancer Julnes and Holzer (2001) and Yang and Hsieh's (2005) studies concluded that external requirements and external mandates, respectively, did not have a significant effect on performance measurement adoption, Thomson (2010) insists on the importance of increased funding mandates in increased performance measurement in NPOs. The majority of Kenyan NPOs rely on external donor funding and local community volunteers, thus they are not financially stable. This leads to great control by donors on the NPOs agenda and leadership (Bujra and Adejumobi, 2002). The NPO's influence in the external environment determines the level of stakeholder control over the NPO. Pfeffer and Salancik (2003) suggest the two factors that are important to emphasising funders' mandates are the extent to which the funder is willing to withhold the funding as punishment for deviance and the seriousness with which the NPO managers perceive these threats. Some funders, particularly in developing countries, do require the grantees to agree to their own procedures and policies in areas like procurement, performance reporting and scope of operation. Campbell's (2002) study found that funders questioned excessive expenditure on performance measurement and any lack of "scientific rigor" in data collection on key indicators.

Governments influence performance management in NPOs not only through regulation and demand for accountability due to funding, but also through its emphasis on performance reporting. In developed countries, such as the UK and the U.S., pressure for performance measurement in NPOs results from progressive engagement in the provision of state funded services (Speckbacher, 2003). For instance, Carlson et al. (2010) concluded that the state of Oregon awarded large increases in funding for NPOs that utilised common performance measures. On the other hand, the influence of the Kenyan government does not result from a funding mandate, but from the annual reporting requirements and regulations. It does not involve itself in funding NPO activities or monitoring service delivery initiatives. Nevertheless, the Kenyan government exerts influence through regulatory processes, tax credits, work permits and government policies.

The performance of an NPO is subject to stakeholders' conflicting opinions and interests. In developing countries, the stakeholder-NPO relationships are complicated, as the majority of the donors are from developed countries and are not involved in actual project implementation or day-to-day running of the NPOs.

Therefore, NPOs need to meet the needs of both upstream funders and downstream beneficiaries, two groups with differing goals. Thus, the sector is inconsistently inhabited by NPOs with high transaction costs and multiple, ambiguous interests that make it hard to measure performance. In developing countries NPO activities are usually characterised by long-term distribution, being remote from the donors, only reliably assessed by the beneficiaries and appreciated asymmetrically by the NPOs. Thus, funders prefer NPOs use traditional data collection methods such as paper surveys, focus groups and interviews as opposed to ICT-based data collection methods. As earlier discussed, funders do not provide incentives for performance to the NPOs, thus stakeholder requirements have a negative impact on the use of performance rewards in NPOs. The beneficiaries sometimes feel they are being helped by NPOs due to high demand for public services, thus they express their opinion through the evaluation exercises.

This study has demonstrated that differing and contested stakeholder interests usually create performance measurement challenges for the NPOs (Kendall and Knapp, 2000). For instance, funders preferred hard efficiency and financial measures while the beneficiaries preferred subjective personal measures to assess service quality (Taylor et al., 2009). Thus, the ability of an NPO to predict stakeholders' requirements and demands positively affected their performance management practices.

8.3 Performance management practices effect on organisational effectiveness in the non-profit sector

Based on the performance management phases discussed in the literature (Santos et al., 2008; Leeuw and van den Berg, 2011; Mackie, 2008; Broadbent and Laughlin, 2009; Alexander et al., 2010), the researcher summarised the performance management practices in NPOs in three interrelated phases: performance management planning, performance measurement and performance management context. This section discusses the influence of each phase on organisational effectiveness.

8.3.1 Performance planning practices and organisational effectiveness

Quantitative results indicated that in performance planning practices, the NPOs put more emphasis on clear identification, specification and communication of

mission and vision, objectives and goals, core values, key success factors and strategic activities. The results further indicated that NPOs excelled in project and program design and strategic planning. Although mission and vision were more highly valued, the strategic planning process did not involve stakeholders. Similarly, the field study indicated that NPOs in Kenya have clear but broad performance planning practices including broad mission, vision, objectives and goals, diverse strategies and plans, core values and key success factors. This study found that performance-planning practices positively predicted organisational capacity, partnership effectiveness and organisational outcomes.

Strategic performance planning is an important first step towards a comprehensive performance management as a way to ensure organisational effectiveness. Performance planning practices encompass how the organisation goes about defining and communicating mission, vision, objectives, goals, key success factors, strategies and plans (Smith et al., 2001). Performance planning also includes how strategic activities and action plans are generated and communicated in the long term as a means of achieving organisational mission, objectives and goals. The study findings supported previous studies' conclusions on the positive relationship between performance planning and organisational effectiveness and performance (Ghoneim and El-Baradei, 2008; Siciliano, 1996; Griggs, 2003). In addition, this study agreed with previous studies regarding manager satisfaction with the articulation and communication of the performance planning components and organisational effectiveness (Bart and Baetz, 1998; Desmidt and Prinzie, 2009; Brown and Yoshioka, 2003).

8.3.1.1 *Missions, purposes, strategies and plans*

The field study reported broad and diverse missions, purposes, strategies and plans that focused on: poverty reduction; healthcare access and wellbeing; children's education, gender, human rights; environment, water and sanitation; humanitarian assistance; socio-economic empowerment and livelihoods; and ICT. The emphasis on broad and clear communication of mission, vision and objectives in the Kenyan non-profit sector was significant due to the wide range of sectors and activities covered by the NPOs and dependence on volunteers and partners. This required clear communication by the NPO regarding their intentions to the stakeholders through internal and stakeholder meetings, strategic documents and induction.

As a first step towards performance management, several researchers agree that NPOs need to clearly identify their mission and purpose, including their role in the society and benefits to their communities. The missions and visions of the NPOs are the sole reason why the organisations exist and are a significant part of their identity. Everything else is built around the vision. Today, NPOs in developing countries are believed to be responding better to local social problems and providing better, more cost effective, services because of the inefficiencies of government efforts at advocating for the rights of minorities. This understanding assists in development of useful performance measurements (Buckmaster, 1999). The goals and missions of non-profits often differ from the goals of for-profit organisations. The overall objective of private sector organisations is to make profits and maintain acceptable returns on shareholders' investments, while the non-profits focus on achievement of social objectives and missions (Kronkisky, 2007; Speckbacher, 2003). Therefore, the money is an enabling factor rather than an end in itself. NPOs rely on their mission to attract resources, guide decision-making and communicate their purpose to various stakeholder groups (Crittenden, et al., 2004). In addition, the mission and vision have to be aligned with the NPOs' goals and objectives in order to facilitate the implementation of strategic activities and plans (Brown and Iverson, 2004; Ghoneim and El-Baradei, 2008). Epstein and Buvahoc (2009) reckon that the greatest challenge of performance management in NPOs is articulation of their missions in precise and measurable terms that will enable the choice of the most suitable causal strategy and result in balanced, mission-focused measures (both financial and non-financial measures). Thus, a good performance management system will include "a comprehensive mission statement, outcome-related goals and a description of how these goals will be achieved" (Buckmaster, 1999, p. 188).

On the other hand, some authors argue that the very visions of the NPOs tend to limit performance measurement. For instance, Benjamin and Misra's (2006) study concluded that the idea of "doing good work" seemed to hinder outcome measurement in the NPOs they studied. Although Shivji (2007) acknowledges that there is a widespread use of private sector management principles in NPOs in Africa, he disagrees with the whole idea and its suitability to the non-profit sector. An examination of NPOs' websites, registration documentations and service charters reveals broad vision and mission statements. Some scholars warn that these vague and amorphous vision and mission statements, such as "poverty

reduction,” are usually quickly forgotten (Bujra and Adejumobi, 2002; Shivji, 2007). They believe that many NPOs in Africa have agendas and priorities that do not reflect the needs of their constituencies, but rather adopt strategic plans based on funding mandates and new funding proposals written to meet the terms and conditions of funders. The field study indicated that the strategic planning process within the sector involved participatory approaches, external consultants and either a bottom up or top down approach. Nevertheless, the researcher believes that strategic performance planning is an important first step towards comprehensive performance management to ensure organisational effectiveness. The benefit of strategic performance planning outweighs the costs of the implementation process.

In order to achieve their intentions the NPOs set clear strategic activities, plans, actions and programs reflecting the their visions and missions through a strategic planning process involving stakeholders. In the Kenyan non-profit sector strategic activities and plans can be described as project focused, beneficiary focused, internal operations capacity and efficiency, local capacity building, partnership and network building, legislation and policy advocacy, or fundraising and resource mobilisation. Shivji (2007) notes that a shift in strategic activities and plans among NPOs results from the changes in funding trends among the donor community. In addition to a mission and vision, organisations need to specify and communicate key success factors (KSFs) that are activities, attributes, competencies and capabilities that are perceived to be critical for future success of an organisation and achievement of the mission and strategic goals (Ferreira and Otley, 2009; Thompson and Strickland, 2003). Some of the KSFs identified in the current study include organisational credibility and reputation, local capacity building, human resources recruitment and retention, efficient internal operations and capacity, gap and activity prioritisation, focus on beneficiary needs, accountability, partnerships and collaboration, clear strategic objectives and adherence to plan and government relations. The KSFs in the Kenyan NPOs are aligned to internal organisational capacity, external reputation, partnerships and social capital domains. Although KSFs do not represent any objective or external viewpoint (see Table 5.5) as they are chosen by the managers, Thompson and Strickland, (2003, p. 108) caution managers to “resist the temptation to include factors that have only minor importance” and are not “truly critical to long term competitive success.” Regulators either motivate or legally forced the public and NPOs to devise and

communicate formal written mission statements in order to improve organisational performance (Weiss and Piderit, 1999; Desmidt and Prinzie, 2009). On the other hand, some organisations' missions and visions, may not be articulated in explicit mission statements and may be communicated in less formal ways (Ferreira and Otley, 2009).

8.3.1.2 *Core values*

One of the most important findings of the current this study is the importance of core values in the Kenyan non-profit sector. These included integrity, honesty, transparency and accountability, innovation and sustainable solutions, ethics, mutual respect and trust, participation, commitment, teamwork, partnerships, beneficiaries' focus and empowerment. Although Ferreira and Otley (2009) do not include the term *core values* in their framework, core values are a significant component of performance planning in NPOs. These socially constructed, conflicting values and priorities are common in NPOs. The importance of core values within NPOs has also been articulated in literature. For instance Hailey (2000, p.30) argues that "if NPOs, of various types, are to distinguish themselves from other recipients of aid funding, they need not only to be seen to have sufficient organisational capacity and to use such funds effectively, but also to identify, articulate and nurture their own core values and identity." NPOs in developing countries regard themselves as change agents whose legitimacy and effectiveness is dependent on core values and an ability to identify with the local communities. According to Padaki (2000), managing an organisation's value system is an important strategic task in itself and is closely related to organisational mission, vision, strategy, structure, culture and performance.

The utilisation of volunteers, communities and emphasis on core values forms the social capital of the NPOs. Chenhall et al.'s (2010) study confirmed that formal controls could have both beneficial and damaging effects on building and preserving social capital. The benefits may include outcome monitoring and taking corrective action. However, the control systems may destroy social capital when they conflict with the belief system of the NPO. Therefore, rational systems like PM frameworks need to be integrated with these unique and intrinsic intentions and need to be seen to be contributing to their achievement rather than acting as impediments to clan controls (Roche, 2010). The current findings on the role of core values have practical implications for the practitioners who have to eliminate the

conflict between the core values and the formal PM systems. Simons (1995) proposes using levers of control as a tool for the successful implementation and control of strategies. He also argues that organisations need an appropriate combination of the following four key issues: core values (controlled by belief system), risks to be avoided (controlled by boundary system), critical performance variables (diagnostic control system) and strategic uncertainties (controlled by interactive system). Thus, developing and communicating all-inclusive performance planning components in NPOs is an integral part of their performance management efforts.

8.3.2 Performance measurement practices and organisational effectiveness

The cross-sectional survey results showed diversity in the relationship between performance measurement practices variables and organisational effectiveness domains. Performance targets, ICT-based data collection tools and performance rewards positively predicted organisational capacity. However, traditional data collection methods were negatively related to organisational capacity. Use of non-financial indicators, performance targets and performance rewards positively predicted partnership effectiveness. Emphasis on performance targets, traditional data collection, ICT-based data collection tools and performance rewards positively influenced organisational outcomes. However, use of project indicators had a negative influence on organisational outcomes. Generally, it can be concluded that performance rewards, data collection methods and performance targets influence organisational effectiveness in the non-profit sector.

The varying effect of different performance measurement components on organisational effectiveness domains has great implication for researchers and practitioners. The results indicate that not all components have similar impacts on various effectiveness domains. The results could explain the conflicting findings in the literature regarding the behavioural effects of PM systems on organisational performance (see Poister, 2003). Traditionally researchers have treated performance measurement as a single component (or variable), thus its composite score (average of indicator scores) is directly used to predict effectiveness or performance. Such presupposition could be misleading due to variations in the impact of each component within the construct on organisational effectiveness domains evidenced by this study. The same weaknesses arise when effectiveness is collapsed to a

single construct. Thus, collapsing various components or indicators into a single variable masks the unique effects of each indicator. This study confirms that the use of performance targets and performance rewards positively affects all organisational effectiveness domains. Although NPOs and funders emphasise the use of project indicators, the empirical results indicated that project indicators negatively influenced long-term organisational outcomes. The use of ICT-based data collection tools positively influenced organisational capacity and partnership effectiveness. This study confirmed that financial indicators did not directly contribute to organisational effectiveness; however, non-financial indicators were useful in ensuring partnership effectiveness.

The use of relevant, integrated, balanced, strategic and improvement oriented performance measurement systems in the non-profit sector is well emphasised in the literature. More so, performance measurement influences sub-domains within organisational capacity, partnership effectiveness and long-term organisational outcomes. Performance measurement may be useful for resource allocation, decision-making, reporting to funders, fundraising, assessing efficiency, economy and effectiveness. The performance frameworks may assist in relief operations, effective project implementation and demonstrating performance through disaster response transparency and accountability (Alexander et al., 2010; Moxham, 2009; Brignall and Modell, 2000; Beamon and Balcik, 2008). Performance measurement influences organisational capacity, partnership effectiveness and organisational outcome domains. Effective performance measurement systems could be effective in project implementation. Some of the reasons NPOs use program evaluation include: measuring achievement of objectives and goals; assessing program progress, benefits and program continuation or discontinuation decisions; making decisions on program redesign and replication elsewhere; and service improvement (Olujide, 2005). However, comprehensive measurement frameworks could help “allocate resources more effectively, evaluate the efficacy of alternative approaches and gain greater control over operations, even while allowing increased flexibility at the operating level (Poister 2003, p.63).” Outcome measurement may be a tool for change through providing evidence for project diffusion and replication.

The field study indicated that Kenyan NPOs used staff performance appraisal frameworks. The achievement of the non-profit organisations missions and visions was reliant on human resources, i.e. staff, volunteers and the community.

Therefore, effective performance measurement systems could be useful in the management of human resources within the organisation. Performance measurement can create organisational focus, motivate employees, increase customer responsiveness and inform decision-making only if used appropriately (Benjamin and Misra, 2006; Poister, 2003). Emphasising increased employee motivation as one of the benefits of performance measurement, Mausolff and Spence (2008) suggest that performance measures can inform managers' monitoring of employees' behaviour through rewards and consequences. Even if the measurement efforts fail, Leat (2006) concludes the process itself leads to individual self-improvement and enhanced organisational capacity. The clarity of objectives through questioning mindset through performance measurement generates such as a picture of the intended outcomes, feasibility, methods and timescale implications.

8.3.2.1 *Performance indicators and organisational effectiveness*

The cross-sectional survey results showed that the Kenyan NPOs utilise financial indicators, project indicators and non-financial performance indicators, but more often project indicators. Outcome/impact indicators were the common indicators used, while supply chain flexibility was the least used indicator. Among the financial indicators those such as administrative costs, efficiency and revenue were often used. As for non-financial indicators, effectiveness and beneficiary satisfaction were often used. Similar to PM frameworks, there seemed to be a lot of variation in the use of financial and non-financial indicators among the sampled NPOs as evidenced by a large standard deviation. The use of non-financial indicators was positively associated with partnership effectiveness while project indicators were negatively associated with organisational outcomes. Similarly, the field study findings regarding performance indicators revealed that Kenyan NPOs mostly focus on output, financial measures and quantitative measures. The use of outcome indicators was associated with use of the results based management framework and the logical framework.

8.3.2.1.1 *Project Indicators*

The emphasis on project, financial and non-financial indicators was similar to previous studies, which found that some of the most common measures used by non-profits include workload, output indicators and financial expenditure indicators (LeRoux and Wright, 2010; Moxham and Boaden, 2007; Carman and

Fredericks, 2008; Carman, 2007). NPOs collected financial data related to program expenditures or other expenditures (Henderson et al., 2002; Kaplan, 2000). Standardised financial measures remain vague for both researchers and practitioners compared to for-profit organisations where a set of standard performance measures have been established (Ritchie and Kolodinsky, 2003). Such lack of agreement makes it difficult to make organisational comparisons or for causal relationships to be drawn between organisational activities and superior or inferior performance.

Similar to previous studies, the qualitative findings indicated that the NPOs in Kenya were struggling with a large number of indicators as each funder requested a different set of indicators and measurement criteria (Moxham and Boaden, 2007; Sawhill and Williamson, 2001). Furthermore, the emphasis on output measures may have been due to NPOs' emphasis on results, frequency of data collection and difficulties in evaluating program outcomes and impact measurements (Beamon and Balcik, 2008; Lindgren, 2001) due to the nature of the current measurement frameworks. Leat (2006) argues that focus on outcomes measurement among NPOs led to neglect in the measuring of process based indicators and confounding factors, reduction in innovation, risk taking and long-term objectives.

Performance measurement tends to be backward looking, rather than focusing on measures that will enhance learning and replication. Project indicators (output/outcome measures) tend to focus on past performance neglecting holistic assessment of the conditions under which the results were achieved, thus limiting organisational learning and future subsequent effectiveness. The short-term nature of current performance indicators in Kenyan NPOs raises the possibility of overlooking opportunity costs as it focus on short-term results at the expense of long-term objectives with greater impact.

8.3.2.1.2 Non-financial and qualitative indicators

In the current study, there was an emphasis on the measurement of beneficiaries and service quality offered. Similarly Clarkson et al. (2010) reported that monitoring responsiveness to consumers was central to performance measurement in social care services across the three countries (Ireland, England and Japan) they studied. Other qualitative indicators used in NPOs include: client or customer satisfaction indicators (Morley et al., 2001; Carman, 2007) and quality of service

measures (Waweru and Spraakman, 2009). Similar to the studies reviewed, only a few (e.g. Kendall and Knapp, 2000; Beamon and Balcik, 2008) reported measurements of dimensions such as flexibility, innovation and growth, participation, equity and advocacy; all of which are associated with determinant measures of organisational performance. While innovation has been argued to be central to NPO success, Kendall and Knapp (2000) bemoan the under theorisation of the concept in the literature on NPOs. Product innovation, process innovation and organisational innovation may lead to new effective, efficient and equitable service configurations or technologies and accumulation of social capital skills. The innovativeness of the NPO may ultimately alter the strategic type and performance management system as well as the measures adopted.

The diversity regarding the use of performance indicators may be due to the constraints NPOs face in collecting qualitative data from beneficiaries. Thomson (2010) concludes that non-profits face challenges in assessing and documenting community impact and outcomes. Similar to Lindgren's (2001) concerns, the greatest challenge NPOs face is attributing community outcomes to NPO activities. Roche (2010) argues that attribution problem leads to a measurement problem for NPOs. Beamon and Balcik (2008) attribute this focus to the type of the NPO, giving an example of relief NPOs' preferences of input measures to monitor resource allocation and resource attraction as they heavily rely on donations. For instance, Thomson's (2010) study concludes that the prevalence of outcome measurements among U.S. non-profits could be attributed to the fact that United Way of America (a major funder) pioneered outcome measurement among its grantees. This may be applicable to the current situation in Kenya. The increased emphasis on outcome indicators may be due to the funders' requirements to use results based management systems that emphasise outcome measurement. The reliance of performance measures derived from funders' requirements could be the reason project indicators are negatively associated with organisational outcomes. The overview of performance measurement literature could lead to the conclusion that non-financial measures have more advantages and are directly traceable to the long-term organisational strategy. Non-profit performance measurement systems are designed to focus on non-financial measures centred on the organisation's mission, strategy, inputs, processes, outputs and outcomes. Although there are believed to be many advantages to non-financial performance measures, they are not without drawbacks. Evaluating performance using multiple measures can

cause conflict in the short term and can be time-consuming. Many organisations adopt non-financial measures without articulating the relations between the measures or verifying that they have a bearing on accounting and performance. These measures generally may exhibit poor statistical reliability, thus reducing their ability to discriminate superior performance or predict future financial results.

8.3.2.1.3 Financial indicators

The qualitative results indicated that NPOs relied on a number of financial indicators to measure performance. Kaplan (2001) argues that publicly available performance reports on NPOs focus on financial measures. Beamon and Balcik (2008) warn against reliance on financial measures as they provide little information on impact on beneficiaries. In addition, focusing on fiscal measures may encourage NPO managers to falsify fund balance categories, depreciation rates, inventory valuation and revenue to improve the financial performance image to funders and regulators (Froelich and Knoepfle, 1996). Furthermore, they may cut back costs to meet short-term organisational goals at the expense of delivering long-term organisational vision and mission (Richie and Kolodinsky, 2003). Financial measures are associated with a number of weaknesses such as lack of accuracy and neutrality, irrelevance, too summarised due to the length of the accounting period, an emphasis on the short term often at the expense of strategic issues and an overall lack of balance (Kaplan, 2001). Kaplan (2001) argues that although monitoring financial expenditure and budget compliance is central to NPO success, their overall performance cannot be measured through economic efficiency alone. Financial measures are unlikely to capture fully the many dimensions of NPO performance; however, implementing an evaluation system with too many measures can lead to measurement disintegration. Although Speckbacher (2003, p 678) believes that “financial indicators do not play a primary role in non-profits,” he contends that they “can provide important information on strategic trade-offs.” Despite recent emphasis on social performance measures (Herman and Renz, 1998) and on the limitations of financial measures, Ritchie and Kolodinsky (2003) conclude that financial measures are objective and convenient to use, as developing and implementing social measures in NPOs is resource intensive and time consuming. Although financial or efficiency measures do not assess the overall success of NPOs, whenever desirable social impacts or benefits should be expressed in monetary terms through social accounting or social return on

investment tools (Epstein and Buvahoc, 2009). If done so, it is easier to integrate the information in accounting systems and communicate results to stakeholders responsible for resource allocation, donations and finances. Thus, it is worth considering balanced performance measures as critical elements of performance evaluation in NPOs. Although using multiple criteria is desirable, to reflect the complexity of the NPO context managers need to make trade-offs between dimensions. The researcher cautions that not all performance domains or measures may be relevant to every NPOs context nor of equal importance.

8.3.2.2 *Performance targets and organisational effectiveness*

The field study findings indicated that NPOs set performance targets at the organisational, departmental and individual levels. The results revealed that key performance targets were financial and project outputs targets. The participants explained that this emphasis on financial targets was the result of donors' and regulators' interests in the expenditures incurred rather than the outcomes. The cross-sectional survey results suggested that in the Kenyan NPOs organisational targets and team targets were used more often than were individual targets. Performance targets were positively related to all three organisational effectiveness domains.

Similar to Waweru and Spraakman, (2009) the current study indicates that performance targets in Kenyan NPOs are team based rather individual based. A study by Carman (2007) reported NPOs regularly established performance targets. There seems to be a debate on the efficacy of target setting in NPOs. While Ferreira and Otley (2009) emphasise target setting, Radnor and McGuire (2004) conclude that targets do not support development in public sector. The debate on the applicability of target setting, as with any other performance issue, has not gone without being questioned (Stringer, 2007). However, this study settles the debate by confirming that use of team and organisational targets positively influences organisational effectiveness in the non-profit sector, thus addressing Stringer's (2007) concerns regarding the failure of research to document the relationship between target setting and other aspects of the PMS and performance.

The contentious issues could be the target setting process (e.g. imposition, consultation, participation) by individual NPOs as well as the perceived difficulty of the targets set. In the non-profit sector, funders mostly negotiate targets during project approval process and sometimes the NPOs base targets on past

performance. The field study participants raised concerns over employee gaming with regard to cascading targets down the organisational hierarchy. A recent research has indicated performance target setting criteria in NPOs emphasising accounting information was based on government policy, funders' and regulators' requirements and internal development by the NPOs themselves (Moxham, 2010). In Kenya, after the NPOs have agreed upon key performance measures and the measurement method, then they set performance targets at the organisational, departmental and individual levels. The final criteria for choosing targets needed to be agreed upon initially due to various dimensions that the NPOs needed to succeed. Aggressive target setting is unsuitable in organisations that require cooperation among units, as it takes longer to negotiate agreement (Ferreira and Otley, 2010)

This study confirmed the relationship between the use of team targets and organisational effectiveness, similar to previous literature (Scott and Tiessen, 1999; Fisher et al., 2003). Members' participation in setting performance targets enhanced the positive relationship between the variety and comprehensive use of performance measures and team performance (Scott and Tiessen, 1999). Moderately difficult targets enhanced group performance as well as organisational performance (Fisher et al., 2003). Hence, a performance measurement system should include an effective mechanism for reviewing targets (Ghalayini and Noble, 1996). Further, power decentralisation and decision-making suggests that staff should participate in setting performance targets.

8.3.2.3 *Data collection methods and organisational effectiveness*

Field study results indicated that NPOs used both traditional and ICT-based data collection methods. The cross-sectional survey results indicated that the data collection methods most often used appeared more interpersonal and included interviews, focus group discussions and personal conversations. The NPOs occasionally used pre-prepared forms and survey questionnaires. Telephone interviews and email/website self-reporting were sometimes preferred over forms. ICT-based data collection tools were positively associated with partnership effectiveness and organisational outcomes. However, traditional data collection methods were negatively related to organisational capacity.

There appears to be diversity among the NPOs regarding their preferred data collection methods. This was due to informal controls, lack of education among

beneficiaries, focus on outcomes, ICT development and cost. Santos et al. (2008) argue that assignment of data collection responsibility to specific staff, use of computerised information system and availability of performance data in electronic form to operators are essential for effective data collection and reporting. Carman (2007) reported that despite the existence of PDAs in some non-profits, Most NPOs still relied on written data collection tools, interviews and observations focusing on the service provision context rather than performance measurement. Therefore, Carman (2007) concludes that the NPOs might not be reaping the benefits of the extensive data collection methods and tools available to support their performance measurement systems. The data collection process involves evaluating the existence of the data, level of the organisation the data will be collected from, data collection procedure, responsibility for data collection and frequency of data collection. Finally, NPOs need to identify strategies to present their results to stakeholders to show clear progress towards achieving their mission (Tom and Frentzel, 2005).

Data collection methods and instruments are vital for capturing information on the key performance measures and for tracking targets. The recent improvement in ICT has seen advancement in data collection tools such as personal digital assistants (PDAs), smartphones and the Internet. Data collection methods are of particular relevance to NPOs working in developing countries due to the inherent problems such as the difficulty of accessing their beneficiaries, the local culture regarding the acceptance of technologies and generally low penetration of such technologies at the grassroots level. In Kenya, the recent implementation of the ICT policy and improvement of ICT infrastructure are of great importance to adoption of ICT-based data collection tools in NPOs.

8.3.2.4 *Rewards sanctions and organisational effectiveness*

Qualitative findings revealed that performance reinforcement through various rewards and sanctions remain unclear. However, team based rewards with clearly defined penalties were dominant compared to individual rewards. The cross-sectional survey results revealed that performance reinforcement through rewards and sanctions are not often used in NPOs, team rewards were occasionally used, while the termination of a project was rarely used as a sanction. Again, there seemed to be diversity regarding use of performance rewards and sanctions in the non-profit sector. Rewards were moderately used, but sanctions are not common.

There seemed to be a positive relationship between team based performance rewards and organisational effectiveness domains.

Although lack of rewards might be due to the resource constraints faced by Kenyan NPOs, Yap and Ferreira (2011) attribute absence of any form of performance related pay in a large Australian NPO to the existence of other clan controls emphasising core values. The NPO managers are reported to have more intrinsic motivation (finding joy in their work and identity, feeling driven to achieve goals) than extrinsic motivation, which is associated with productivity, engagement and innovation (Bono and Judge, 2003). Another reason for underutilisation of reward systems may be due to the rewards system challenges faced by the NPOs as reported in the field study. Some studies on incentive contracts (rewards) in NPOs (Brickley and Van Horn, 2000; Roomkin and Weisbrod, 1999) raise concerns regarding the transferability of rewards and compensation systems. For instance, Roomkin and Weisbrod (1999) report that non-profit hospitals used fewer overt performance based rewards and non-financial performance criteria than profit making hospitals in incentive contracts. Speckbacher (2003) points out two characteristics that make it difficult to transfer incentive contracts to NPOs. First, if compensation is based on certain performance domains then managers will reallocate measurement activities towards those dimensions away from relevant tasks such as emphasising long-term organisational success. In Kenya, this perspective is further compounded by the funders' reliance on outputs and financial measures. The FGD participants in the field study raised these concerns regarding use of reward systems. Second, agency theory, upon which the compensation systems are hinged, assumes that employees are "greedy and lazy," and thus need external motivation. However, intrinsic motivation of employees related to issues of social capital and volunteerism (Bono and Judge, 2003), mean that NPO staff accept below market compensation as they have other aims in their work such as social adjustment and instrumental aims, which make the idea of extrinsic motivation (incentive contracts) irrelevant.

Despite the lack of usage and justification of performance rewards in the non-profit sector, this study's findings on the positive impact of rewards on organisational effectiveness reinforced Scott and Tiessen's (1999) view that team performance is enhanced when team performance is given a greater weight in compensation. Furthermore, Simms and Trager, (2009) caution that an inadequate reward system remains an obstacle for attracting capable leaders to the non-profit sector. The

performance based reward orientation often requires reconfiguring organisational thinking, recognising stakeholders' differing views and uses of measures and avoiding the tendency for measures to emphasise sanctions rather than rewards (Thomson, 2010).

8.3.3 PM system context and organisational effectiveness

The PM system context is comprised of practices related contextual factors such as information flow systems, performance information use, PM system dynamism and PM system strength and coherence. This study investigated the relationship between PM system context factors and organisational effectiveness. The information flows systems positively predicted organisational capacity and organisational outcomes. PMS information use was positively related to organisational capacity and partnership effectiveness. PMS dynamism was not significantly related to organisational effectiveness while PMS strength and coherence was positively related to partnership effectiveness only.

8.3.3.1 *Information flow systems and organisational effectiveness*

The field study findings revealed that managers reported through both formal and informal feedback and feed-forward mechanisms to support their performance measurement processes. Some NPOs had invested in ICT and ERP systems. On the information flow systems, the cross-sectional survey results revealed that NPOs often use formal feedback systems such as memos, reports, review meetings, 360 feedback tools, management information systems such as ERP and computerised reports to communicate information internally and externally. On the other hand, the informal information channels such as staff networks were rarely used in the non-profit sector. Feed-forward systems were occasionally used in the NPOs. The information flows systems positively predicted organisational capacity and organisational outcomes.

Information flow systems allow organisations to organise, analyse and internally communicate performance data for corrective action and future learning. The aspects of information flow systems include performance analytics; information networks: information structure: timeliness; and information scope, aggregation, detail, relevance, selectivity and orientation (Otley, 1999; Ferreira and Otley, 2009; Silvi, et al., 2010; Mouritsen, 2004). The information flow systems and infrastructure may allow flow of financial and non-financial information or act as

an impediment to implementation of PM systems (Granlund and Mouritsen, 2003). NPOs collect large amounts of performance data for various dimensions. Thus, they need to manage and transform the data into information to support performance management (Mouritsen, 2004; Silvi et al., 2010).

8.3.3.2 *PMS Information use and organisational effectiveness*

The cross-sectional survey results indicated that most of the NPOs used performance information for legal annual reporting, accountability and legitimacy, strategic decision-making, taking corrective action and organizational learning. - NPOs occasionally used performance information to reward staff. The above information uses may point to both diagnostic and interactive use of performance data in Kenyan NPOs. PMS information use was positively related to organisational capacity and partnership effectiveness.

PMS information use and control is considered as one of the key pillars of an effective PM system. Simons (2000) summarises the use of information in a context of performance measurement and management control by dividing it into five different uses: decision-making, control, signalling, education and learning and external communication. The current results are consistent with previous studies on diagnostic and interactive uses of performance in management accounting research (Simon 1995). Although Alexander et al. (2010) argue that performance information use in NPOs remains unclear, several researchers have highlighted the uses of performance information which include: informing the budgeting process, service quality improvement, communicating results to stakeholders, human resource management and performance improvement (Tom and Frentzel, 2005). Contrary to Yap and Ferreira's (2011) findings, this study revealed that most NPOs used the information diagnostically to track past performance and take future actions. Tracking the achievement of objectives has also been widely reported in research as one of the uses of performance measurement (Moxham, 2009; Tom and Frentzel, 2005; Kendall and Knapp, 2000). The low ranking of the use of information for compensation is consistent with the low use of performance rewards in the non-profit sector.

A recent study by LeRoux and Wright (2010) concluded that NPOs were attempting to introduce performance measurement systems for decision making purposes, resource allocation and performance improvement. The use of performance information to improve organisational learning has been studied (Mausolff and

Spence, 2008). Operational control and benchmarking have also been mentioned, but Moxham (2009) observed that benchmarking was not used in NPOs due to lack of benchmarking partners.

8.3.3.3 *PMS Dynamism and organisational effectiveness*

With regard to PMS dynamism in the non-profit sector, there seemed to be agreement among the majority of respondents that PMS systems have changed over time with a shift towards the use of balanced measures, qualitative measures and regular updating of the system. These changes can also be seen in the use of multiple performance indicators and the adoption of various performance measurement frameworks in the NPOs. Surprisingly PMS dynamism was not significantly related to organisational effectiveness

PMS dynamism refers to the changes in PMS structure, content and information use to reflect changes in the internal and external environments, strategic priorities and objectives to maintain its relevance and usefulness. PMS dynamism focuses on the causes and outcomes of changes rather than the process of change (Ferreira and Otley, 2009). According to Henri (Henri, 2010 p. 74), a “lack of dynamism may lead PMS to reflect old priorities and inconsistent measures and limit the capacity of performance indicators to capture a range of performance outcomes.”

The current study indicated that the external environment was not very dynamic. This could explain the lack of significant relationship between PM dynamism and organisational effectiveness. With regard to PMS dynamism, a study by Yap and Ferreira (2011) indicated that changes in the internal and external environment lead to the emphasis of formal controls within the PMS systems of large non-profit organisations. According to Micheli and Manzoni (2010), in dynamic environments the PMS systems need to be flexible to promote organisational change and transformation. Thus, the PM systems need to combine alignment with organisational priorities and dynamism/flexibility to make appropriate use of performance targets and indicators as an effective means of implementing strategic changes in response to the external environment. Kolehmainen (2010) argues that dynamism needs to be embedded in performance management systems through creating a balance between alignment and managerial empowerment, frequent PM systems reviews and audits. While alignment processes are needed to ensure that performance, indicators and behaviours are in line with the organisation’s strategic priorities, empowerment at the individual manager’s level is needed to promote

dynamism and responsiveness by building flexibility into the system in order to allow for local adaptation of the indicators. Korhonen et al. (2012) conclude that PM dynamism leads to the use of updated measures, which in turn could lead to more efficient strategy implementation. There may be no direct relationship between PM dynamism and organisational effectiveness, but it may influence other components of the PM system.

8.3.3.4 *PMS strength and coherence and organisational effectiveness*

Regarding PMS strength and coherence, the results revealed that the PMS greatly contribute to clear definition of objectives, contribution to organisational performance and comprehensive and accurate information in the NPOs. However, the participants pointed out that the PMS does not consider the welfare and capacity of employees. The majority of the participants agreed that PMS systems have led to an obsession with results. Furthermore, the PMS were integrated with other systems within the NPOs. PMS strength and coherence was positively related to partnerships effectiveness.

PMS strength and coherence could be evaluated based on the extent to which the PMS “consider(s) multiple stakeholders; measure(s) efficiency, effectiveness and equity; capture(s) financial and non-financial outcomes; provide(s) vertical links between strategy and operations and horizontal links across the value chain; provide(s) information on how the organisation relates to its external environment and its ability to adapt” (Chenhall, 2003, p.136). In addition, the strength and coherence of a system could be captured from the extent to which the system is implemented and understood at different hierarchal levels within the organisation. The perceived strengths and weaknesses of the system, from the users’ perspectives, will be important (Ferreira and Otley, 2010). Studies by Poole et al. (2001) and Lewis et al. (2003) conclude that successful implementation of a performance management system is more likely when it is integrated throughout core systems. Integration reflects the extent that PM practices are integrated throughout the core managerial systems such as strategic planning and human resources (Ammons and Rivenbark, 2008; Thomson, 2010). The formal integration of PM at the initial, strategic planning stage and how it is communicated to the staff, will ensure long-term partnership success.

8.4 Mediation effects of performance management practices in the non-profit sector

One of the objectives of this study was to propose and validate a model that explained how performance management practices affected organisational effectiveness in the in the Kenyan NPOs. The first stage of validating the model was completed through assessment for unidimensionality, validity and reliability as reported in section 7.4. The CFA indicated that three dimensions (i.e. performance indicators, data collection methods and organisational effectiveness) were not unidimensional, as earlier indicated in Figure 3.1. Performance indicators had three dimensions: project indicators, financial indicators and non-financial indicators. Data collection methods had two dimensions: traditional data collection and ICT based data collection methods. Although in the theoretical framework (see Figure 3.1) organisational effectiveness has four constructs (project design, organisational management, external environment responsiveness and partnerships and networks), CFA revealed that effectiveness is represented with three unidimensional constructs: organisational capacity, organisational outcomes and partnerships effectiveness. The implication of these findings is that performance management and organisational effectiveness should not be treated as unidimensional constructs in future studies. That is, the use of composite scores to represent either performance management or organisational effectiveness may be misleading and thus invalid conclusions could be drawn from such studies. The validation of organisational effectiveness domains advances the theory of organisational effectiveness in NPOs at the empirical level. As a result, this study has responded to Lecy et al.'s (2011) call for empirical validation of the effectiveness domains they put forward in their study. The proposed framework was evaluated through CFA, thereafter a modified model (Figure 8.2) was validated which was deemed a good fit for the data thus accepted.

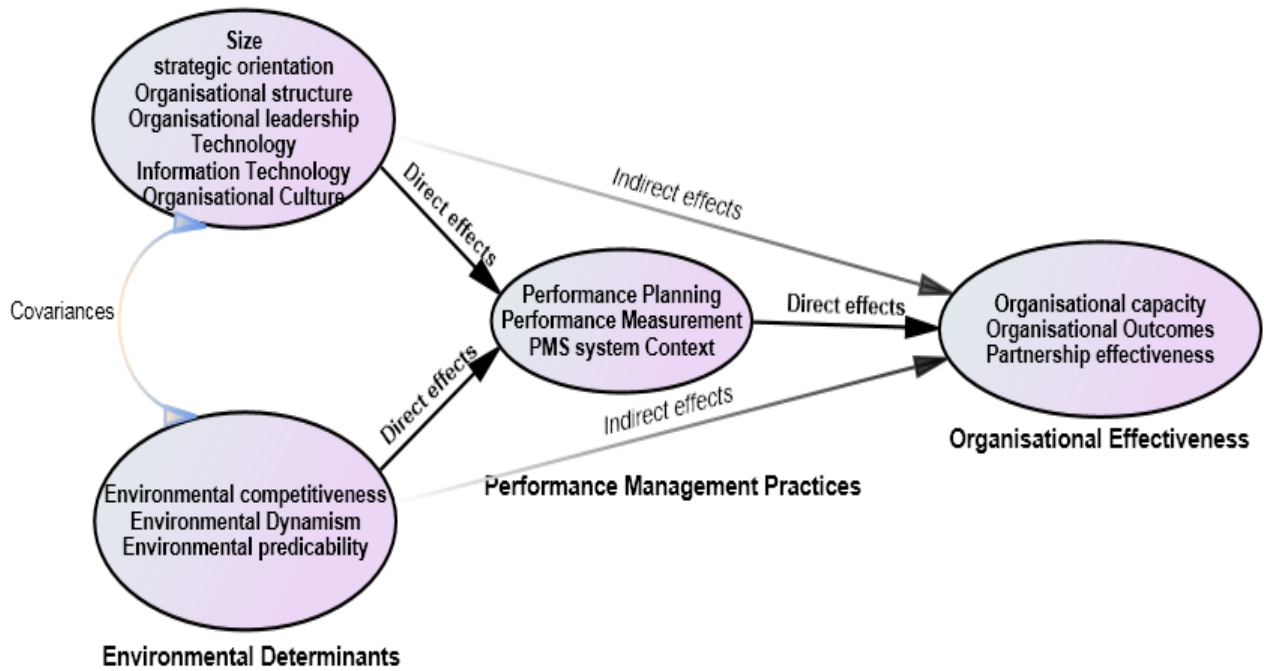


Figure 8.2 Validated theoretical model

Among the constructs, organisational structure and technology appear to suffer from lack of construct validity (see Table 7.8). The two constructs were closely related to each other based on convergent and discriminant validity. A close examination of the indicators used to measure the two constructs reveals that they were all associated with the organisation of work tasks and operations within NPOs. These findings may necessitate that the researchers think about how to measure the two constructs in future studies. Performance management was categorised in three phases: performance planning, performance measurement and PM system context. The validation of the above phases in the current study is of importance to both researchers and practitioners if they want to fully understand performance management process in NPOs.

The second stage involved testing the mediation effects of performance management components on the relationship between contingency variables and organisational effectiveness. This study responded to previous calls for testing models using performance management components as a mediating variable in a system fit approach (Gerdin, 2005; Henri, 2007; Mausolff and Spence, 2008; Smith and Langfield-Smith, 2004; Baines and Langfield-Smith, 2003). Three theoretical models were proposed that used each of the performance management components as a mediating variable of the relationship between contingency variables and

organisational effectiveness. The importance of developing and testing theories of mediating effects in accounting research is understandable. Antecedent mediating variable models (see Figure 3.2, 3.3 and 3.4) helped assess whether the relationship between contingency variables and organisational effectiveness was direct or whether it operated indirectly through PM practices. Although the use of SEM addressed the issue of correlated error terms between the dependant and independent variables, this study highlighted a new concern regarding correlated residuals of dependant variables. The issue of correlated residuals of two or more mediating variables in the same model has been completely ignored in SEM literature. Despite this concern, the goodness of fit tests indicated that the proposed structural model was valid and fit for the data (see section 7.5). Thus this study validated a mediational effects model of performance management.

From the cross sectional survey results summarised in Table 7.16, it can be concluded that PM practices mediate the relationships between leadership, technology, information technology, strategic orientation, external environmental variables and organisational effectiveness domains in the non-profit sector. These results concur with the extant management accounting literature, which suggests PM practices mediate the relationships between contingency variables and organisational effectiveness. As discussed earlier, researchers within the management accounting field point out that the adoption and implementation of performance management systems and control systems in organisations is dependent on contingency variables (Otley, 1980; Rejc, 2004; Ferreira and Otley, 2009; Ferreira and Otley, 2010; Speckbacher and Offenberger, 2010). For instance, Ferreira and Otley (2009) observe that contingency variables (external and internal) affect design and implementation of performance management systems within organisations. Subsequently effective performance management systems lead to optimal organisational effectiveness (Henri, 2004; Chenhall, 2007 LeRoux and Wright, 2010; Alexander et al., 2010 Samples and Austin, 2009; Franco-Santos et al., 2012).

On the other hand, researchers within the organisational theory and non-profit fields argue that organisational effectiveness is influenced by contingency factors such as employee performance, motivation, leadership, strategy, technology and culture. In addition, external environment factors such as administrative, technological, political, economic and socio-cultural factors affect organisational effectiveness (Browne and Iverson, 2004; Stone et al. 1999; Silva and Ferreira,

2010; Lecy et al., 2011; Malik et al., 2011; Khan et al., 2012; Edwards, 1999; Kronkisky, 2007; Herman and Renz, 2008). For example, Edwards (1999, p. 364) concludes that “NPO performance (effectiveness) is the outcome of a dynamic interaction between external influences (context) and internal influences (organizational choices).” The contingency theory is based on the premise that “organisational effectiveness results from fitting characteristics of the organisation, such as its structure, to contingencies that reflect the situation of the organisation” (Donaldson, 2001, p.1). Thus, contingency theory aims to prescribe to practitioners the level of fit between contextual variables and performance management systems that will result in optimal organisational effectiveness. This study contributed to this debate by providing empirical evidence on the mediation effects of PM practices in the non-profit sector.

8.4.1 Technology, performance management, practices and organisational effectiveness

This study found that performance planning and performance measurement mediate the relationship between technology and organisational capacity. The technology task variability and task analysability has a significant indirect effect on organisational effectiveness through performance planning. *Technology* refers to the way the organisation’s work processes function to convert inputs into outputs such as materials, machines, tools, people’s tasks, software and knowledge. This means that performance planning and measurement assists organisations in managing task variability and analysability so that they have a positive impact on those organisations. In the non-profit sector, the type of clients served, projects, programs and service delivery leads to high task variability and lack of specialisation. This requires a broad performance management system, which encourages balanced measures with high flexibility with regard to beneficiary requirements and employee participation, easy coordination between processes and regular performance reports (Chenhall, 2007; Poole et al., 2001). NPOs have been asked (by donors and regulators) to “routinize” their operations to reduce costs through private sector like management systems (Jain, 1996). According to Hartmann (2005), task uncertainty affects employees’ perceptions of the controllability, completeness and relevance of performance measurement systems as well as organisational effectiveness.

8.4.2 Information technology, performance management, practices and organisational effectiveness

The results indicated that performance planning and performance measurement positively mediates the relationship between information technology and organisational outcomes. Despite the importance to researchers and policy makers of how IT contributes to organisational performance, this study intensified the debate about the direct and indirect effect of IT. The findings indicated that IT has an indirect effect through performance management. These results reinforced Poole et al.'s (2001) findings that lack of IT infrastructure is a barrier to outcome measurement. This study has demonstrated that although adoption and effectiveness of information technology has an impact on advocacy, organisational learning and accountability outcomes (Lewis and Madon, 2004), the impact may be indirect through performance management systems. Similarly, Hyvonen's (2007) empirical study indicated that when a firm does not follow a customer-focused strategy then contemporary management accounting systems, in combination with advanced information technology, were related to high customer performance in for-profit organisations. Adoption of IT improves performance planning, data collection, data analytics, information flow and communication (Te'eni and Young, 2003; Dameri, 2005). Thus, it can be concluded that information technology does not directly influence organisational effectiveness, but it does indirectly enhance effectiveness through enhancing PM practices.

8.4.3 Leadership, performance management, practices and organisational effectiveness

The results of this study indicated that performance planning and performance measurement fully mediate the relationship between organisational leadership and organisational capacity. It means that organisational leadership variables influence organisational capacity through enhanced PM practices. This study is consistent with LeRoux and Wright (2010) and Moynihan and Ingraham's (2004) studies which found that more professionalised NPOs exhibited an increased use of performance indicators and thus had a positive effect on organisational effectiveness. Organisational leadership predicts, translates and manages the environmental dynamism through the performance management systems to improve effectiveness (Fiedler, 1996; Hmieleski and Ensley, 2007). Factors of the external environment interact with leadership characteristics including manager

education and functional training, effective governance, leadership professionalism and managerial styles and beliefs (Alexander, 2010).

The role of leadership is significant in addressing performance management challenges in the non-profit sector. The board of directors is ultimately responsible for evaluating an NPO's level of effectiveness. "Boards and management must agree on critical indicators that flow from the organisation's mission, vision and strategic priorities and take into consideration community needs, comparable organisations and the operating environment" (Kronkisky 2007, p. 5). Board governance effectiveness has been associated with effective performance management, decision making and NPO effectiveness (Herman and Renz, 2008; LeRoux and Wright, 2010). A review of the literature by Herman and Renz (2008) found a relationship between strong judgements of board effectiveness and NPO effectiveness. In addition, effective NPOs utilised modern performance management tools. Similarly, LeRoux and Wright, 2010 found a relationship between board effectiveness and use of performance information in decision making. Therefore, this study confirms that performance management systems mediate the relationship between organisational leadership variables and organisational effectiveness.

8.4.4 Strategic orientation, performance management, practices and organisational effectiveness

This study confirmed that performance planning, performance measurement and PM system context mediates the relationship between strategic orientation and organisational effectiveness. The multidimensional nature of NPO effectiveness provides a challenge in establishing a causal relationship between strategic orientation and effectiveness (Crittenden, 2000). Although the literature review indicated that the linkage between strategic orientation and PM practices in the non-profit sector had not been investigated, research in the management accounting literature (Chenhall, 2007) and the results of this study confirm this linkage (see section 7.5). Similarly, the choice of strategic types has been linked to organisational effectiveness in both for-profit and non-profit organisations (Hoque 2004; Doty et al., 1993, Brown and Iverson, 2004; Akingbola, 2006). More recently, however, management accounting researchers have shifted their attention to the mediation and moderation roles of performance management with regard to the relationship between organisational strategic orientation and organisational effectiveness and performance in for-profit organisations (Franco-Santos et al.,

2012; Spencer et al., 2009; Teeratansirikool et al., 2013). Spencer et al.'s (2009) study in Australian firms reported an indirect association between differentiation strategic priorities and organisational performance with both non-financial and financial performance measures. However, previous studies suggest contradictory results. Teeratansirikool et al.'s (2013) study, completed in Thailand, found that all competitive strategies (cost leadership and differentiation strategies) positively and significantly enhance firm performance through performance measurement. Furthermore, Verbeeten and Boons' (2009) study of Dutch firms gives no support for the claim that aligning performance measurement to the strategic priorities of a firm positively affects performance. Hyvonen's (2007) results also indicate that contemporary performance measures do not help firms with a highly customer-focused strategy to achieve high customer performance results.

Although this study was completed in the non-profit sector, the findings confirmed the earlier findings of research done in the for-profit sector (Spencer et al., 2009; Teeratansirikool et al., 2013). The growing consensus in the literature seems to be that PM systems do not automatically improve organisational effectiveness. Evidence suggests that it is the way these systems are designed, developed and, more importantly, used that brings about performance improvements (Henri, 2004). Furthermore, a number of internal and external factors mediate or moderate the relationship between PM systems and organisational effectiveness. Thus, the fit between the organisation's strategic orientation and the performance management system will positively influence organisational effectiveness. The results fully support the importance of using balanced performance management systems for NPOs pursuing diverse strategies and plans. An important aspect of performance planning in NPOs is the translation of diverse strategies into PM practices in a way that NPOs can achieve their vision and mission. The implication is that researchers and practitioners will need to pay closer attention to the role of PM practices in the implementation of strategic choices to achieve organisational effectiveness.

8.4.5 External environment, performance management practices and organisational effectiveness

The PM practices exhibited by NPOs are influenced by how the managers perceive the external competition and are able to anticipate changes in the environment as well as how perfectly they can predict the external environment. Although little research has been done on the mediation effects of PM practices on the influence of external environment on organisational effectiveness in NPOs, this study indicated that PM practices mediated the relationship between environmental competitiveness, dynamism, unpredictability and organisational effectiveness. The results were similar to previous studies completed in the private sector (Kihn, 2007; Hoque, 2005). Literature suggests that managers can take an active role in using formal PMS in highly uncertain environments (Ferreira and Otley, 2009). Previous empirical studies confirm that managers generally increase the use of broad-based systems, in particular qualitative and non-financial measures, when there is a perceived increase in environmental uncertainty (Chenhall, 2007). For instance, Kihn's (2007) study in Finnish firms concludes that perceived environmental changes moderate the relationship between organisational emphasis on non-financial controls and short-term organisational performance.

In the non-profit sector, environmental competitiveness and dynamism increase uncertainty. Thus, it implies that the absence of unpredictability of future funding conditions is desirable for effective planning and measurement of organisational outcomes. In such an environment, NPO leaders may recognise that they have less control over the project outputs and their own actions. Thus, it is much harder to measure performance based on results or outputs. The external environment can have either a negative or a positive effect on the organisational effectiveness in NPOs. However, the formal PM system enables managers to plan, measure, monitor and respond to the changes and cues in the external environment based on the information generated from the performance management system.

8.5 Conclusion

This chapter has discussed details about current PM practices, contingency variables influencing PM practices and the influence of PM practices on organisation effectiveness. First, the qualitative findings on current PM practices in NPOs in Kenya including NPO characteristics; organisational characteristics; PM frameworks; and the determinants, challenges and benefits of performance measurement were discussed. The linkage between contingency variables and PM practices in NPOs was established in this study. The significant organisational and external environment factors that influence various PM practices were discussed in detail and their implications to the Kenyan non-profit sector. The effect of PM practices on organisational effectiveness in the Kenyan non-profit sector confirmed its importance. It can be concluded that PM practices mediated the relationships between leadership, technology, information technology, strategic orientation, external environmental variables and organisational effectiveness domains in the non-profit sector. The next chapter concludes this study.

CHAPTER 9

CONCLUSION AND RECOMMENDATIONS

This thesis proposed and validated a model that explained how PM practices affect organisational effectiveness in Kenyan NPOs. This chapter presents conclusions and recommendations regarding this study. The chapter is organised as follows:

- Research questions re-visited
- Contribution to knowledge
- Research implications for practitioners and policy makers
- Limitations of this research
- Suggestions for future research
- Conclusion

9.1 Research questions re-visited

Performance management has been used in private and public organisations and more recently in NPOs, not only to address challenges faced by these organisations, but also to improve productivity and service delivery. Regardless of the recent growth and importance of the non-profit sector, particularly in developing countries, research focusing on performance management in this sector lags behind. A review of the literature revealed a gap between theoretical performance, management development and actual practices in NPOs. Therefore, the aim of this study was to develop and validate a model that explains how the fit between contingency variables and comprehensive PM practices affect organisational effectiveness in NPOs. The objectives of the study were:

1. To identify the current performance management practices in NPOs in Kenya.
2. To validate a structural model that explains how performance management practices affect organisational effectiveness in the Kenyan non-profit sector.
3. To examine the linkage between contingency variables and performance management practices in NPOs in Kenya.

4. To investigate to what extent performance management practices affect organisational effectiveness in NPOs.

To achieve the above objectives the main question was collapsed into the following 5 specific research questions:

1. How do NPO leaders define and understand non-profit sector characteristics and organisational effectiveness? **RQ1**
2. How do the NPO leaders define performance measurement and what are the current performance management practices in NPOs in Kenya? **RQ2**
3. Does the proposed model of contingency variables, performance management practices and organisational effectiveness fit the data? **RQ3**
4. What is the relationship between contingency variables and performance management practices in Kenyan NPOs? **RQ4**
5. What is the linkage between performance management practices and organisational effectiveness in NPOs in Kenya? **RQ5**
6. What are the mediation effects of performance management practices on the relationships between contingency variables and organisational effectiveness? **RQ6**

This study employed a mixed methods research approach which entailed a field study and a cross-sectional survey of the Kenyan non-profit sector. This research approach was structured within a post-positivist worldview and contingency theory theoretical lens, both of which underpinned an embedded research design that provided the plan for conducting the study. A preliminary field study was utilised to understand NPO leaders' perceptions on key study variables as well as the research context, thus addressing first objective. The field study aimed to answer RQ1 and RQ2. The qualitative data was collected through six semi-structured interviews with NPO executives plus a focus group discussion with seven managers. The researcher used framework analysis (Ritchie and Spencer, 1994) to analyse the qualitative data using the framework matrix tool in the NVIVO 9.2 software. The qualitative findings from the field study were incorporated into the cross-sectional research design and the survey instrument construction. Furthermore, the findings were integrated at the discussion and interpretation stage.

A cross-sectional survey was undertaken to test the hypothesised relationships among the contingency factors, PM practices and organisational effectiveness using the structural equation modelling approach. The cross-sectional survey sought to

answer RQ3-RQ5. A cross-sectional survey was administered using mailed questionnaires and online survey and was used to collect quantitative primary data. Secondary data about the 4000 NPOs operating in Kenya was collected from the 2010/2011 NGO reports released by March 2011. Structural equation modelling using AMOS 20 software was used to analyse the quantitative data. The measurement model was assessed with confirmatory factor analysis entailing unidimensionality, composite reliability and construct validity analysis to validate the measurement model and hypothesised relationships were tested with path analysis. The parameter estimates of the path model were interpreted to test the significance of the hypothesised relationships between variables.

9.1.1 Non-profit sector characteristics and current performance management practices

The first objective this study was to explore current PM practices in NPOs in Kenya. A field study was completed to address two research questions related to this objective (RQ1 and RQ2). The field study explored five secondary research questions related the definitions and relationship between the non-profit sector characteristics, PM practices, determinants, challenges and benefits of performance management in Kenyan NPOs, as summarised below.

9.1.1.1 *How do NPO leaders define non-profit organisations and objectives?*

The results revealed diversity in the Kenyan NPO sector in terms of ownership, activity, service sector, structure, form and scope–diversity that can perhaps be attributed to a fragmented regulatory framework and multiple goals of the NPOs. Thus, the Kenyan NPOs could not be categorised along activity or service sector line. The changing nature of the definition and objectives of the NPOs reflected the increased scope of the NPOs work from relief agencies to sustainable development systems. The main objective of the NPOs was impact maximisation, not profit maximisation. However, some NPOs have evolved to become social enterprises in order to remain sustainable.

9.1.1.2 *How do managers understand and define NPO effectiveness and what are the key effectiveness domains?*

The findings indicated that although NPOs in Kenya viewed NPO effectiveness as a multidimensional construct, they emphasised measurement of achievement of objectives. The key effectiveness domains were organisational management, project

design and implementation, partnerships and networks. When asked to give specific examples, they focused on achievement of objectives and public perception, reflecting goal attainment and the reputational approach. It is interesting to note that despite the diversity in the sector, the effectiveness dimensions remained similar across organisations.

9.1.1.3 *How do the NPO managers define performance measurement and what are the current performance management practices in NPOs in Kenya?*

The performance measurement definition in the sector appeared unique for every NPO. However, the NPOs seemed to narrow down to measurement of achievement of the goals, targets, or objectives associated with goal attainment approach and staff performance. NPOs utilised multidimensional, program specific and staff performance frameworks, although the logical framework was most common. Some of the NPOs in Kenya used multidimensional PM frameworks such as the balanced scorecard and the social return on investment (SROI). The analysis of NPOs with formal performance management systems and those without did not reveal any clear, common PM practice typology. In addition to the vision, mission and strategic activities, the core values emerged as a key component of the NPOs performance planning practices.

Generally, the performance planning activities in Kenyan NPOs were broad compared to performance measurement activities. With regard to performance measurement practices, Kenyan NPOs utilised financial, project and non-financial performance indicators, but more often they used project indicators including outputs and outcomes. The results suggested that organisational targets and team targets were used more often compared to individual targets. The NPOs have both formal and informal data collection methods but found it difficult to collect qualitative data. It can be concluded that performance reinforcement through rewards and sanctions were not common within the sector, but the penalties for non-performance are very clear. Team rewards were occasionally used while termination of projects was rarely used as a sanction.

PM system context reveals that NPOs had both feedback and feedforward information flow systems supported with ICT. Although the NPOs used performance information both diagnostically and interactively, most NPOs used PMS information for legal annual reporting, accountability and strategic decision-making. Despite the challenges, the performance management systems within the

sector had changed over time to reflect the changes in the operational environment. The systems were coherent with other management functions but were resource intensive and led to goal displacement.

9.1.1.4 *What are the factors influencing performance management practices in Kenyan NPOs?*

The results indicated that both organisational factors and external factors influenced performance measurement in most Kenyan NPOs. The recurrent organisational factors were culture, modern technology, leadership, organisational structure, size and organisational resources. Some external factors that most NPOs considered determinants of performance management were competition, stakeholder requirements (specifically government requirements), donors and beneficiaries, regulatory processes and external partnerships.

9.1.1.5 *What are the challenges and benefits of performance measurement in Kenyan NPOs?*

Finally, the field study explored the challenges and benefits of performance measurement in Kenyan NPOs. The findings revealed that the contextual and technocratic challenges facing the successful implementation of PM systems in Kenyan NPOs were described by participants as: “unreliable external data sources,” “lack of capacity and resources,” “unrealistic donor demands,” “beneficiaries unpredictability,” “structural limitations of existing frameworks,” “goal displacement,” “lack of incentive systems’ rewards systems challenges,” and “employee gaming.” The participants described some of the benefits of PM were described by participants as: “attracting funding,” “clarity of objectives,” “self sustainability,” and “improved efficiency.” The Kenyan NPOs face unique challenges, different to those of for-profit organisations, due to the nature of their operations.

9.1.2 Contingency variables, performance management practices and organisational effectiveness

The second main objective of this study was to validate a mediation model that explains how PM practices affect organisational effectiveness in the Kenyan non-profit sector. The third main objective aimed at investigating the relationships between contingency variables and PM practices. The final objective was to investigate to what extent PM practices affect organisational effectiveness in

Kenyan NPOs. Therefore, a cross-sectional survey was undertaken to address the three research questions (RQ3 to RQ6) related to these objectives. The findings are summarised below.

9.1.2.1 *Does the proposed model of performance management and organisational effectiveness fit the data?*

This question was addressed through the CFA approach. The first stage of validating the model was completed through assessment for unidimensionality, validity and reliability analysis that indicated that the three dimensions were not unidimensional. Performance indicators had three dimensions: project indicators, financial indicators and non-financial indicators. Data collection methods had two dimensions: traditional methods and ICT based methods. Although organisational effectiveness was originally conceptualised in four dimensions (project design, organisational management, external environment responsiveness and partnerships and networks), the results indicated that effectiveness constructs had only three dimensions: organisational capacity, organisational outcomes and partnerships effectiveness. Thus, contingency variables, performance management and organisational effectiveness should be viewed as hierarchical constructs with sub-domains or sub-constructs. Furthermore, any reliable and valid construct measures need to consider the context of the study. The proposed model was a good fit for the data as illustrated by the universally accepted goodness of fit tests.

9.1.2.2 *What is the relationship between contingency variables and performance management practices in NPOs' in Kenya?*

The researcher formulated nine hypotheses related to the third objective, which sought to examine the linkage between contingency variables and PM practices in NPOs. As shown in Table 9.1, the results supported and accepted hypotheses related strategic orientation, environmental unpredictability, structure, technology, information technology and leadership; while hypotheses related to size, culture, environmental competitiveness and dynamism have been rejected.

Table 9.1 Summary results for testing the first set of research hypotheses (Ha)

Research hypothesis	Result
<i>There is positive relationship between environmental unpredictability and usage of comprehensive PM practices</i>	Supported
<i>There is relationship between organisational structure and usage of broad PM practices</i>	Supported
<i>There is a positive relationship between strategic orientation and usage of comprehensive PM practices</i>	Supported
<i>There is a positive correlation between organisational leadership and usage of broad PM practices</i>	Supported
<i>There is a positive relationship between technology and usage of comprehensive PM practices</i>	Supported
<i>There is a positive relationship between information technology and usage of broad PM practices in NPOs</i>	Supported
<i>There is a positive relationship between organisational size and usage of broad PM practices</i>	Rejected
<i>There is a positive relationship between organisational culture and usage of broad PM practices</i>	Rejected
<i>There is a relationship between environmental competitiveness and usage of broad PM practices</i>	Rejected
<i>There is a relationship between environmental dynamism and usage of broad PM practices</i>	Rejected

The analysis of the qualitative findings and descriptive statistics helped the researcher understand the contextual factors that characterise the Kenyan NPO sector. These assisted in explanation of the results regarding the relationship between contingency variables and effectiveness in the sector. The study measured organisational effectiveness in the NPOs based on previous achievement of organisational capacity and outcomes. Regarding capacity, the quantitative results revealed that Kenyan NPOs performed well on clarification of program objectives and activities as well as program resources utilisation, all of which were associated with the program design effectiveness domain. On the other hand, the NPOs performed poorly on resistance to global policy agenda and donor requirements as wells on resource mobilisation and their ability to network, all of which were associated with external environment responsiveness. On organisational outcomes, NPOs performed well on gaining donor confidence, reputation, service quality and beneficiary satisfaction associated with organisational management domain. On the other hand, the NPOs performed poorly on funding diversity and stability, achievement of long-term objectives and innovation domains

Although the survey did not find a correlation between organisation size and PM practices, the field study findings revealed that large NPOs with resources invest in

comprehensive performance management systems more often when compared to smaller NPOs facing resource constraints. On strategic orientation, Kenyan NPOs focused on external defensiveness, internal defensiveness, futurity, pro-activeness and analysis. It can be concluded that although Kenyan NPOs emphasised innovativeness they appear to be risk averse. NPOs focused on less stratified and more formalised and decentralised structures with varying degrees of complexity in tasks associated with increased use beneficiaries, local community and use of volunteers in the delivery of service. The NPOs face high task uncertainty characterised by high task variety and analysability. Kenyan NPOs emphasise soft culture, collectivism and power decentralisation, but they do not tend to emphasise proactive culture. This is due to the socio capital element and emphasis on core values and clan controls. It emerged that most NPOs used personal computers, the Internet, email and other communication technologies in the completion of their tasks, but they do not use management information systems. However, large Kenyan NPOs utilised modern technologies such as computerisation, payroll systems, ERP and General Packet radio service (GPRS) systems. External funding and community resources emerged as the most competitive factors in the external environment. Technological innovation appeared to be a less competitive factor compared to other aspects of the external environment. The socio-economic environment appeared dynamic due several natural disasters, terrorist attacks, post-election violence and famine: however, changes in the regulatory and policy environment were far less frequent. The stakeholders' requirements and demands in the sector seemed to be predictable, particularly donor requirements and accountability demands.

9.1.2.3 *What is the linkage between performance management practices and NPO effectiveness in Kenya?*

Nine main hypotheses related to the third objective dealing with performance planning, performance measurement and PM system context—were proposed and subsequently sought to test the relationships between PM practices and organisational effectiveness in NPOs. As shown in Table 9.2, the results supported and accepted hypotheses related to performance planning, performance targets, data collection methods, rewards, PMS information flow and PMS strength and coherence, while hypotheses related to performance indicators and PM dynamism were rejected. The quantitative results revealed that among the performance management practices, performance planning, performance targets and

performance rewards significantly predicted organisational effectiveness in the non-profit sector.

Table 9.2 Summary results for testing the second set of research hypotheses (Hb)

Research hypothesis	Result
<i>There is a positive relationship between performance planning practices and organisational effectiveness domains</i>	Supported
<i>There is a positive relationship between performance targets and organisational effectiveness domains</i>	Supported
<i>There is a positive relationship between data collection methods and organisational effectiveness domains</i>	Supported
<i>There is a positive relationship use of rewards and organisational effectiveness domains</i>	Supported
<i>There is a positive relationship between PMS information flow system and organisational effectiveness</i>	Supported
<i>There is a positive relationship between PMS information use and organisational effectiveness</i>	Supported
<i>There is a positive relationship between PMS Strength and coherence and organisational effectiveness</i>	Supported
<i>There is a relationship between use of performance indicators and organisational effectiveness domains</i>	Rejected
<i>There is a positive relationship between PMS dynamism and organisational effectiveness</i>	Rejected

The qualitative findings indicated that NPOs put the most emphasis on clear identification, specification, communication of mission and vision, objectives and goals, core values, key success factors and strategic activities. The mission and vision appeared the most emphasised, while the strategic planning process did not involve stakeholders. The results further indicated that NPOs had excelled in project and program design as well as in strategic planning. This could explain the significant relationship between performance planning and organisational effectiveness.

The NPOs in Kenya emphasise output and financial measures; as such, they have been criticised in literature for suffering from goal displacement, employee gaming, short-termism and aggregation. Thus, the use of performance indicators was not related to organisational effectiveness in the Kenyan NPOs. However, use of project indicators had a negative influence on organisational outcomes. The Kenyan NPOs emphasised team targets linked to small team rewards. Furthermore, they used diverse data collection tools for project monitoring and also adopted ICT based tools. Although there is diversity in the relationship between performance

measurement variables and organisational effectiveness domains, it can be concluded that performance rewards, data collection methods and performance targets influenced organisational effectiveness in the non-profit sector.

Both the qualitative findings and the descriptive statistics demonstrated that the PM system context variables were not emphasised. Thus, PM system context variables had less influence on organisational effectiveness domains compared to performance planning and performance measurement.

9.1.2.4 *What are the mediation effects of PM practices on the relationships between contingency variables and organisational effectiveness?*

Three main hypotheses, which aimed to establish the extent PM practices mediated the relationship between contingency variables and organisational effectiveness proposed. The *direct effects, indirect effects and total effects* of contingency variables on organisational effectiveness were used to examine the mediation effects of PM practices. First, the results indicated that environmental unpredictability, environmental dynamism, strategic orientation, technology, information technology and organisational leadership positively influence organisational effectiveness. However, environmental competitiveness is negatively related to organisational outcomes. Organisational culture, organisational structure and organisational size do not predict organisational effectiveness. As shown in Table 9.3, the results supported hypotheses related to the mediation effects of PM practices on strategic orientation, technology, organisational structure, leadership, environmental unpredictability, information technology and organisational effectiveness, while mediation effects on organisational culture, environmental dynamism, environmental competitiveness and organisational size were not supported.

Table 9.3 Summary results for testing the third set of research hypotheses (Hc)

Research hypothesis	Indirect Effect	Total Effect	Result
<i>PM practices mediates the relationship between:</i>			Mediated Effect
<i>Environmental unpredictability and organisational effectiveness</i>	Yes	+ve	Supported
<i>organisational structure and organisational effectiveness</i>	Yes	No eff	Supported
<i>Strategic orientation and organisational effectiveness</i>	Yes	+ve	Supported
<i>Organisational leadership and organisational effectiveness</i>	Yes	+ve	Supported
<i>Technology and organisational effectiveness</i>	Yes	+ve	Supported
<i>Information technology and organisational effectiveness</i>	Yes	+ve	Supported
<i>Organisational culture and organisational effectiveness</i>	No	No eff	Rejected
<i>Environmental competitiveness and organisational effectiveness</i>	No	-ve	Rejected
<i>Environmental dynamism and organisational effectiveness</i>	No	+ve	Rejected
<i>Organisational size and organisational effectiveness</i>	No	No eff	Rejected

It is important to note that organisational structure has an indirect effect on organisational effectiveness through PM practices. Hence, the link between organisational structure and PM practices may be recursive if considered in light of the literature. Thus, it can be concluded that performance planning, performance measurement and PM system context either fully or partially mediates the relationships between some contingency variables and organisational effectiveness.

This thesis proposed and validated a model that explains how performance management practices affect organisational effectiveness in Kenyan NPOs in a mixed methods study. The purpose of the study was not to infer causality, but rather to develop a model fit of contingency variables and performance management practices that can predict organisational effectiveness. The above findings and results demonstrate that this thesis addressed the research problem, achieved the aims and objectives, as well as adequately addressed the research questions using the appropriate methodology and research tools.

9.1.3 Main findings

- To conclude this section: the field study revealed that NPO entities in Kenya had multiple characteristics that led to complex organisational structures, which in turn influenced PM practices. PM practices were categorised into performance planning, performance measurement and performance context. Performance planning practices are widely defined across the NPOs but not translated into performance measurement practices in the same NPOs.
- Performance planning practices revealed diversity in strategies and plans. Within the formal PM system, the NPOs emphasised mission statements and core values. Although performance planning reflects the NPOs' intrinsic and multidimensional outcomes, performance measurement practices reflect the narrow focus of PM systems.
- Private sector measurement frameworks were utilised, but there was an emphasis on measurement of targets/objectives and use of logical framework, which led to a focus on output, financial indicators and team-based targets, but provided no clear rewards for performance in the NPOs. The use of team-based performance targets was related to the use of some team-based rewards in the NPOs.
- The PM systems were resource intensive and led to goal displacement and a narrow definition and measurement of organisational effectiveness. Although PM systems had some benefits, such as improved funding, NPOs faced some challenges implementing PM systems such as lack of incentive systems, lack of resources and employee gaming. PM systems had changed over time, but the actual implementation seemed to be limited.
- The NPO leaders understood organisational effectiveness in terms of achievement of objectives and targets, both of which are related to project design and implementation dimensions. The emphasis on objectives and targets in PM practices cascades down to the conceptualisation and definition of NPO effectiveness.
- The assessment of the measurement model confirmed that measures of all the 25 latent variables used in the study exhibited unidimensionality, construct validity and composite reliability. Performance indicators consist

of three dimensions: financial, non-financial and project indicators. Data collection methods could be categorised into traditional and ICT-based methods. Organisational effectiveness was found to consist of three dimensions: organisational capacity, partnership effectiveness and organisational income. The proposed structural model of performance management and organisational effectiveness was validated as it fit the data reasonably well.

- The quantitative results revealed that, among the contingency variables, strategic orientation significantly predicted comprehensive PM practices. The results further confirmed that environmental unpredictability, organisational structure, technology, information technology, and organisational leadership also predicted usage of PM practices. Contrary to expectations, organisational size, organisational culture, environmental competitiveness and environmental dynamism were not significantly related to the use of broad PM practices.
- The survey results indicated that among the performance management variables performance planning, performance targets, data collection methods, rewards, PMS information flow, PMS information use and PMS strength and coherence significantly predicted organisational effectiveness domains.
- The direct and indirect effects of the mediation model confirmed that PM practices mediated the relationships between strategic orientation, technology, leadership, organisational structure, environmental unpredictability, information technology and organisational effectiveness domains. Organisational structure indirectly affects organisational effectiveness through PM practices.

9.2 Contribution to knowledge

The contribution of this thesis is threefold: theoretical contribution, empirical contribution and methodological contribution.

9.2.1 Theoretical contribution

The underlying principles of constructing a theoretical framework are mainly based on the preceding theoretical justification and empirical research contingency theory of management accounting. A variety of theoretical fit have been used to categorise contingency-based research in the management accounting field: the selection approach, congruence (matching fit or misfit), interaction fit, the systems approach, the intervening variable approach and structural modelling. Overview of literature reveals severe limitations associated with the selection approach and interaction fit of selected contingency variables (Chapman, 1997). Accounting studies have pointed to the potential use of performance management as a mediating variable between contingency variables and organisational effectiveness in system fit approach; however, there were few studies pursuing this potential. This thesis developed and validated a mediation model of contingency variables, PM practices and organisational effectiveness in the non-profit sector. The structural path parameter estimates between the variables were interpreted cautiously so as not to imply causality, but indicate mediation effects of PM practices on contingency variables and organisational effectiveness. Thus, this thesis makes a theoretical contribution to the underlying principles of constructing mediation theoretical frameworks.

A review of the literature indicated that studies utilising contingency theory in a system fit approach to explain the variability of PM systems in NPOs remain scarce. Few studies available use selected contingency variables without explicitly referencing contingency theory. According to Chenhall (2007), lack of replication of studies in other contexts, like the third sector and lack of focus on current aspects of PMS seems to be limiting the ability to update and generalise contingency theory across disciplines. Despite the limitations of the contingency theory, it remains a plausible theory for understanding the relationship between contextual variables and performance management practices in the highly complex and dynamic third sector context. Thus, this thesis advances the contingency theory for the non-profit sector by developing and validating a model that explains how performance management practices affect organisational effectiveness in NPOs from a

contingency theory perspective. This thesis adopted structural equation modelling to fit a model using the following contingency variables: organisational size, technology, information technology, structure, strategy, leadership, culture, environmental competitiveness, environmental dynamism and environmental unpredictability.

This study proposed and validated three models representing components of performance management: performance planning, performance measurement and PM system context. Among the three PM system components there seemed to be limited research performance planning practices and PM system context. The first component is performance planning related to the specification and communication of mission and vision; objectives, purpose and goals; strategic activities and plans; key success factors and core values. Although Ferreira and Otley (2009) do not include the concept of core values in their framework, in this study core values are a significant component of performance planning. The second component is performance measurement practices, which include the extent to which NPOs utilise performance measurement frameworks, performance indicators, performance targets, data collection methods, rewards and sanctions. CFA indicated that performance indicators had three dimensions: project indicators, financial indicators, and non-financial indicators. Data collection methods had two dimensions: traditional data collection and ICT-based data collection methods. The last component is the performance management context which is a the set of practices related to a set of underlying contextual issues which permeates the performance management system and includes PMS information flow systems, PMS information use, PMS dynamism and PMS strength and coherence.

NPO effectiveness research is limited due to the complexity of defining and measuring NPO effectiveness. Few studies have advanced knowledge through empirical analysis; rather, most were focused on advancing new conceptual/theoretical models and not on testing the theoretical assumptions (Lecy et al., 2011). Integrating insights across disciplines, this thesis strengthened cumulative knowledge on defining and conceptualising NPO effectiveness. Although in the theoretical framework organisational effectiveness had four constructs (project design, organisational management, external environment responsiveness and partnerships and networks), the CFA revealed that effectiveness is represented by three constructs: organisational capacity, organisational outcomes and partnerships effectiveness

9.2.2 Methodological contribution

This thesis made important methodological contributions in the field of management accounting by utilising a mixed methods approach. Previous qualitative and quantitative studies have explored and explained the evolution and adoption of performance measurement systems in NPOs based on new institutional theory, professional theory and resource dependency theory; however, studies utilising a mixed methods approach based on contingency theory in a system fit approach remain scarce (Chenhall, 2007). This thesis employed an embedded mixed research design utilising a field study and a cross-sectional survey, structured within a post-positivism worldview and used a contingency theory theoretical. A field study was used to understand the leaders' perceptions on key variables and the research context while a cross-sectional survey was used to validate a model using a structural equation modelling approach. Qualitative and quantitative data were collected, analysed and interpreted sequentially thus allowing integration to occur at the various stages of data collection and discussion of results. This thesis contributes to methodological development in management accounting research in terms of providing a practical example of how embedding a field study in a primary cross-sectional survey can be used to address research problems and questions adequately. In this study, the researcher used a cross-sectional survey to gather primary data. The greatest challenge for survey researchers is to construct a valid and reliable survey instrument. A review of the literature indicated that some of the variables could not be reliably measured using previous survey instruments. Qualitative data was used to develop a questionnaire and scale items reflecting the key constructs meanings as defined and understood by the managers. The analysis and interpretation of data from interviews and the focus group assisted in the understanding and operationalisation of key concepts such as performance management and NPO effectiveness. Confirmatory factor analysis was used to confirm the validity and reliability of the instrument. Thus, this thesis contributes to methodological development by testing the reliability and construct validity of a survey instrument that could be used in future studies of NPOs.

Operationalisation and measurement of latent variables remain unsettled in accounting research as researchers seek new fronts to test models and theories. This study provided indicator variables drawn from both literature and qualitative findings to measure contingency factors, PM practices and organisational

effectiveness. The study operationalised a modified PMCF (Ferreira and Otley, 2009) and organisational effectiveness model (Lecy et al., 2011) through construction and validation of a survey instrument that could be used in quantitative studies. In addition, this study demonstrated that the application of specific strategic typologies, such as defenders, reactors, prospectors and analysers, within the contingency theory and management accounting field may be gravely misleading and does not reflect the actual practice in organisations. Organisations pursue several strategies with one strategy emerging as dominant. Although management accounting researchers have used budget size and number of employees as proxies for organisational size, the inconsistency in the current study raises concern regarding the applicability of such measurement to the non-profit sector.

Unlike quantitative analysis, there are no clearly agreed rules or procedures for analysing qualitative data from a field study. However, the most common approaches used in accounting research include ethnographic accounts, thematic analysis, content analysis and grounded theory. This study makes methodological contributions to management accounting field by utilising the framework analysis method. Although framework analysis is commonly used in social, health and public sector research, there has been limited application to accounting research. A key advantage of framework analysis is that it allowed themes to develop from both the theoretical framework and narratives of the participants. Furthermore, the method is now available to use in NVIVO software.

SEM is one of the least utilised methods in management accounting research. One limitation of this method that has been cited in the literature is the possibility of equifinality, meaning the existence of more than one equally fitting models explaining the relationships in a particular context. However, recent developments in structural equation modelling techniques and software have produced a range of goodness of fit tests for evaluating competing structural models (Arbuckle, 2011). In this study, the researcher followed a more stringent four-step approach. The measurement model was first assessed with CFA and the hypothesised relationships tested with path analysis. Once the measurement model was deemed acceptable, factor scores of the composite variables were estimated using FIML stochastic regression data imputation method in order to achieve model parsimony. This procedure produced composite factor scores with unbiased means and variance estimates. Bootstrapping was performed in order to achieve unbiased estimates and obtain two-tailed significance levels for the indirect effects. Therefore,

this research makes a methodological contribution by employing structural equation modelling to validate the proposed model. Future studies may employ similar procedures utilising the recent developments in the SEM tools.

9.2.3 Empirical contribution

The thesis addressed the research problem contributing to the ongoing debate regarding the relevance of performance management in the non-profit sector. The research problem addressed is the gap between theoretical performance management development and actual practices in organisations. A review of the literature revealed that research in NPOs remain limited, despite importance of performance management to NPOs and numerous calls for research and utilisation of management control systems to NPOs. Thus, this thesis addressed this gap by exploring PM practices from managers' perspectives through a field study and subsequently explained the linkages between contingency variables, PM practices and effectiveness through structural modelling.

Unlike in the private and public sectors, where the variety of contextual variables influencing the use of performance management systems had been empirically studied (Chenhall, 2007), in the non-profit sector only a few factors had been individually studied and these included: leadership, resources, size and funding mandates. In particular, environmental uncertainty, environmental dynamism, organisational structure, strategy and technology had largely been ignored. This thesis provided empirical evidence of the importance of strategic orientation in the design and adoption of effective performance management systems within the non-profit sector. However, organisational size was not significantly related to PM practices and organisational effectiveness.

Several researchers have examined performance management and measurement in NPOs using various frameworks such as the balanced scorecard, performance prism, dashboard, logical framework, and impact maps. The challenge is that most of these frameworks are narrow and have not been implemented in NPOs. Thus, this study utilised a generic performance management and control framework to investigate PM practices in NPOs. This study reinforced Yap and Ferreira's (2011) findings that performance management and control framework (Ferreira and Otley, 2009) are important frameworks for researchers interested in exploring performance management in NPOs.

In the non-profit performance measurement literature, the importance or benefits of using performance measurement to assess organisational effectiveness had been widely speculated, but there was still a lack of empirical evidence to ascertain these claims (Teelken, 2008). A good number of studies put emphasis on performance measurement as ‘unwanted distraction’ as it had dysfunctional negative effects on mission achievement (Moxham, 2010). This thesis demonstrated that various PM practices significantly influenced organisational effectiveness. Furthermore, this thesis provided empirical evidence on the mediation effects of PM practices on relationships between contingency variables and organisational effectiveness.

Regardless of recent growth and the importance of the non-profit sector, particularly in developing countries, research focusing on performance management in this sector lags behind. Analysis indicated that the majority of the empirical studies in the non-profit sector were undertaken in the United States and United Kingdom, with only a few from developing and other countries. The study was completed in NPOs registered and operating in Kenya, a developing country in Sub-Saharan Africa. The research context represents an active, organised and regulated sector in a politically stable developing country. The context (NPOs in a developing country) enabled the researcher to test generalisability of performance measurement systems in other contexts.

9.3 Research implications to practitioners and policy makers

This study has identified performance management practices relevant to the non-profit sector, particularly in the Kenyan context or other developing countries. Therefore, at the practical level, the study findings have implications and recommendations for practitioners, the Kenyan government, NPOs and donor agencies for how to improve PM systems and organisational effectiveness in the sector. Thus, the researcher makes the following recommendations to address some of the key findings of the study.

For the practitioners, this thesis has implications with respect to the adoption of IT, alignment of strategy with PM systems and implementation of broad comprehensive performance management systems. The use of IT positively influences performance measurement and effectiveness. Managers need to take advantage of the recent growth in the telecommunication industry in Kenya to utilise IT facilities and address poor communication and infrastructure in areas where the NPOs work.

Furthermore, some of the technologies (e.g. ERP) will assist in the manipulation, management and dissemination of the data collected. The strategic orientation refers to how organisations interpret and respond to product innovation, administrative and operational problems in the sector. The study highlighted the importance of strategic orientation in the design and adoption of effective PM systems and organisational effectiveness within the non-profit sector. This study demonstrated that emphasis on narrow project indicators, output and financial measures negatively affected organisational effectiveness. Thus, the practitioners need to use balanced measures linked to strategic planning and performance context. These results act as a starting point for developing a sustainable performance management system suitable for the non-profit sector. Performance management may be divided in three major phases: performance planning, performance measurement and performance context. Various frameworks and tools available to the managers can support progress through these various phases of performance management. The empirical evidence suggests that the combination or integration of various performance management components was more likely to contribute to organisational effectiveness than they would contribute individually. The managers need to link the performance targets to performance rewards as well as invest in management information systems that facilitate collection, processing and dissemination of essential data.

For the policy makers, this thesis has implications regarding regulatory frameworks and donor and government reporting requirements. The study revealed that the regulatory frameworks of the sector remain a hindrance to the development the sector due to multiple laws governing civil society. The annual reports filed at the NGO Coordination Board indicate that some NPOs either under report funding, over inflate income, or file incomplete reports on staffing, assets and income. The Kenyan government need to implement policies that will address the regulatory and annual reporting challenges faced by the sector. The registration and regulation of all NPOs needs to be centralised and clear definitions of the entities and categories of the sector need to be provided.

For the donors this thesis provides a good justification for funding formal PM systems. This study revealed that Kenyan NPOs face resource constraints that result in inadequate investment in comprehensive performance management systems. On the other hand, the NPOs face stringent, often-overlapping, time consuming and laborious reporting requirements from multiple funders. The

donors rely on external monitoring and evaluation experts to assess performance. With insufficient funds, effective performance monitoring is not being achieved, as the data collected does not inform implementation of the projects. The external reports are not useful for internal performance improvement. Donors need to identify simpler and friendlier reporting formats without compromising their interests, but at the same time not overburdening the already stretched NPOs. Furthermore, the donors should provide separate resources for implementation of formal performance management systems, which will in turn improve NPOs effectiveness.

9.4 Limitations of the study

Like any research study, this thesis had a number of limitations. The results have to be considered in light of the following research limitations:

One of the advantages of the mixed methods is the ability for the researcher to choose and integrate appropriate techniques from both qualitative and quantitative approaches to investigate a research problem. However, some researchers have raised questions on the efficacy of using both quantitative and qualitative techniques in a single study, particularly for individual researchers and graduate students, due to the incompatibility of epistemological stances and lack of researcher competency and proficiency in both approaches (Modell, 2010; Teddlie and Thashakorri, 2012). Some of the challenges include the need for appropriate skills, time and resources for extensive data collection and analysis and justification for use of a mixed methods approach to the field of the study. A key limitation is that the researcher needs to have expertise in the quantitative or qualitative design used in addition to expertise in mixed methods research. The researcher adequately addressed this challenge through training. The researcher adopted an embedded correlational design. This particular research design was primarily chosen based on the aforementioned post-positivistic ontological and epistemological stances, the need to adequately address the research problem and the researcher's skills and competency in the primary method.

The study employed a primarily quantitative approach as the main research methodology, which has been criticised for weak validity compared to qualitative studies. To address this limitation a field study was completed to answer secondary research questions in order to increase the validity and reliability of the cross-

sectional survey. The current study adopted a cross-sectional study design, which was conducted at one point in time and did not show PM practices over time. Furthermore, the study focused primarily on NPOs in Kenya and therefore the results may not be generalised to the entire global non-profit sector, or other sectors such as the private and public sectors.

The study relied on secondary data to measure organisational size and construct the sampling frame. The secondary data collected from the NPOs self-reported annual reports submitted to the government had some shortcomings such as incomplete information, overestimated expenditures, underestimated income and undervalued assets. The researcher used total income collapsed into an interval scale as a measure of organisation size. This could have affected the reliability of the scale.

FIML latent structural equation modelling is recommended over path analysis (Garson, 2012). The researcher was not able to utilise it because of the large number of latent variables (25 in total after CFA). To address this limitation, stochastic regression was used to estimate the unbiased composite scores of the latent variables. The researcher used bootstrapping to ensure the interpreted parameter estimates of the path model were unbiased. However, it is important to caution readers that some predictive power could have been lost due to the use of composite scores as opposed to latent variables. Although the majority of the constructs had discriminant validity, strategy and technology constructs had some construct validity concerns. However, the readers were explicitly warned of the above validity concerns that may bias the results of this study.

Finally, this study is among the few completed to investigate the mediation effects of PM practices on the relationships between contingency variables and organisational effectiveness in the non-profit sector. Some of emerging research issues could not be addressed such as the decomposition of the mediation effects of individual PMS components and multi group analysis of moderation effects of some factors such as scope, mode of data collection, ownership and service sector. This limitation could introduce systematic errors thus biasing the results. Nevertheless, the many advantages of testing the model outweighed the shortcomings of the emerging issues.

Despite these limitations, this research provided useful insights on how PM practices affect organisational effectiveness in the Kenyan NPOs. Thus, the limitations of this research create many possibilities for future research discussed below.

9.5 Suggestions for further research

This section outlines several avenues for future research. This thesis proposed and validated a mediation model that explains how contingency variables and PM practices affect organisational effectiveness in Kenyan NPOs. There are opportunities here to cross validate the model with an independent sample, which would improve validity and reliability of the research instrument as well enhance the generalisability of the findings. In addition, further research may propose and test alternative mediation or moderation models within the non-profit sector by using an alternative modelling approach in SEM. Similar studies could also be completed in other countries, particularly in developing nations in Africa and other regions.

The current study used a field study and cross-sectional design and it would be valuable to conduct a more extensive longitudinal study using a mixed methods approach to ascertain whether the PM practices in this study and the effect on organisational effectiveness are consistent over time. The number of interviews and FGDs could be increased to gain further understanding of the latent variables. This study used a framework analysis method to analyse the field data. Although framework analysis is commonly used in social, health and public sector research, it has limited application in accounting research. Since the approach is now available to implement in NVIVO, future studies in accounting may consider using this approach as alternative thematic analysis.

The current study used a generic survey instrument to measure the variables. This was necessary due to the diversity in the understanding of latent variables as they emerged from literature and the field study. There is an opportunity for future studies to focus on smaller parts of the model particularly performance planning and PMS system context which remain under researched in management accounting compared to performance measurement. Future studies may also explore ways to improve the measurement of the latent variables (contingency

variables, PM practices and organisational effectiveness) used in this study since some indicators were developed by the researcher.

The literature review indicated that contingency studies in management accounting focusing on performance management in the voluntary sector are still lacking. In particular, environmental uncertainty, environmental dynamism, organisational structure, strategy and technology have largely been ignored. This thesis provides empirical evidence that some of the neglected factors such as technology, strategic orientation and information technology influence the design and adoption of effective performance management systems within the non-profit sector, while others like organisational size were not significantly related to PM practices. Furthermore, this thesis has demonstrated that various performance management components, such as performance planning, performance targets and performance rewards, significantly predict organisational effectiveness domains. Future studies may wish to explore further these findings in other non-profit sectors in order to test the generalisability of the findings.

Finally, there is still a need for more performance management studies that integrate several research disciplines, such as combining management accounting and non-profit management perspectives. This will enhance the generalisability of performance management frameworks developed from management accounting to other contexts such as the public and voluntary sector.

9.6 Final conclusion

To successfully implement and benefit from the PM system NPOs need to address the fit between contextual factors and the performance management system. The study has made a solid contribution to knowledge in this field. Consequently, the researchers and practitioners (especially in Kenya and other developing countries) should respond to, incorporate and build on the findings of this research. The study was significant as it not only increased academic knowledge in the management accounting field, but also made a significant contribution to the literature on performance management in NPOs. Although this study has its limitations, such as a lack of generalisability, small number of cases and relatively small sample size, the study contributes to the enrichment of performance management literature in NPOs in various contexts. This thesis further responds to previous calls in literature to integrate several disciplines (Chenhall, 2007; Leczy et

al., 2011) by combining the management accounting and non-profit management perspectives. This study opens up an opportunity for future empirical research to cross-validate the model in a larger survey.

References

- Abdel-Kader, M., & Luther, R. (2008), "The impact of firm characteristics on management accounting practices: A UK-based empirical analysis", *The British Accounting Review*, 40(1), 2-27.
- Ackroyd, S., Kirkpatrick, I. & Walker, R. (2007), "Public management reform and its consequences for professional organisation: A Comparative Analysis", *Public Administration*, 85(1), 9–26.
- Ahire, S., Golhar, D., & Waller, M. (1996), "Development and validation of TQM implementation constructs", *Decision Sciences*, 27(1), 23-56.
- Ahrens, T., Becker, A., Burns, J., Chapman, C. S., Granlund, M., Habersam, M., & Scheytt, T. (2008), "The future of interpretive accounting research: A polyphonic debate", *Critical Perspectives on Accounting*, 19(6), 840-866.
- Akingbola, K. (2006), "Strategic choices and change in non-profit organisations". *Strategic Change*, 15(6), 265-281.
- Alexander, J., Brudney, J. & Yang, K. (2010), "Introduction to the symposium: Accountability and performance measurement: The evolving role of nonprofits in the hollow state", *Nonprofit and Voluntary Sector Quarterly*, 39 (4), 565-570
- Ammons, D. N., & Rivenbark, W. C. (2008), "Factors influencing the use of performance data to improve municipal services: Evidence from the North Carolina benchmarking project", *Public Administration Review*, 68(2), 304-318.
- Anderson, J., & Gerbing, W. (1988), "Structural equation modelling in practice: A review and recommended two stage approach", *Psychological Bulletin*, 27 (1), 05-24.
- Arbuckle, L. (2011), *Amos 20.0 User's Guide*, Chicago, IL: IBM/SPSS Inc.
- Arthur, S., & Nazroo, J. (2003), "Designing fieldwork strategies and materials", in Ritchie J & Lewis J (Ed) *Qualitative research Practice; A guide for social sciences students and researchers*, Sage Publications, London, 109-137.
- Atkinson (2006), "Strategy implementation: a role for the balanced scorecard?", *Management Decision*, 44(10), 1441-1460.
- Bailey, K. D. (1994) *Methods of social research* (4th ed), The Free Press, Oxford
- Bailey, R (2001), "Overcoming veriphobia - learning to love truth again", *British Journal of Educational Studies*, 49 (2), 159-172

- Baines, A., & Langfield-Smith, K., (2003), "Antecedents to management accounting change: a structural equation approach", *Accounting, Organizations and Society* 28, 675-698.
- Balabanis, G., Stables, R. E., & Phillips, H. C. (1997), "Market orientation in the top 200 British charity or organisations and its impact on their performance", *European Journal of Marketing*, 31(8), 583-603
- Bart, C. K., & Baetz, M. C. (1998), "The relationship between mission statements and firm performance: An exploratory study", *Journal of Management Studies*, 35(6), 823-853
- Bart, C. K., & Tabone, J. C. (1998), "Mission statement rationales and organisational alignment in the not-for-profit health care sector", *Health Care Management Review*, 23(4), 54-69
- Beamon, B. & Balcik B. (2008), "Performance measurement in humanitarian relief chains", *International Journal of Public Sector Management*, 21(1), 4-25
- Behn, R. D., & Kant, P. A. (1999), "Strategies for avoiding the pitfalls of performance contracting", *Public Productivity & Management Review*, 470-489
- Benjamin, L.M. & Misra, K. (2006), "Doing good work", *International Journal of Rural Management*, 2 (2), pp.147-162
- Bentler, P., & Bonett, D. (1980), "Significance tests and goodness of fit in the analysis of covariance structures", *Psychological Bulletin*, 88, 588-606
- Bentler, P., & Chou C. (1987), "Practical issues in structural modelling", *Sociological Methods and Research*, 16(1), 78-117.
- Berman, E., & Wang, X. (2000), "Performance measurement in US counties: Capacity for reform". *Public Administration Review*, 60(5), 409-420.
- Berry, A., Coad, A., Harris, E., Otley, D. & Stringer, C. (2009), "Emerging themes in management control: a review of recent literature", *The British Accounting Review*, 41(1), 2-20.
- Betts, S. C. (2011), "Contingency theory: science or technology?", *Journal of Business & Economics Research (JBER)*, 1(8),250-260
- Bielefeld, W. (1992), "Funding uncertainty and non-profit strategies in the 1980s", *Non-profit Management and Leadership*, 2(4), 381-401
- Biesta, G. (2010), "Pragmatism and the philosophical foundations of mixed methods research". In A. Tashakkori & C. Teddlie (Ed.), *Handbook of mixed methods in social & behavioral research* (2nd ed.), SAGE PUBLICATIONS, Thousand Oaks, CA pp. 95-118,
- Bisbe, J., & Otley, D. (2004), "The effects of the interactive use of management control systems on product innovation", *Accounting, organizations and society*, 29(8), 709-737

- Bititci, U. S., Mendibil, K., Nudurupati, S., Garengo, P., & Turner, T. (2006), "Dynamics of performance measurement and organisational culture", *International Journal of Operations & Production Management*, 26(12), 1325-1350
- Blackmon, V. Y. (2008), *Strategic planning and organizational performance: an investigation using the balanced scorecard in non-profit organizations*. Ph.D. dissertation, Capella University, United States. Retrieved August, 2011, from Dissertations and Theses: Full Text database.
- Block S. R (2003), *Why Nonprofits fail?: Overcoming founder's syndrome, fund phobia and other obstacles to success*, John Wiley & Sons, London
- Bohrnstedt, G. & Knoke, D. (1982), *Statistics for Social Data Analysis*. Peacock Publishers, Inc. Itasca, Ill.
- Boland, T. & Fowler, A., (2000), "A systems perspective of performance management in public sector organizations", *International Journal of Public Sector Management*, 13(5), 417-446
- Bollen, K. A. (1989), *Structural Equations with Latent Variables*: John Wiley and Sons, Inc., New York
- Bono, J. E., & Judge, T. A. (2003), "Self-concordance at work: Toward understanding the motivational effects of transformational leaders", *Academy of Management Journal*, 46, 554-57
- Brennan, M. (1992), "Techniques for improving mail survey response rates", *Marketing Bulletin*, 3, 24-37.
- Brickley, J. A., & Van Horn, R. L. (2000), "Incentives in nonprofit organizations: Evidence from hospitals", *Simon School of Business Working Paper No. FR 00-02*
- Bridges, D., (1999) "Educational research: pursuit of truth or flight into fancy?", *British Educational Research Journal*, 25(5), 597-616
- Briggs, C. (1986), *Learning How to Ask: A Sociolinguistic Appraisal of the Role of the Interview in Social Science Research*, Cambridge University Press, Cambridge
- Briggs, C. (2002) "Interviewing, Power/Knowledge and Social Inequality", in J. Gubrium & J.A. Holstein (Ed.) *Handbook of Interview Research: Context and Method*, Sage Publications, London
- Brignall, S. & Modell, S. (2000), "An institutional perspective on performance measurement and management in the 'new public sector'", *Management Accounting Research*, 11 (3), 281-306
- Brinkerhoff, J. & Brinkerhoff, D. (2002), "Government-Nonprofit Relations in Comparative Perspective: Evolution, Themes and New Directions", *Public Administration and Development* 22 (1), 3-18.
- Brkic V. , Klarin M, A. Brkic A. anin V. & Milanov D.(2011), "Simultaneous consideration of contingency factors and quality management: An

- empirical study of Serbian companies”, *African Journal of Business Management* 5(3), 866-883
- Broadbent, J., & Laughlin, R., (2009), “Performance management systems: A conceptual model”, *Management Accounting Research* 20, 283–295
- Bromberg, D. (2009), “Performance measurement: A system with a purpose or a purposeless system?”, *Public Performance and Management Review*, 33 (2), 214-221
- Brown W, & Iverson J. (2004), “Exploring strategy and board structure in non-profit organizations”, *Non-profit and Voluntary Sector Quarterly* 33(3), 377–400
- Brown, T. (2006), *Confirmatory Factor Analysis for Applied Research*, Guilford Press, New York, NY
- Brown, W., & Yoshioka, C. F. (2003), “Mission attachment and satisfaction as factors in employee retention. *Non-profit*”, *Management and Leadership*, 14(1), 5-18.
- Bryman, A. (2008), “Why do researchers integrate/combine/mesh/blend/mix/merge/fuse quantitative and qualitative research?”, in Bergman M. M. (Ed.), *Advances in mixed methods research* (pp. 87–100), SAGE PUBLICATIONS. Thousand Oaks, CA
- Bryman, A. (2012), *Social Research Methods*, (4th Ed), Oxford University Press, Oxford
- Bryson, J. M. (1988), “A strategic planning process for public and non-profit organizations”, *Long Range Planning*, 21(1), 73-81
- Buckmaster, N. (1999), “Associations between outcome measurement, accountability and learning for non-profit organizations”, *International Journal of Public Sector Management*, 12 (2), 186-97
- Bujra, A. (2002), “African civil society, democracy and development”, in Bujra, A., & Adejumo, S. (Ed.), *Breaking barriers, creating new hopes: democracy, civil society and good governance in Africa*, Africa World Press, Trenton, NJ
- Bunton W. (1997), *Serving the American Public: Best Practices in Performance Measurement: Benchmarking Study Report*, National Performance Review Washington, DC, available at: <http://govinfo.library.unt.edu/npr/library/papers/benchmrk/nprbook.html> (accessed on 10/10/2010)
- Burton R, & Obel B (1996), *Strategic Organizational Diagnosis and Design*, Kluwer Academic Publishers, Boston.
- Byrne, B. M. (2006), *Structural equation modeling with EQS: Basic concepts, applications and programming*, (2nd Ed), Routledge. London
- Cameron, R, (2011), “Mixed methods in business and management: A call to the ‘first generation’”, *Journal of Management and Organisation*, 17(2), 245-267
- Campbell, A. (1997), “Mission statements”. *Long Range Planning*, 30(6), 931-932

- Campbell, D. (2002), "Outcomes assessment and the paradox of nonprofit accountability", *Nonprofit Management & Leadership*, 12 (3), 243-250
- Campos, L. andion, C., Serva, M., Rossetto, A., & Assumpção, J. (2011), "Performance evaluation in non-governmental organizations (NGOs): An analysis of evaluation models and their applications in Brazil", *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 22(2), 238-258.
- Carlson, J. Kelly, A. & Smith K.(2010), "Government Performance Reforms and Nonprofit Human Services: Twenty Years in Oregon," *Nonprofit and Voluntary Sector Quarterly*, 39(4), 565-570.
- Carman, J.G. & Fredericks, K.A. (2008), "Nonprofits and evaluation: Empirical evidence from the field", *New Directions for Evaluation*, 2008 (119), 51-71.
- Carman, J.G. (2007), "Evaluation practice among community-based organizations: Research into the reality", *American Journal of Evaluation*, 28 (1), 60-75.
- Carman, J.G. (2009), "Nonprofits, funders and evaluation: Accountability in action", *American Review of Public Administration*, 39 (4), 374-390.
- Chang, L. (2006), "Managerial responses to externally imposed performance measurement in the NHS: An institutional theory perspective", *Financial Accountability & Management*, 22(1), 63-85.
- Chapman, C.S. 1997, "Reflections on a Contingent View of Accounting", *Accounting, Organizations and Society*, 22(2), 189-205.
- Chen, L. (2012), *A mixed methods study investigating intangibles in the banking sector*, Doctoral dissertation, University of Glasgow, UK, Glasgow.
- Chenhall, R. & Chapman, C. S., (2006) "Theorizing and Testing Fit in Contingency Research on Management Control Systems", in Hoque, Z.,(Ed.), *Methodological Issues in Accounting Research: Theories and Methods*, Spiramus Press Ltd, pp. 35-54
- Chenhall, R. (2007), "Theorising contingencies in management control research". in Chapman, C.S., Hopwood, A., Shields, M.D. (Ed.), *Handbook of Management Accounting Research*. Elsevier, Oxford, pp. 163–206.
- Chenhall, R., Hall, M. & Smith, D. (2010), "Social capital and management control systems: A study of a non-government organization", *Accounting, Organizations and Society*, 35 (8), 737-756
- Cheung, G. W., & Lau, R. S. (2008), "Testing mediation and suppression effects of latent variables: Bootstrapping with structural equation models", *Organizational Research Methods*, 11(2), 296-325
- Christensen, R. & Ebrahim, A. (2006), "How does accountability affect mission? the case of a nonprofit serving immigrants and refugees", *Nonprofit Management and Leadership*, 17 (2), 195-209.

- Clark, JA (2007), "The problem of truth in educational research: the case of the Rigoberta Menchú 'controversy'", *The Australian Educational Researcher*, 34, (1), 02-10.
- Clarkson, P. (2010), "Performance measurement in adult social care: Looking backwards and forwards", *British Journal of Social Work*, 40 (1), 170-187.
- Clarkson, P., Challis, D., Davies, S., Donnelly, M., Beech, R. & Hirano, T. (2010), "Comparing how to compare: An evaluation of alternative performance measurement systems in the field of social care", *Evaluation*, 16 (1), 59-79.
- Coats, J., Davis, E., Longden, S., Stacey, R., & Emmanuel, C. (1991), "Objectives, missions and performance measures in multinationals" *European Management Journal*, 9(4), 444-453.
- Collis, J. & Hussey, R. (2009), *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*, (3rd Ed.) Palgrave Macmillan, London.
- Creative Research Systems, (2011), "Sample Size Formulas", available at: <http://www.surveysystem.com/sample-size-formula.htm> [accessed July 30, 2011]
- Creswell, J. W., (2008), *Educational research: Planning, conducting and evaluating quantitative and qualitative research* (3rd ed.), Pearson Education, Upper Saddle River, NJ
- Creswell, J. W., (2009a), "Mapping the field of mixed methods research", *Journal of Mixed Methods Research*, 3 (2), 95-108
- Creswell, J.W. & Clark-Plano N. (2011), *Designing and Conducting Mixed Methods Research*, (2nd ed). Sage Publications, Thousand Oaks, CA.
- Creswell, J.W. (2009b), *Research Design. Qualitative, Quantitative and Mixed Methods Approaches*, 3rd ed., Sage Publications, Thousand Oaks, CA.
- Crittenden W.F (2000), "Spinning straw into gold: the tenuous strategy, funding and financial performance linkage" *Nonprofit and Voluntary Sector Quarterly* 29 (3), 164-182.
- Crittenden, W. F., Crittenden, V. L., Stone, M. M., & Robertson, C. J. (2004), "An Uneasy Alliance: Strategic Planning and Performance in Nonprofit Organizations," *International Journal of Organizational Theory and Behaviour*, 7(1), 81-106.
- Crotty, M., (1998), *The foundations of social research: Meaning and perspective in the research process* Sage Publications, London
- Cutt, J., (1998), "Performance Measurement In Non-Profit Organisations: Integration And Focus Within Comprehensiveness", *Asian Journal Of Public Administration*, 20 (1), 3-29
- Dameri, R.P., (2005), "Using the Balanced Scorecard to Evaluate ICT Investments in Non profit Organisations" *The Electronic Journal of Information Systems Evaluation*, 8(2), 107-114

- De Lancer Julnes, P., & Holzer, M. (2001), "Promoting the utilization of performance measures in public organisations: An empirical study of factors affecting adoption and implementation", *Public Administration Review*, 61, 693-708.
- De Waal, A. (2003), "Behavioral factors important for the successful implementation and use of performance management systems", *Management Decision*, 41(8), 688-697
- Dellinger, A. B. & Leech, N. L. (2007), "Towards a unified validation framework in mixed methods research", *Journal of Mixed Methods Research*, 1 (4), 309-332
- Dent, J. (1990), "Strategy, organization and control - some possibilities for accounting research", *Accounting Organizations and Society* 15 (1-2):3-25.
- Desmidt, S., & Prinzie, A. (2009), "Does your mission statement have any value?: An explorative analysis of the effectiveness of mission statements from a communication perspective", *a working paper (No. 09/568)*, Ghent University, Faculty of Economics and Business Administration
- Dillman, D. A. (2011), *Mail and Internet surveys: The tailored design method--2007 Update with new Internet, visual and mixed-mode guide*. Wiley; London
- DiMaggio, P., & Powell, W. W. (1983), "The iron cage revisited: Collective rationality and institutional isomorphism in organizational fields". *American Sociological Review*, 48, 147-60
- DiStefano, C., Zhu, M., & Mindrila, D. (2009), "Understanding and using factor scores: Considerations for the applied researcher", *Practical Assessment, Research & Evaluation*, 14(20), 1-11
- Donaldson, L. 2001. *The contingency theory of organizations*, Sage Publications, London
- Doty, D. H., Glick, W. H., & Huber, G. P. (1993), "Fit, equifinality and organizational effectiveness: A test of two configurational theories", *Academy of Management Journal*, 36(6), 1196-1250.
- Duke G, & Edet (2012), "Organizational culture as a determinant of non-governmental organization performance: Primer evidence from Nigeria" *International Business and Management*, 4 (1), 66-75.
- Easterby-Smith, M., Thorpe, R. & Jackson, P. R. (2008), *Management Research*, (3rd Ed), Sage Publications, London
- Ebrahim, A. S., & Rangan, V. K. (2010), "The limits of nonprofit impact: A contingency framework for measuring social performance". *Harvard Business School General Management Unit Working Paper*, (10-099), 10-099.
- Edwards, M. (1999), "NGO performance--what breeds success? New evidence from South Asia", *World Development*, 27(2), 361-374

- Eisner, E 1992, "Objectivity in educational research", *Curriculum Inquiry*, 22,(1), 9-15
- Eliot J. (2005), "Telling better Stories: narrative accounts of mixed methods research", *ESRC Workshop-Mixed-methods: identifying the issues*: Chancellors Conference Centre, University of Manchester 26 & 27 October 2005, Available at: <http://www.ccsr.ac.uk/methods/events/Mixed/program.htm> (Accessed on 10/12/2011)
- Epstein, M. & Buhovac, A. (2009), "Improving performance measurements: Not-for-profit organizations", *CMA Management*, 83(7), 16-21
- Evans, J. R., & Mathur, A. (2005), "The value of online surveys", *Internet Research*, 15(2), 195-219
- Feiock, R. C. & Andrew, S. (2006), "Introduction: Understanding the Relationships Between Nonprofit Organizations and Local Governments" , *International Journal of Public Administration*. 29 (10&11), 759-767
- Ferreira, A. & Otley, D. (2005), "The design and use of management control systems: an extended framework for analysis", *Social Science Research Network*, available at: [http:// papers.ssrn.com/sol3/ papers.cfm? abstract_id=682984](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=682984) (Accessed on 04/08/2010)
- Ferreira, A. & Otley, D. (2009), "The design and use of performance management systems: An extended framework for analysis", *Management Accounting Research*, 20 (4), 263-282.
- Ferreira, A., & Otley, D., (2010), "Design and use of management control systems: An analysis of the interaction between design misfit and intensity of use", *Working Paper*. MCA
- Fiedler, F. E. (1996), "Research on leadership selection and training: One view of the future", *Administrative Science Quarterly*, 41(2), 241-250.
- Finch, H., & Lewis, J. (2003), "Focus groups", in Ritchie J & Lewis J (Ed.), *Qualitative research Practice; A guide for social sciences students and researchers*, Sage Publications, London, pp. 170-198
- Fine, T., & Snyder, L. (1999), "What is the difference between performance and benchmarking?", *Public Management*, 81(1), 24-25.
- Fischer, R. (2001), "The seachange in nonprofit human services: A critical assessment of outcomes measurement", *Families in Society*, 82 (6), 561-568.
- Fisher, J. (1995), "Contingency-based research on management control systems: Categorization by level of complexity", *Journal of Accounting Literature* 14 24-49.
- Fisher, J. G., Pfeffer, S. A., & Sprinkle, G. B (2003), "Budget-based contracts, budget levels and group performance", *Journal of Management Accounting Research*, 15(1), 51-74

- Fleenor, J. W., Taylor, S., & Chappelow, C. (2008), *Leveraging the impact of 360-degree feedback*, Pfeiffer. London
- Fok L, Fok W, & Hartman S (2001), "Exploring relationship between total quality management and information systems development", *Information Management*, 38(6), 355-371
- Folan P., & Browne J. (2005), "A review of performance measurement: towards performance management", *Computers in Industry*, 56(7), 663-680.
- Fornell, C., & Larcker, D. (1981), "Evaluating structural equation models with unobserved variables and measurement errors", *Journal of Research Marketing*, 27(3), 445-466.
- Fowler, C. (2009), "Performance management, budgeting and legitimacy-based change in educational organisations", *Journal of Accounting and Organizational Change*, 5 (2), 168-196
- Franco-Santos, M., Kennerley, M., Micheli, P., Martinez, V., Mason, S., Marr, B. & Neely, A. (2007), "Towards a definition of a business performance measurement system", *International Journal of Operations & Production Management*, 27(8), 784-801
- Franco-Santos, M., Lucianetti, L., & Bourne, M. (2012), "Contemporary performance measurement systems: a review of their consequences and a framework for research". *Management Accounting Research*, 23(2), 79-119.
- Franklin, C. S. & Ballan, M. (2001), "Reliability and validity in qualitative research" in Thyer B. A. (Ed.), *The Handbook of Social Work Research Methods*, Sage Publications, Thousand Oaks, CA:, pp. 273-292
- Franklin, P. W. (2011), *Relationship between strategic planning and nonprofit organizational performance*. Ph.D. dissertation, Capella University, United States, Retrieved August 2011, from ProQuest Dissertations and Theses: Full Text database (Publication No.3440040),
- Fricker, R.D. Jr & Schonlau, M. (2002), "Advantages and disadvantages of Internet research surveys: evidence from the literature", *Field Methods*, 14 (4), 347-67.
- Froelich, K. A., & Knoepfle, T. W. (1996), "Internal Revenue Service 990 data: Fact or fiction?", *Nonprofit and Voluntary Sector Quarterly*, 25, 40-52.
- Galaskiewicz, J., & Bielefeld, W. (1998), *Nonprofit organizations in an age of uncertainty*, Aldine De Gruyter, New York
- Galli J (2011), *Organizational Management in the Non-Profit Performing Arts: Exploring New Models of Structure, Management, and Leadership*. Research Capstone June 2011, University of Oregon, available at: https://scholarsbank.uoregon.edu/xmlui/bitstream/handle/1794/11210/Galli_research.pdf?sequence=1 (accessed on 16/07/2012)

- Gao, S., Mokhtarian, P. L., & Johnston, R. A. (2008), "Nonnormality of data in structural equation models". *Journal of the Transportation Research Board*, 2082(1), 116-124.
- Garson, G. D. (2012), *Structural equation modelling*, Statistical Associates Publishing, Asheboro, NC
- Garson, G.D. (2002), *Guide to writing empirical papers, theses and dissertations*. Marcel Dekker, New York
- Gerdin, J. (2005), "The Impact of departmental interdependencies and management accounting system use on subunit performance". *European Accounting Review* 14 (2), 297-327.
- Ghalayini, A. M., & Noble, J. S. (1996), "The changing basis of performance measurement", *International Journal of Operations & Production Management*, 16(8), 63-80
- Ghoneim, N., & El Baradei, L. (2013), "The Impact of Strategic Planning on Egyptian Non-profits' Performance: An Assessment Using the Balanced Scorecard" *Journal of US-China Public Administration*, 10(1), 57-76.
- Goddard, A. and Mussa, J. (2006), "Accounting and navigating legitimacy in Tanzanian NGOs", *Accounting, Auditing and Accountability Journal*, 19(3), 377-404
- Grafton, J., Lillis, A. M. & Mahama, H. (2011), "Mixed methods research in accounting", *Qualitative Research in Accounting & Management*, 8 (1), 5-21
- Granlund, M., & Mouritsen, J. (2003), "Special section on management control and new information technologies", *European Accounting Review*, 12(1), 77-83
- Greene, J. & Caracelli, V. (2003), "Making Paradigmatic Sense of Mixed Methods Inquiry", in Tashakkori, A & Teddlie, C. (Ed.), *Handbook of Mixed Methods in Social & Behavioral Research*, Sage Publications, California. pp. 228-1256
- Greene, J. C. (2007), *Mixed methods in social inquiry*, John Wiley, San Francisco, CA:
- Greene, J. C., & Hall, J. (2010), "Dialectics and pragmatism: Being of consequence", in Tashakkori A.& Teddlie, C. (Eds.), *Handbook of mixed methods in social & behavioral research* (2nd ed.)SAGE PUBLICATIONS, Thousand Oaks, CA pp. 119-144
- Griggs, H. E. (2003), "Corporatisation of the Not-For-Profit Sector: strategic planning and organisational performance in disability-based organisations", *International Journal of Disability, Development and Education*, 50(2), 197-220
- Grinnell, R. (2001), *Social work research and evaluation: Quantitative and qualitative approaches* (6th Ed), F.E. Peacock, Itasca, ILL

- Grossman, A. & McCaffrey, A. (2001), *Jumpstart*. HBS Case No. 9-301-037, Harvard Business School Publishing, Boston, MA.
- Guba, E., & Lincoln, Y. (2005), "Paradigmatic controversies, contradictions and emerging confluences" in Denzin N. & Lincoln Y. (Ed.), *Handbook of qualitative research* (3rd ed.), Sage Publications. Thousand Oaks, CA: pp. 191-215
- Gupta N. (1980), "Some Alternative Definitions of Size", *the Academy of Management Journal*, 23, (4), 759-766
- Hage, J., & Aiken, M. (1969), "Routine technology, social structure and organization goals" *Administrative Science Quarterly*, 366-376
- Hager, M. A., Wilson, S., Pollak, T. H., & Rooney, P. M. (2003), "Response rates for mail surveys of nonprofit organizations: A review and empirical test", *Nonprofit and Voluntary Sector Quarterly*, 32(2), 252-267.
- Hailey, J. (2000), "Indicators of identity: NGOs and the strategic imperative of assessing core values". *Development in Practice*, 10(3-4), 402-407
- Hair, J. Jr., Anderson, R., Tatham, R., & Black, W. (2010), *Multivariate Data Analysis*, (7th Ed), Prentice-Hall, Englewood Cliffs, NJ
- Hall, R (1963), "The concept of bureaucracy: an empirical assessment", *American Journal of Sociology*, 69 (July):32-40.
- Harrow, J., Palmer, P. & Vincent, J. (1999), "Management information needs and perceptions in smaller charities: an exploratory study", *Financial Accountability & Management*, 15(2)155-72.
- Henderson, D., Chase B, & Woodson B. (2002), "Performance Measures for NPOs ; How one organisation developed a way to collect meaningful information", *Journal of Accountancy*, 193 (1), 63-68
- Henri, J. F. (2004), "Performance measurement and organizational effectiveness: Bridging the gap," *Managerial Finance*, 30(6), 93-123.
- Henri, J. F. (2010), "The periodic review of performance indicators: an empirical investigation of the dynamism of performance measurement systems", *European accounting review*, 19(1), 73-96.
- Henri, J., (2006), "Organizational culture and performance measurement systems", *Accounting, Organizations and Society* 31 (1), 77-103
- Herman, R & Renz, D (1997), Multiple constituencies and the social construction of nonprofit organization effectiveness, *Nonprofit and Voluntary Sector Quarterly*, 26 (2), 185-206
- Herman, R. & Renz, D. (2008), "Advancing nonprofit organizational effectiveness research and theory: Nine theses", *Nonprofit Management and Leadership*, 18 (4), 399-415.

- Herman, R. & Renz, D. (2004), "Doing things right: Effectiveness in local non-profit organizations, a panel study". *Public Administration Review*, 64(6), 694-703.
- Hmieleski, K. M., & Ensley, M. D. (2007), "A contextual examination of new venture performance: entrepreneur leadership behavior, top management team heterogeneity and environmental dynamism", *Journal of Organizational Behavior*, 28(7), 865-889.
- Hofstede, G., (2001), *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations*, (2nd ed). Sage Publication, Thousand Oaks, CA
- Hoque, Z. (2004), "A contingency model of the association between strategy, environmental uncertainty, and performance measurement: impact on organizational performance", *International Business Review*, 13(4), 485-502.
- Hoque, Z. (2005), "Linking environmental uncertainty to non-financial performance measures and performance: a research note", *The British Accounting Review*, 37(4), 471-481
- Hoque, Z., & James, W. (2000), "Linking balanced scorecard measures to size and market factors: impact on organizational performance", *Journal of management accounting research*, 12(1), 1-17
- Hoshino, T., & Bentler, P. M. (2011), "Bias in factor score regression and a simple solution", Available at <http://escholarship.org/uc/item/8w9514jw> (accessed on 13/11/2012)
- Hoyle, R. (1995), *Structural Equation Modeling: Concepts, Issues and Applications*, Sage Publications, Thousand Oaks, CA
- Hubbard, G. (1997) "The Performance Measurement Cube: How to Measure Performance Measurement", *Monash Mt. Eliza Business Review*, 1 (1), 74-84.
- Hussain, M. M., & Hoque, Z. (2002), "Understanding non-financial performance measurement practices in Japanese banks: a new institutional sociology perspective", *Accounting, Auditing & Accountability Journal*, 15(2), 162-183.
- Hyvönen, J. (2007), "Strategy, performance measurement techniques and information technology of the firm and their links to organizational performance", *Management Accounting Research*, 18(3), 343-366.
- Jaccard, J. & Wan K. (1996), *LISREL approaches to interaction effects in multiple regression*, Sage Publications, Thousand Oaks, CA
- Jain, P. (1996), "Managing credit for the rural poor: Lessons from the Grameen Bank", *World Development* 24(1), 79-90.
- Jansen, J. J., Vera, D., & Crossan, M. (2009), "Strategic leadership for exploration and exploitation: The moderating role of environmental dynamism", *The Leadership Quarterly*, 20(1), 5-18.

- Jillo, R. (2009), "NGO Law Reform in Kenya: Incorporating Best Practices", *International Journal of Not-For-Profit Law*, 11(4), 40–54
- Johnson, P., Buehring, A., Cassell, C. & Symon, G. (2006), "Evaluating qualitative management research: towards a contingent criteriology". *International Journal of Management Review*, 8 (3), 131-156.
- Johnson, R. B. & Onwuegbuzie, A. J. (2004), "Mixed methods research: a research paradigm whose time has come". *Educational Researcher*, 33 (7), 14-26.
- Joiner, T. A., Spencer, X. S. Y., & Salmon, S. (2009), "The effectiveness of flexible manufacturing strategies: the mediating role of performance measurement systems", *International Journal of Productivity and Performance Management*, 58(2), 119-135.
- Kameri-Mbote, P., (2000), "The Operational Environment and Constraints for NGOs in Kenya", *IELRC Working Paper International Environmental Law Research Centre*, p. 17.(citing NGO Council (1995), –Kenyan based NGOs: Rising to the Challenge. Report of the workshop held at the Fairview hotel, July 13-14.
- Kaplan R. (2001), "Strategic Performance Measurement and Management in Nonprofit Organizations", *Nonprofit Management & Leadership*, 11 (3), 354-372
- Kaplan, R.S. & Norton, D.P. (1996), *The Balanced Scorecard: Translating Strategy into Action*, Harvard Business School Press, Boston, MA.
- Keating, E., Parsons, L. & Roberts, A. (2008), "Misreporting fundraising: How do nonprofit organizations account for telemarketing campaigns?" *Accounting Review*, 83(2), 417-446.
- Kendall, J. & Knapp, M. (2000), "Measuring the performance of voluntary organizations", *Public Management: an international journal of research and theory*, 2(1), 105–132
- Kenny D. (2012), "Re-specification of Latent Variable Models" Available at: <http://davidakenny.net/cm/respec.htm> (accessed on 03/05/2012)
- Kenya National Bureau of Statistics (2010), *Ministry of Planning and National Development. (2010) Economic survey 2010*, Government printers, Nairobi
- Khan M.N, Ahmed N., Ahmed S. & Ali M. (2012), "Connotation of Organizational Effectiveness and Factors Affecting It", *International Journal of Business and Behavioral Sciences* 2, (9), 21-302
- Khandwalla NP (1977), *The Design of Organization*, Harcourt Brace Jovanovic, New York.
- Kihn, L. A. (2007), "Financial consequences in foreign subsidiary manager performance evaluations", *European Accounting Review*, 16(3), 531-554.
- Kirk, J. & Miller, M. L. (1986), "Reliability and Validity in Qualitative Research", Beverly Hills, CA: Sage Publications.

- Klemm, M., Sanderson, S., & Luffman, G. (1991), "Mission statement: Selling corporate values to employees", *Long Range Planning*, 24(3), 73.
- Kline, R. (1998), *Principles and practice of structural equation modelling*, Guilford Press, New York:
- Kolehmainen, K. (2010), "Dynamic strategic performance measurement systems: balancing empowerment and alignment". *Long Range Planning*, 43(4), 527-554
- Kong, E. (2008), "The development of strategic management in the non-profit context: Intellectual capital in social service non-profit organizations", *International Journal of Management Reviews*, 10 (3), 281-299.
- Korhonen, T., Laine, T., & Suomala, P. (2012), "Understanding performance measurement dynamism: a case study". *Journal of Management and Governance*, 1-24.
- Korten, D.C. (1987), "Third Generation NGO Strategies: A Key to People-Centered Development," *World Development*, 15, 145-159, 1987)
- Kronkisky (2007), *Research Brief*, Available at: http://www.kronkosky.org/research/Research_Briefs/Nonprofit%20Organizational%20Effectiveness%20January%202007.pdf. (Accessed on 19/01/2011)
- Krueger, R. A. (2009), *Focus groups: A practical guide for applied research*, Sage Publications, London
- Kunguru, J., Kokonya, D. & C. Otiato C. (2002), "Evaluation of the Development Cooperation Activities of Finnish NGOs in Kenya: Final Report." Helsinki: Ministry for Foreign Affairs of Finland.. On-line at: <http://global.finland.fi/>
- Kushner, R.J., & Poole, P.P. (1996), "Exploring structure-effectiveness relationships in nonprofit arts organizations", *Nonprofit Management and Leadership*, 7, 119-136
- Lacey, A., & Luff, D. (2001), "Trent Focus for research and development in primary health care: An introduction to qualitative data analysis. *Sheffield: Trent Focus Group*, available at: <http://www.dcc.unicamp.br/~wainer/cursos/2s2009/Qualitative%20Data%20Analysis.pdf> (accessed 24/06/2011)
- Leat, D. (2006), Grantmaking foundations and performance measurement: Playing pool?, *Public Policy and Administration*, 21 (3), 25-37
- Lebas, M.J., (1995), "Performance measurement and management. *International Journal of Production Economics* 41, 23-35
- Lecy, J., Schmitz, H.. & Swedlund, H. (2011), Mapping research traditions: Assessing the effectiveness of non-governmental and non-for-profit organizations. Available at :www.maxwell.syr.edu/.../NGOEffectivenessLitReview_Haley_12-15-09.pdf (accessed on 15/07/2010)
- Lee, M. (2004), "Public reporting: A neglected aspect of nonprofit accountability", *Nonprofit Management and Leadership*, 15(2), 169-185

- Leeuw, S. & Berg, J. (2011), "Improving operational performance by influencing shopfloor behavior via performance management practices", *Journal of Operations Management*, 29 (3), 224-235
- Legard, R., Keegan, J., & Ward, K. (2003), "In-depth interviews", in Ritchie J & Lewis J. (Ed.), *Qualitative research Practice; A guide for social sciences students and researchers*, Sage Publications, London 138-169.
- LeRoux, K. & Wright, N. (2010), "Does performance measurement improve strategic decision making? Findings from a national survey of nonprofit social service agencies", *Nonprofit and Voluntary Sector Quarterly*, 39 (4), 571-587.
- LeRoux, K., & Goerdel, H. (2009), "Political advocacy by nonprofit organizations: A strategic management explanation". *Public Performance and Management Review*, 32, 514-536.
- Lewis J. (2003), "Design issues", in Ritchie J & Lewis J (Ed.), *Qualitative research Practice; A guide for social sciences students and researchers*, Sage Publications, London 46-76
- Lewis, D., & Madon, S. (2004), "Information systems and nongovernmental development organizations: Advocacy, organizational learning and accountability", *The information society*, 20(2), 117-126
- Lewis, D., (2003), "Theorizing the Organization and Management of Non-Governmental Development Organisations: Towards a composite approach". *Public Management Review*, 5, 325-344
- Lillis, A. K. & Mundy, J. (2005), "Cross-sectional field studies in management accounting research: closing the gaps between surveys and case studies", *Journal of Management Accounting Research*, 17, 119-141
- Lindgren, L. (2001), "The non-profit sector meets the performance-management movement", *Evaluation*, 7 (3), 285-303.
- Liston V. (2008), "NGOs and spatial dimensions of poverty in Kenya", *Paper prepared for the 2008 African Studies Association UK (ASAUK) conference*, Preston, Lancashire Sept. 11th-13th 2008
- Little, R. J., & Rubin, D. B. (2002), "Statistical *analysis with missing data*, (2nd Ed.), Wiley, New York
- Luft, J., & Shields, M. D. (2003), "Mapping management accounting: graphics and guidelines for theory-consistent empirical research", *Accounting, organizations and society*, 28(2), 169-249.
- Mackie, R. (2008), *Organisational Performance Management in a Government Context: A Literature Review*, Edinburgh, Scottish Government Social Research, Galsgow
- Magnussen, L. (1997), "Ensuring success: The faculty development plan", *Nurse Educator*, 22(6), 30-33.

- Malcolm Smith (2005), *Performance measurement & management a strategic approach to management accounting*. Sage Publications London
- Malik, M Ghafoor, Muhammad M. & Naseer, S. (2011), "Organizational Effectiveness: A Case Study of Telecommunication and Banking Sector of Pakistan", *Far East Journal of Psychology and Business*, 2 (1), 6-28
- Malina, M. A., & Selto, F. H. (2004), "Choice and change of measures in performance measurement models", *Management Accounting Research*, 15(4), 441-469
- Malina, M.A., Norreklit, H.S & Selto, F.H. (2011), "Lessons learned: advantages and disadvantages of mixed method research", *Qualitative Research in Accounting & Management* 8(1) 59-71
- Maltz, A.C., Shenhar, A.J. & Reily, R.R. (2003), "Beyond the balance scorecard: refining the search for organizational success measures", *Long Range Planning*, 36(2), 87-204.
- Maria do Céu F. & Gaspar A. (2010), "Management accounting and information technology – some empirical evidence", in Epstein M.J., Manzoni J.F and Davila A. (Ed.), *Performance Measurement and Management Control: Innovative Concepts and Practices (Studies in Managerial and Financial Accounting, Volume 20)*, Emerald Group Publishing Limited, pp.429-455
- Martin, M. and Ernst, A. (2006), "A dashboard approach to measurement", *Viewpoints*, (March 1, 2006), 45-51, Available at: SSRN: <http://ssrn.com/abstract=1322251> (Accessed 15/07/2010)
- Masadeh, M. A. (2012), "Linking Philosophy, Methodology and Methods: Toward Mixed Model Design in the Hospitality Industry". *European Journal of Social Sciences*, 28(1), 128-137
- Mausolff, C. & Spence, J. (2008), "Performance measurement and program effectiveness: A structural equation modeling approach", *International Journal of Public Administration*, 31 (6), 595-603
- May, T (1997), *Social research issues, methods and processes*, (2nd Ed) Open University Press Buckingham Philadelphia.
- McAdam, R. & Bailie, B. (2002), "Business performance measures and alignment impact on strategy-the role of business improvement models", *International of Operations and Production Management*, 22(9-10) 972-96
- McKinnon, J. (1988), "Reliability and validity in field research: some strategies and tactics", *Accounting, Auditing & Accountability Journal*, 1(1), 34-54.
- McLaughlin, J. & Jordan, G., (1999), "Logic models: a tool for telling your programs performance story", *Evaluation and Program Planning*, 22(1), 65-72.
- Medley, G. J. (1992), "WWF UK creates a new mission", *Long Range Planning*, 25, 63-68

- Merchant, K. A. (2008), "Why interdisciplinary accounting research tends not to impact most North American academic accountants", *Critical Perspectives on Accounting*, 19(6), 901-908
- Meyer, J.W. & Rowan, B. (1977), "Institutionalized Organizations: Formal Structure as Myth and Ceremony", *American Journal of Sociology* (September 1977), pp. 340-363.
- Micheli, P. & Kennerley, M. (2005), "Performance measurement frameworks in public and non-profit sectors", *Production Planning & Control*, 16 (2), pp.125-134
- Micheli, P., & Manzoni, J. F. (2010), "Strategic performance measurement: Benefits, limitations and paradoxes. *Long Range Planning*, 43(4), 465-476
- Miles, R., & Snow C. (1978), "Organizational *Strategy, Structure and Process*. McGraw-Hill, New York
- Miller J. (2007), "An Effective Performance Measurement System: Developing An Effective Performance Measurement System For City Of Elmira Cdbg Sub-Grantees". Unpublished Masters Thesis; Binghamton University, State University of New York, New York
- Mimba, Ni Putu SH, Helden, GJV & Tillema, S (2007), "Public sector Performance measurement in developing countries : a literature review and research agenda", *Journal of Accounting & Organizational Change*, 3(3), 192-208
- Mintzberg, H. (1983), *Power in and around organizations*. Prentice-Hall, Englewood Cliffs, NJ
- Mishler, E. (1986), *Research Interviewing: Context and Narrative*, Harvard University Press, Cambridge, MA
- Mitchell, J. C. (1983), "Case and situation analysis", *Sociological Review*, 31 (2), 187-211
- Modell, S. (2005), "Triangulation between case study and survey methods in management accounting research: an assessment of validity implications". *Management Accounting Research*, 16 (2), 231-254.
- Modell, S. (2010), "Bridging the paradigm divide in management accounting research: the role of mixed methods approaches". *Management Accounting Research*, 21 (2), 124-129.
- Morgan, D. L. (2007), "Paradigms lost and pragmatism regained: methodological implications of combining qualitative and quantitative methods". *Journal of Mixed Methods Research*, 1 (1), 48-76
- Morley, E., Vinson, E., & Hatry, H. (2001), *Outcome measurement in nonprofit organisations: Current practices and recommendations*, Urban Institute, Washington, DC
- Mouritsen, J. (2004), "Measuring and Intervening: How Do We Theorise Intellectual Capital Management?", *Journal of Intellectual Capital*, 5(2), 257-267.

- Moxham, C. & Boaden, R. (2007), "The impact of performance measurement in the voluntary sector", *International Journal of Operations & Production Management*, 27 (8), 826-845.
- Moxham, C. (2009), "Performance measurement", *International Journal of Operations & Production Management*, 29 (7), 740-763
- Moxham, C. (2010), "HELP OR HINDRANCE? Examining the role of performance measurement in UK nonprofit organizations", *Public Performance and Management Review*, 33 (3), 342-354
- Moynihan, D. & Ingraham, P. (2004), "Integrative leadership in the public sector: A model of performance information use", *Administration and Society*, 36, 427-453.
- Moynihan, D. P. (2005), "Goal-based learning and the future of performance management", *Public Administration Review*, 65, 203-216
- Mueller, J., Rickman, J. & Wichman-Tou, N. (2006), "Not-for-profit management systems: A possible assessment tool, A possible tool to improve the organizational effectiveness of non-profit health care organizations" *University of Auckland Business Review*, 8 (2), 49-57
- Mulaik, A. & Millsap, R. E. (2000), "Doing the four-step right", *Structural Equation Modeling* 7, 36-73.
- Muthén, B., & Kaplan, D. (1985) "A Comparison of Methodologies for the Factor Analysis of Non-Normal Likert Variables", *British Journal of Mathematical and Statistical Psychology*, 38(1), 171-189.
- Neely, A., Adams, C., & Crowe, P. (2001), "Performance prism in practice", *Measuring Business Excellence*, 5 (2), 6-12
- Nevitt, J., & Hancock, G. R. (2001), "Performance of bootstrapping approaches to model test statistics and parameter standard error estimation in structural equation modelling", *Structural Equation Modeling: A Multidisciplinary Journal*, 8,(6) 353-377
- Newell, R. W. (1986) *Objectivity empiricism and truth*, Routledge, London
- NGO Coordination Board (2010), *Report on the National validation survey of NGOs in Kenya*, Government Printers, Nairobi
- Nunnally, J. (1994), *Psychometric Theory*. New York, NY: McGraw-Hill.
- Ohemeng (2009), "Constraints in the implementation of performance management systems in developing countries: The Ghanaian Case", *International Journal of Cross Cultural Management* 9(1), 109-132
- Oliver, C. (1991), "Strategic responses to institutional processes". *Academy of management review*, 16(1), 145-179
- Olujide, M. (2005), "Non-governmental organisations self-evaluation: Issue of concern in Nigeria", *The Journal of Agricultural Education and Extension*, 11 (1-4), 63-72.

- Onwuegbuzie, A. J., & Johnson, R. B. (2006), "Types of legitimation (validity), in mixed methods research" *Research in the Schools*, 13(1), 48–63.
- Otley, D (1980), "The contingency theory of management accounting: Achievement and prognosis". *Accounting, Organizations and Society* 5 (4), 413-428.
- Otley, D., (1999), "Performance management: a framework for management control systems research". *Management Accounting Research* 10, 363–382
- Pasupathy, K. & Medina-Borja, A. (2008), "Integrating excel, access and visual basic to deploy performance measurement and evaluation at the American red cross", *Interfaces*, 38 (4), 324-337.
- Paton, R. (2003), *Managing and Measuring Social Enterprises*, Sage Publications: London
- Pfeffer, J., & Salancik, G. R. (2003), *The external control of organisations: A resource dependence perspective*, Stanford University Press, Stanford, CA
- Poister T., & Streib, G. (1999), "Performance measurement in municipal government: Assessing the state of practice", *Public Administration Review*, 59, 325-335.
- Poister, T. (2003), *Measuring Performance in Public and Nonprofit Organisations*, Wiley, New York, NY
- Pollit, C. (2005), "Performance management in practice: a comparative stuffy of executive agencies", *Journal Public Administration Research and Theory*, 16(1), 25-44.
- Ponterotto, J. G. (2005), "Qualitative research in counselling psychology: A primer on research paradigms and philosophy of science" *Journal of counseling psychology*, 52(2), 126.
- Poole, D., Davis, J., Reisman, J., & Nelson J.(2001), "Improving the Quality of Outcome Evaluation Plans." *Nonprofit Management and Leadership*, 11(4), 405–421.
- Rabiee, F. (2004), "Focus-group interview and data analysis", *Proceedings of the nutrition society*, 63(4), 655
- Radnor, Z., & McGuire, M. (2004), "Performance management in the public sector: fact or fiction?", *International Journal of Productivity and Performance Management*, 53 (3), 245-60.
- Rajan, R. G., & Zingales, L. (1998), "Power in a Theory of the Firm", *The Quarterly Journal of Economics*, 113(2), 387-432.
- Rapaport, J., Manthorpe, J., Moriarty, J., Hussein, S. & Collins, J. (2005), "Advocacy and people with learning disabilities in the UK: how can local funders find value for money?", *Journal of Intellectual Disabilities*, 9(4), pp. 299-319

- Rejc, A. (2004), "Toward contingency theory of performance measurement", *Journal for East European Management Studies*, 9 (3), 243-264
- Richard, P. J., Devinney, T. M., Yip, G. S. and Johnson, G. (2009), "Measuring Organizational Performance: Towards Methodological Best Practice". *Journal of Management*, 35(3), 718-804
- Riddell, R. & Robinson, M. (1996), *NGOs and Rural Poverty Alleviation*, Clarendon Press, Oxford.
- Ritchie J. & Spencer L. (1994), "Qualitative data analysis for applied policy research" in Bryman A. and Burgess, R.G,(Ed.) *Analyzing Qualitative Data*, Routledge, London: pp.173–194
- Ritchie W. & Kolodinsky, R. (2003), "Nonprofit Organization Financial Performance Measurement: An Evaluation of New and Existing Financial Performance Measures", *Nonprofit Management & Leadership*, 13 (4), 367-376
- Ritchie, J., & Lewis J. (2003), *Qualitative research Practice; A guide for social sciences students and researchers*, (Ed.), Sage, Publications, London
- Ritchie, J., Lewis, J., & Elam, G. (2003), "Designing and selecting samples", In Ritchie J & Lewis J., (Ed.), *Qualitative research Practice; A guide for social sciences students and researchers* Sage Publications, London pp. 77-108.
- Roche, C., (2010), "The Seeming Simplicity of Measurement", in Horton, K. & Roche C., (Ed.), *Ethical Questions and International NGOs: An Exchange Between Philosophers and NGOs*. Springer, Munich 23, pp 119-146.
- Roomkin, M. J., & Weisbrod, B. A. (1999), "Managerial compensation and incentives in for-profit and nonprofit hospitals", *Journal of Law, Economics and Organization*, 15(3), 750-781
- Roulston, K. (2010), "Considering quality in qualitative interviewing". *Qualitative Research*, 10(2), 199-228.
- Rouse, P., & Putterill, M. (2003), "An integral framework for performance measurement", *Management Decision*, 41 (8), 791-805.
- Rowe, K. (2006), "The measurement of composite variables from multiple indicators: Applications in Quality Assurance and Accreditation Systems–Childcare", *Camberwell, Victoria: Australian Council for Educational Research*.
- Rughani, A. (2001), "GP appraisal and revalidation based on the personal development plan", *The Journal of Clinical Governance*, 9(4), 175-179
- Salamon L, Sokolowski, W. & Associates (2004), *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol 2, Kumarian Press: Bloomfield, CT
- Salamon L, Sokolowski, W. & Associates (2010), *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol 4, Kumarian Press: Bloomfield, CT

- Samples, M. & Austin, M. (2009), "Performance Management in Non-profit Human Service Organizations", *working paper*, Mack Center on Nonprofit Management in the Human Services, University of California. Available [http://www.mackcenter.org/docs/ Performance%20 Management. pdf](http://www.mackcenter.org/docs/Performance%20Management.pdf) (accessed on 16/06/2010)
- Santos, S., Belton, V., & Howick, S., (2008), "Enhanced performance measurement using OR: a case study", *Journal of the Operational Research Society* 59 (6), 762-775.
- Sarros, J. C., Cooper, B. K., & Santora, J. C. (2011), "Leadership vision, organizational culture and support for innovation in not-for-profit and for-profit organizations", *Leadership & Organization Development Journal*, 32(3), 291-309.
- Sawhill, C. & Williamson D, (2001), "Mission Impossible?", *Nonprofit Management & Leadership*, 11 (3), pp371-386
- Schlomer, G. L., Bauman, S., & Card, N. A. (2010), "Best practices for missing data management in counseling psychology", *Journal of Counselling Psychology*, 57(1), 1
- Schumacker, R. E. & Lomax, R. G. (2004), *A beginner's guide to structural equation modeling*. Routledge London.
- Scott, T. W., & Tiessen, P. (1999), "Performance measurement and managerial teams", *Accounting, Organizations and society*, 24(3), 263-285
- Selto, F. H., Renner, C. J., & Young, S. M. (1995) "Assessing the Organizational Fit of a Just-in-Time Manufacturing System - Testing Selection, Interaction and Systems Models of Contingency Theory", *Accounting Organizations and Society* 20 (7-8):665-684.
- Shields, M. D., Deng, F. J. & Kato, Y. (2000), "The design and effects of control systems: tests of direct and indirect- effects models", *Accounting, Organizations and Society*, 25(2), 185-202.
- Shivji G. (2007), *Silences in NGO Discourse: The Role and Future of NGOs in Africa*, Fahamu Books, Oxford
- Siciliano, J. I. (1996), "The relationship of board member diversity to organizational performance", *Journal of Business Ethics*, 15(12), 1313-1320
- Siciliano, J. I. (1997), "The relationship between formal planning and performance in nonprofit organizations", *Nonprofit Management and Leadership*, 7(4), 387-403
- Silva, P., & Ferreira, A., (2010), "Performance Management in Primary Healthcare Services: Evidence from a Field Study". *Qualitative Research in Accounting & Management*, 7, 424 - 449.
- Silverman, D. (2001), *Interpreting Qualitative Data – Methods for Analysing Talking, Text and Interaction*, (2nd Ed), Sage Publications, London

- Silvi, R., Moeller, K., & Schlaefke, M. (2010), "Performance management analytics-the next extension in managerial accounting. Available at SSRN 1656486.
- Simon, R. (1995), *Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal*. Harvard Business School Press: Boston - Mass
- Simons, R. (2000), *Performance measurement and control systems for implementing strategy*, Prentice Hall, Upper Saddle River, New Jersey
- Smith, D., & Langfield-Smith, K. (2004), "Structural equation modeling in management accounting research: critical analysis and opportunities", *Journal of Accounting Literature*, 23(1), 49-86.
- Smith, M., Heady, R. B., Carson, P. P., & Carson, K. D. (2001), "Do missions accomplish their missions?: An exploratory analysis of mission statement content and organizational longevity", *The Journal of Applied Management and Entrepreneurship*, 6(1), 75-96
- Smith, S. R., & Lipsky, M. (1995), *Nonprofits for hire: The welfare state in the age of contracting*, Harvard University Press, Boston, Mass
- Soobaroyen, T. and Raja, V. (2007), "An exploratory study of financial priorities, financial planning and control practices in voluntary organisations: Perceptions of treasurers in a developing country", *Journal of Accounting and Organizational Change*, 3 (3), 270-301.
- Sowa, J., Selden, S., & Sandfort, J. (2004), "No Longer Unmeasurable?: A Multidimensional Integrated Model of Nonprofit Organizational Effectiveness", *Nonprofit and Voluntary Sector Quarterly*, 33 (4), 711-728
- Speckbacher, G. (2003), "The economics of performance management in nonprofit organizations", *Nonprofit Management and Leadership*, 13 (3), 267-281
- Speckbacher, g., & Offenberger P. (2010), "The design of management control systems in non-profit organizations: how can trust and control be balanced?" ISTR Conference 10/10/2010 Available at: http://istr.conference-erivices.net/resources/588/1799/pdf/ISTR2010_0426.pdf (accessed on 12/01/2013)
- Spencer, L., Ritchie, J., & O'Connor, W. (2003), "Analysis: practices, principles and processes" in Ritchie J & Lewis J (Ed.), *Qualitative research Practice; A guide for social sciences students and researchers* Sage Publications, London 199-218.
- Spencer, X., Sarah, Y., Joiner, T.A. & Salmon, S. (2009), "Differentiation strategy, performance measurement systems and firm performance: evidence from Australia", *International Journal of Business*, 14 (1), 1-22
- Srivastava A, & Thomson S.B. (2009), "Framework analysis: A qualitative methodology for applied policy research", *Journal of Administration & Governance* 4(2), 72-79.

- Stevens, J. (1996), *Applied multivariate statistics for the social sciences*, Lawrence Erlbaum Publisher, Mahwah, NJ
- Stone M, Bigelow B, & Crittenden W. (1999), "Research on strategic management in nonprofit organizations", *Administration and Society* 31: 378–423
- Stringer, C., (2007), "Empirical performance management research: observations from AOS and MAR". *Qualitative Research in Accounting & Management* 4, 92–114.
- Taylor, M., Heppinstall, M., Liao M. & Taylor A. (2009), "Performance management and funding in the Third Sector: A research agenda", in *Proceedings of 16th International Annual EurOMA Conference*, Göteborg, Sweden Tersine
- Te'eni, D., & Young, D. "The Changing Role of Nonprofits in the Network Economy", *Nonprofit and Voluntary Sector Quarterly*, 32, (1), 1–18.
- Teddle, C., & Tashakkori, A. (2012), "Common "Core" Characteristics of Mixed Methods Research a Review of Critical Issues and Call for Greater Convergence", *American Behavioral Scientist*, 56(6), 774-788.
- Teelken, C. (2008), "The intricate implementation of performance measurement systems: Exploring developments in professional-service organisations in the Dutch non-profit sector", *International Review of Administrative Sciences*, 74 (4), 615-635.
- Teeratansirikool, L., Siengthai, S., Badir, Y., & Charoenngam, C. (2013), "Competitive strategies and firm performance: the mediating role of performance measurement", *International Journal of Productivity and Performance Management*, 62(2), 168-184.
- The International Center for Not-For-Profit-Law (2008), "The Operational Environment, and Constraints for NGOs in Kenya: strategies for Good Policy and Practices", Working Paper 2221, International Environmental Law Research Centre
- Thompson, A. A., & Strickland, A. J. (2003), *Strategic management: Concepts and cases*, (13th Ed), McGraw-Hill/Irwin, London
- Thomson, D. (2010), "Exploring the role of funders performance reporting mandates in nonprofit performance measurement", *Nonprofit and Voluntary Sector Quarterly*, 39 (4), 611-629
- Tom, B. & Frentzel, B. (2005), "Performance-Based Management Builds Support and Funding", *Nonprofit World*, 23 (6), 28-29
- Townsend, J. G., Porter, G., & Mawdsley, E. (2002), "The role of the transnational community of non-government organizations: governance or poverty reduction?", *Journal of International Development*, 14(6), 829-839.
- Townsend, J.G. & Townsend A. R, (2004), "Accountability, motivation and practice: NGOs North and South", *Social and Cultural Geography* 5(2): 271-284

- Van de Ven, A. H., & R. Drazin. (1985), "The Concept of Fit in Contingency Theory" *Research in Organizational Behavior* 7, 333.
- Van der Stede, W. A., Young, S. M., & Chen, C. X. (2005), "Assessing the quality of evidence in empirical management accounting research: the case of survey studies", *Accounting, Organizations and Society*, 30(7), 655-684.
- Van Velsor, E., McCauley, C. D., & Ruderman, M. N. (2010), *The center for creative leadership handbook of leadership development* (Eds.), (Vol. 122), "Jossey-Bass, New York.
- VanSant, J. (2003), Challenges of Local NGO Sustainability; Keynote remarks prepared for the USAID/PVC-ASHA Annual PVO Conference, 14 October, 2003. Available at: http://www.ngomanager.org/dcd/2_Organisational_Development/Organisational_Assessment/Challenges_of_Local_NGO_Sustainability.pdf (accessed on 4/8/2010)
- Venkatraman, N. (1989), "Strategic Orientation of Business Enterprises: The Construct, Dimensionality and Measurement", *Management Science* 35(8) 942-962
- Venkatraman, N., & Ramanujam, V. (1986), "Measurement of business performance in strategy research: A comparison of approaches", *Academy of management review*, 801-814.
- Venkatraman, N., & Ramanujam, V. (1987), "Measurement of business economic performance: an examination of method convergence", *Journal of management*, 13(1), 109-122.
- Verbeeten, F. (2008), "Performance management practices in public sector organizations: Impact on performance", *Accounting, Auditing & Accountability Journal*, 21 (3), pp.427 – 454
- Verbeeten, F.H. & Boons, A.N. (2009), "Strategic priorities, performance measures and performance: an empirical analysis in Dutch firms", *European Management Journal*, 27(2), 113-28.
- Vickery, S., Dröge, C., & Germain, R. (1999), "The relationship between product customization and organizational structure", *Journal of Operations Management*, 17(4), 377-391
- Vincent, J., & Harrow, J. (2005), "Comparing thistles and roses: the application of governmental-voluntary sector relations theory to Scotland and England", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 16(4), 375-395.
- Wadongo, B. & Abdel-Kader, M. (2011), "Performance Management Practices in Non-Profit Organisations", in Abdel-Kader, M. (Ed.), *Review of Management Accounting Research*, Palgrave Macmillan, Hampshire, pp. 450-78
- Wadongo, B., (2008), "Managerial Roles and Key performance indicators in the Kenyan hospitality industry" Msc Thesis, Maseno University, Kenya

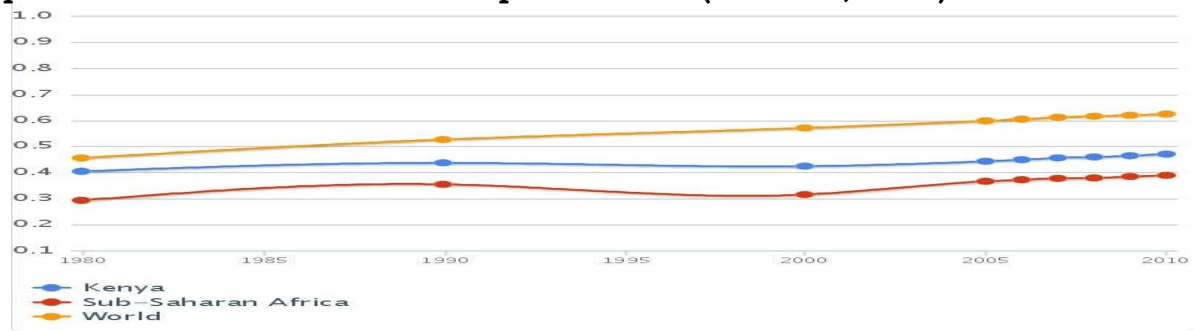
- Wainwright, S. (2003), *Measuring Impact: A Guide to Resources*, National Council for Voluntary Organisations (NCVO), available <http://portals.wi.wur.nl/files/docs/ppme/measuringImpact20012003.pdf> (accessed on 05/08/2012)
- Waweru, N. & Spraakman G (2009), "The appropriateness of performance measurement systems in the services sector: Case studies from the micro finance sector in Kenya", *AAA 2010 Management Accounting Section (MAS)*, Meeting Paper. Available at: SSRN: <http://ssrn.com/abstract=1408262>. (accessed on 01/09/10)
- Wilson, I. (1992), "Realizing the power of strategic vision", *Long Range Planning*, 25(5), 18-28.
- Yang, K., & Hsieh, J. (2007), "Managerial effectiveness of government performance measurement: Testing a middle-range model", *Public Administration Review*, 67(5), 861-879.
- Yankey, J. A., & McClellan, A. (2003), *The Nonprofit Board's Role in Planning and Evaluation*, Boardsource Governance Series, New york
- Yap P. & and Ferreira A. (2011), "The complex and multifaceted world of performance management in NGOs: A case study", available at: <http://www.fep.up.pt/conferencias/10seminariogrudis/Ferreira> (Accessed 02/03/2011)
- Yuan, K. H., Chan, W., & Bentler, P. M. (2000), "Robust transformation with applications to structural equation modelling", *British Journal of Mathematical and Statistical Psychology*, 53(1), 31-50
- Yuan, K. H., Chan, W., & Bentler, P. M. (2000), "Robust transformation with applications to structural equation modelling", *British Journal of Mathematical and Statistical Psychology*, 53(1), 31-50
- Yurenka, D. (2007), "Growth in the Nonprofit Sector and Competition for Funding", University of Chicago. Available at: http://economics.uchicago.edu/yurenka_nonprofit.pdf (accessed on Retrieved on 06/10/2012)
- Zimmerman J. & Stevens, B. (2006), "The Use of Performance Measurement in South Carolina Nonprofits", *Non profit Management and Leadership*, 16, (3) 315-327
- Zuccaro, C. (2007), "Statistical alchemy--The use of factor scores in linear regression". Available at: <http://www.esg.uqam.ca/recherche/document/2007/01-2007.pdf> (accessed on 12/4/, 2011)

Appendices

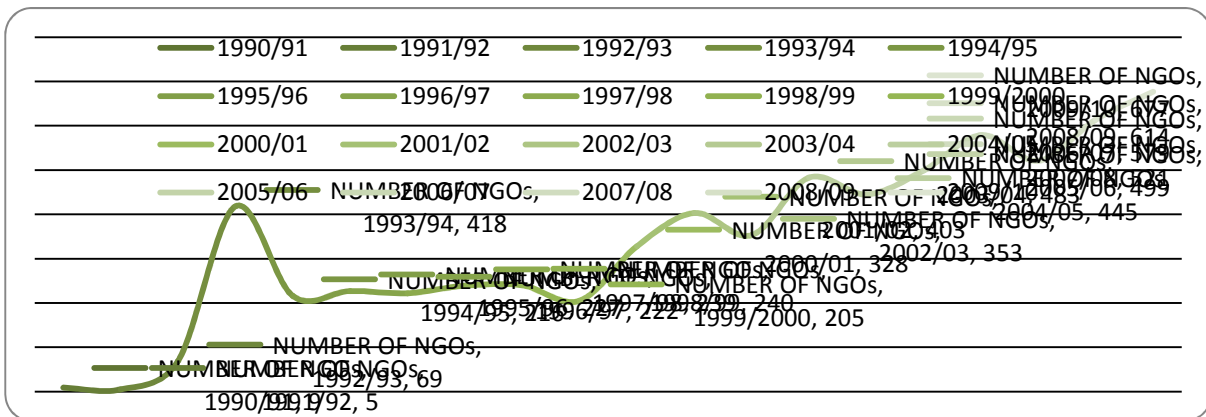
10.1 Appendix 1 Kenya Country and NGO Sector Statistics

Appendix 1.1: Kenya Country profile of human development indicators (SOURCE: UNDP)		
Dimension	Indicator	Value
Income	GDP per capita (2008 PPP US\$)	1,622
	GNI per capita (2008 PPP US\$) LN	7.4
	Household final consumption expenditure per capita PPP (constant 2005 international \$)	1,028
Education	Adult literacy rate (both sexes) (% aged 15 and above)	73.6
	Combined gross enrolment ratio in education (both sexes) (%)	59.6
	Expenditure on education (% of GDP) (%)	7.0
	Internet users (per 100 people)	8.7
	Mean years of schooling (of adults) (years)	7.0
	Expected Years of schooling (of children) (years)	9.6
Health	Prevalence of undernourishment in total population (% of population)	30
	Expenditure on health, public (% of GDP)	2.0
	Under-five mortality (per 1,000 live births)	128
	Life expectancy at birth (years)	55.6
Poverty	Multidimensional poverty index (k greater than or equal to 3)	0.302
	Intensity of deprivation	50.0
	MPI: Headcount (k greater than or equal to 3), population in poverty (% of population)	60.4
	Population living below \$1.25 PPP per day (%)	19.72
Inequality	Income Gini coefficient	47.7
	Inequality-adjusted education index	0.369
	Inequality-adjusted income index	0.252
	Inequality-adjusted HDI value	0.320
Gender	Maternal mortality ratio (deaths of women per 100,000 live births)	560
	Population with at least secondary education, female/male ratio	0.521
	Adolescent fertility rate (women aged 15-19 years) (births per 1,000 women aged 15-19)	103.5
	Gender Inequality Index, value	0.738
	Shares in parliament, female-male ratio	0.109
	Maternal mortality ratio (new estimates) (deaths of women per 100,000 live births)	530
Sustainability	Gender Inequality Index (updated)	0.735
	Carbon dioxide emissions per capita (tonnes)	0.3
	Protected area (percentage of terrestrial area)	11.6
	Adjusted net savings (% of GNI)	10.2
Security	Refugees (thousands)	9.7
	Homicide rate (per 100,000)	3.6
	Robbery rate (per 100,000)	9
	Population affected by natural disasters (average per year, per million) (average per year per million people)	94,526
Composite Indices	Multidimensional poverty index (k greater than or equal to 3)	0.302
	Human Development Index value	0.470
	Gender Inequality Index, value	0.738
	Inequality-adjusted HDI value	0.320

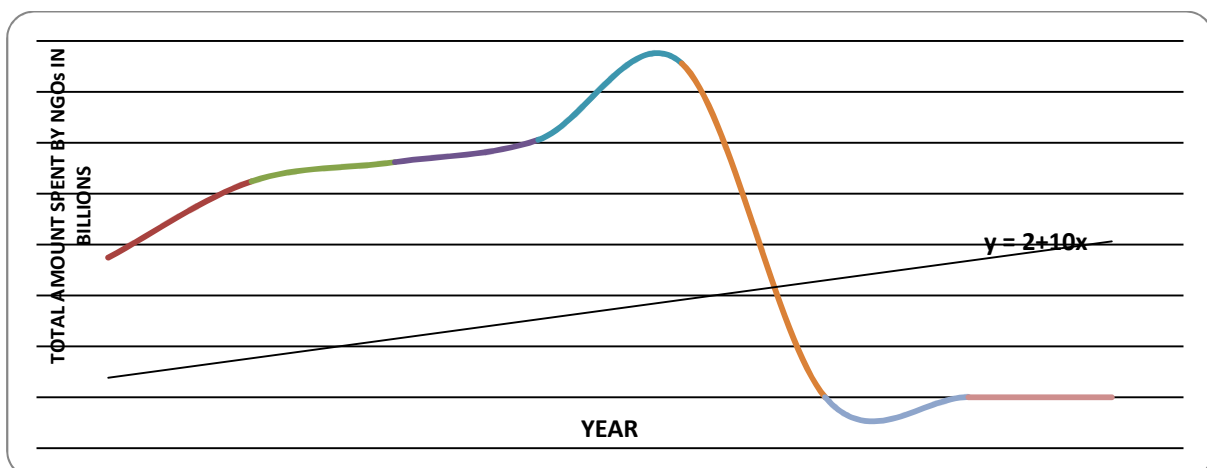
Appendix 1.2: UNDP Human development Index (SOURCE;UNDP)



Appendix 1.3: Trends in the Growth of NGOs in Kenya (SOURCE; NGO BOARD)



Appendix 1.4 NGOs' contribution to the Country's economy(SOURCE; NGO BOARD)



Appendix 1.5 Extract From 2009/10 Annual Returns(SOURCE; NGO BOARD)	
SECTOR	AMOUNT SPENT IN KES
Relief	27,210,003,617
HIV	21,456,659,463
Health	15,193,200,226
Education	10,096,264,493
Agriculture	8,251,319,531
Water and Sanitation	7,019,639,901
Children	6,571,921,738
Governance	5,591,586,047
Others sectors	28,915,767,254

10.2 Appendix 2: Research Ethics Forms, Research Permit, Authorisation, Introduction Letters

Appendix 2.1 Research Ethics Scrutiny form

UNIVERSITY OF BEDFORDSHIRE

Research Ethics Scrutiny (Annex to RS1 form)

SECTION A To be completed by the candidate

Registration No: **0925501**

Candidate: **Billy I Wadongo**

Research Institute: **BMRI**

Research Topic: **Determinants and effects of performance measurement practices in non profit organisations**

External Funding: **NO**

The candidate is required to summarise in the box below the ethical issues involved in the research proposal and how they will be addressed. In any proposal involving human participants the following should be provided:

- clear explanation of how informed consent will be obtained,
- how will confidentiality and anonymity be observed,
- how will the nature of the research, its purpose and the means of dissemination of the outcomes be communicated to participants,
- how personal data will be stored and secured
- if participants are being placed under any form of stress (physical or mental) identify what steps are being taken to minimise risk

If protocols are being used that have already received University Research Ethics Committee (UREC) ethical approval then please specify. Roles of any collaborating institutions should be clearly identified.

Reference should be made to the appropriate professional body code of practice.

This study will be presented for approval at the University of Bedfordshire research ethical committee. An appropriate research permit will be obtained from the Kenya government before data collection commences. Informed consent of participants and NGOs will be obtained before they are engaged in interviews, focused group discussions and the survey. All the participants will sign consent forms under which the purpose of the study will be clearly explained to the participants and be assured of anonymity and confidentiality of the information they provide during the study. All documents and information related to the NGOs and intended to be used in the study will remain known only to the researcher and supervisors involved and no any other person. The data will be immediately keyed in a database and stored in encrypted storage devices using codes to identify participant NGOs. The questionnaires will be stored in secured storage cabinet and destroyed 3 month after the field study. The analysed data will be presented in form of aggregated statistical summaries and reports.

Answer the following question by deleting as appropriate:

1. Does the study involve vulnerable participants or those unable to give informed consent (e.g. children, people with learning disabilities, your own students)?
No
2. Will the study require permission of a gatekeeper for access to participants (e.g. schools, self-help groups, residential homes)?
No
3. Will it be necessary for participants to be involved without consent (e.g. covert observation in non-public places)?
No
4. Will the study involve sensitive topics (e.g. sexual activity, substance abuse)?
No
5. Will blood or tissue samples be taken from participants?
No
6. Will the research involve intrusive interventions (e.g. drugs, hypnosis, physical exercise)?**No**
7. Will financial or other inducements be offered to participants (except reasonable expenses)?
No
8. Will the research investigate any aspect of illegal activity?
9. **No**
10. Will participants be stressed beyond what is normal for them?
No
11. Will the study involve participants from the NHS (e.g. patients or staff)?

No

If you have answered yes to any of the above questions or if you consider that there are other significant ethical issues then details should be included in your summary above. If you have answered yes to Question 1 then a clear justification for the importance of the research must be provided.

*Please note if the answer to Question 10 is yes then the proposal should be submitted through **NHS research ethics approval procedures** to the appropriate **COREC**. The UREC should be informed of the outcome.

Checklist of documents which should be included:

- Project proposal (with details of methodology) & source of funding
- Documentation seeking informed consent (if appropriate)
- Information sheet for participants (if appropriate)
- Questionnaire (if appropriate)

Signature of Applicant

wadsways billy

Date: **22 October 2010**

Signature of Director of Studies:

Date:

This form together with a copy of the research proposal should be submitted to the Research Institute Director for consideration by the Research Institute Ethics Committee/Panel

Note you cannot commence collection of research data until this form has been approved

SECTION B To be completed by the Research Institute Ethics Committee:

Comments:

Approved

Signature Chair of Research Institute Ethics Committee:

Date:

This form should then be filed with the RS1 form

If in the judgement of the committee there are significant ethical issues for which there is not agreed practice then further ethical consideration is required before approval can be given and the proposal with the committees comments should be forwarded to the secretary of the UREC for consideration.

There are significant ethical issues which require further guidance


Signature Chair of Research Institute Ethics Committee:

Date:

This form together with the recommendation and a copy of the research proposal should then be submitted to the University Research Ethics Committee

Appendix: 2.2 Research Permit

REPUBLIC OF KENYA



NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

Telegrams: "SCIENCETECH", Nairobi
 Telephone: 254-020-241349, 2213102
 254-020-310571, 2213123
 Fax: 254-020-2213215, 318245, 318249
 When replying please quote
NCST/RRI/12/1/SS011/963

P.O. Box 30623-00100
 NAIROBI-KENYA
 Website: www.ncst.go.ke

Our Ref: **24th November 2010,**

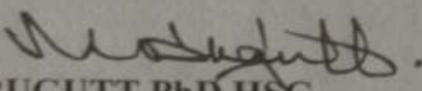
Billy Indeche Wadongo
 University of Bedfordshire
 United Kingdom

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on;
"Determinants and effect of performance management practices in non-profit organizations" I am pleased to inform you that you have been authorized to undertake your research in **all Districts** for a period ending **28th Feb 2012**.

You are advised to report to **The Directors of the selected NGOs** before embarking on the research project.

On completion of your research project you are expected to submit **one hard copy and one soft copy** of your report/thesis to our office.



DR. M.K. RUGUTT, PhD, HSC
DEPUTY COUNCIL SECRETARY

Copy to:

The Directors
 Selected Non-Governmental Organizations
 All Districts in Kenya

Appendix 2.3 Research ID



Appendix 2.4 UKBA Letter

UKBA Sponsor Licence Number: DA8AR2CH7

Student Name: Billy Indeché Wadongo

Nationality: Kenyan

To Whom It May Concern

2nd November 2011

Dear Sir or Madam,

Billy Indeché Wadongo

I am writing with reference to a postgraduate student

Qualification Aim:	PhD	Student Ref:	0925501
Course type:	Postgraduate research	Passport Number:	B083700
Route of Study:	Adult Student	Visa number:	005456078
Actual Start Date:	01/Jun/2010	End Date:	31/May/2014
Mode of study:	Full time	Campus:	Luton

Director of Studies: Professor Magdy Abdel-Kader

Billy Indeché Wadongo is currently registered as a student enrolled on a PhD degree in the Business and Management Institute here at the University of Bedfordshire.

Billy Indeché Wadongo has confirmed he will be leaving the UK on 4th November 2011 and returning to the UK on 6th February 2012. He will be travelling to the Kenya for data collection.

This has been approved by the student's supervisor as indicated above.

Yours faithfully,

Professor Angus Duncan
 Head of Research Graduate School
 University of Bedfordshire
 Luton
 LU1 3JU

Appendix 2.5 Interview Introduction Letter



Park Square Luton
Bedfordshire LU1 3JU
United Kingdom
t +44 (0)1234 400400
m+44(0)7570236278
www.beds.ac.uk
billy.wadongo@beds.ac.uk
+254 (0) 721 354 089 (Kenya)

Business and Management Research Institute

14th March 2011

To
Organisation Name

Dear Sir/Madam,

I am writing to kindly request for your participation in one-hour interview as part of a PhD research project entitled **"Determinants and effects of performance management practises in non-profit organisations in Kenya"**. The proposed interview dates are between March 30th March and 8th April 2011 at a location of your convenience. I am PhD Student in Management accounting at the Business and Management Research Institute at University of Bedfordshire, UK.

The purpose of this study is to investigate organisational and environmental determinants of performance management practises and their effect on organisational effectiveness and performance in nongovernmental organisations in Kenya. I intend to use focus group discussions, interviews, document analysis and a cross-sectional survey to gather data.

The results arising from this study will be valuable to NGO leaders, researchers, government, regulators, funders and other stakeholders in the Kenyan voluntary sector. The empirical research findings will provide a better understanding of the impact of the internal organisational characteristics and external environment factors on performance measurement practices and effectiveness of NGOs in Kenya.

As one of the key International NGO leaders in the sector, you are being asked to participate in the semi-structured interviews. Your participation is very important because you represent hundreds of others not included in the sample.

The results will be presented in a summarised statistical report and no individual responses will be identified. Your responses will be completely confidential and yourself or your organisation will not be identified by name. Remember, there is NO right or wrong answers. You are free to withdraw your consent to participate or discontinue participation at any time. All interview schedules will be destroyed 3 months following the completion of the study.

Attached is a copy of the Research Permit and Introduction letter from the University of Bedfordshire

Thank you for your support and Cooperation.

Yours sincerely

Billy Indeché Wadongo
PhD Research Student



Registered Office
Park Square Luton
Bedfordshire LU1 3JU
England
Vice Chancellor
Professor Les Ebdon

Appendix 2.6 FGD Introduction Letter



Park Square Luton
Bedfordshire LU1 3JU
United Kingdom
t +44 (0)1234 400400
m+44(0)7570236278
www.beds.ac.uk
billy.wadongo@beds.ac.uk
+254 (0) 721 354 089 (Kenya)

Business and Management Research Institute

26th March 2011

Executive Director

Nairobi, Kenya

Dear Sir/Madam,

I am writing to kindly request for your participation in a Social return on investment(SROI) training and Focused Group discussion as part of a PhD research project entitled "**Determinants and effects of performance management practises in non-profit organisations in Kenya**". The proposed training and FGD date is **2nd April 2011** at Kisumu Hotel from 9am to 1pm. I am PhD Student in Management accounting at the Business and Management Research Institute at University of Bedfordshire, UK.

The purpose of this study is to investigate organisational and environmental determinants of performance management practises and their effect on organisational effectiveness and performance in non-governmental organisations (NGOs) in Kenya. I intend to use focus group discussions, interviews, document analysis and a cross-sectional survey to gather data. The results arising from this study will be valuable to NGO leaders, researchers, government, regulators, funders and other stakeholders in the Kenyan voluntary sector.

Social Return on Investment (SROI) is an approach to understanding and managing the impacts (positive and negative) of a project, organisation or policy based on stakeholders and puts financial value on the important impacts identified by stakeholders that do not have market values in order to give people a voice in resource allocation decisions.

As one of the key International NGO leaders in the sector, you are being asked to participate in the training and FGDs. Your participation is very important because you represent hundreds of others not included in the sample.

The results will be presented in a summarised statistical report and no individual responses will be identified. Your responses will be completely confidential and yourself or your organisation will not be identified by name. Remember, there is NO right or wrong answers. You are free to withdraw your consent to participate or discontinue participation at any time. All FGDs and interview schedules will be destroyed 3 months following the completion of the study.

Attached is a copy of the Research Permit and Introduction letter from the University of Bedfordshire

Thank you for your support and Cooperation.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Billy Indeché Wadongo".

Billy Indeché Wadongo
PhD Research Student



Registered Office
Park Square Luton
Bedfordshire LU1 3JU
England

Vice Chancellor
Professor Les Ebdon

Appendix 2.7 Introduction Letter Survey



Park Square Luton
Bedfordshire LU1 3JU
United Kingdom
t +44 (0)1234 400400
m+44(0)7570238278
www.beds.ac.uk
nqoresearch@beds.ac.uk
+254 (0) 721 354 089 (Kenya)
+254(0) 20 8148542

Business and Management Research Institute

14th November 2011

To
Organisation Name

Dear Sir/Madam,

RE: Survey of Performance Management and Measurement Practices in NGOs in Kenya

I am writing to kindly request for your participation in an online **Survey of Performance management practices in Kenyan NGOs**. The purpose of this study is to explore determinants of performance management practises and their effect on organisational effectiveness in Kenyan NGOs. It is part of a PhD research project by Billy Wadongo funded by **Business and Management Research Institute (BMRI), University of Bedfordshire, UK**.

The results arising from this study will be valuable to NGO leaders, and other stakeholders in the NGO sector. Therefore your participation is very important because you represent hundreds of others not included in the survey.

Please complete the survey by clicking on the link below and enter the following NGO Code- **IA001** at question A0 on the first page of the survey
http://www.bbsdirect.net/pmsgos/ pmsgos_kenya.htm.

The results will be presented in a summarised report and no individual responses will be identified. Your responses will be completely confidential. You are free to withdraw or discontinue participation at any time.

If you prefer us to send a paper version of the questionnaire or if you have any questions about the survey, please contact Billy Wadongo at billy.wadongo@beds.ac.uk or +254721354089

Thank you for your support and Cooperation.

Yours sincerely

Billy Indeché Wadongo
Phd Researcher
Business and Management Research Institute



Registered Office
Park Square Luton
Bedfordshire LU1 3JU
England

Vice Chancellor
Professor Les Ebdon

Appendix 2.8 Thank You Letter-Survey

Dear Sir/madam,

Thank you for completing Online Survey of 'Performance management practices in NGOs in Kenya'. I will be analysing the results of the survey when the survey period ends on 14th February 2012.

The results will be presented in a summarised report and no individual responses will be identified. Your responses will be completely confidential.

The results arising from this study will be valuable to NGO leaders and other stakeholders in the NGO sector by informing regulatory, operational and performance measurement challenges in NGOs in Kenya; improve the annual reporting systems of NGOs; test generalisability performance management frameworks and contribute to modeling of best practices that support effective PM systems in NGOs in Kenya.

In thanks for your participation in the survey, you will be invited in participation of a one-day workshop in August 2012 to discuss the key issues arising from the study with other NGO leaders and receive a copy of the summarised report.

If you have any questions about the study, please contact Billy Wadongo at billy.wadongo@beds.ac.uk or +254721354089/+447570238278

10.3 Appendix 3 Interview Protocol, FGD Guide and Measurement of Variables

<p>Appendix 3.1 Interview Protocol</p>
<p style="text-align: center;">Determinants and Effects of Performance Management Practices in NGOs in Kenya</p> <p style="text-align: center;">Interview Protocol</p> <p>Date (of interview): _____</p> <p>Location (city or town where interview is conducted): _____</p> <p>Organizational ID: _____</p> <p>Organization Name: _____</p> <p>Respondent's Name: _____</p> <p>Gender of Respondent: M F</p> <p>Approximate Age of Respondent: 22-35 36-45 46-55 56-65 65+</p> <p>Interviewer: _____</p> <p>Thank you so much for taking time out of your busy schedule to meet with me. My name is Billy Wadongo and I am a PhD research student at Business and Management Research Institute at University of Bedfordshire, UK. <i>[Exchange business cards at this moment.]</i> The overall purpose of this study is to investigate organisational and environmental determinants of performance management practises and its effect on organisational effectiveness and performance in nongovernmental</p>

organisations in Kenya. Am in the process of interviewing leaders like yourself in NGOs that are involved in the development, advocacy and relief voluntary work in Kenya. As I noted in my letter to you, this interview should take about one hour and all data will be kept strictly confidential. Before we start, I would like to ask your permission to record the conversation with this digital recorder so that I do not miss any of the important parts of our conversation.

[After receiving oral consent, please I start the audio recorder and state the relevant naming information before I begin]

We are going to start with a few questions about the attributes of your NGO and about your position in the organization. Then will we move into more substantive issues of performance measurement, organisational and environmental factors influencing performance measurement and finally NGO effectiveness.

Organizational Attributes

- Would you please describe the specific role you play in this NGO?
- How long have you been in your position?
- How long have you been in the NGO sector overall?
- We are also interested in how NGO like yours are structured. Would you please tell me a little bit, about how your NGO is structured?

Probe: For example, are you a federation, a coalition of independent organizations, a unitary organization?

Probe: Are you more centralized or de-centralized?

Probe: International or National NGO

- Does the NGO have an independent Board?

Probe: Does any member serve as executive officer in NGO?

- Which kind of voluntary service do you provide?

Probe: development NGO, relief or Advocacy

Performance Management practices

- Let me ask you about the concept of “performance measurement,” which is something we all have trouble defining. Sometimes referred to as performance reporting, outcome or impact measurement, monitoring and evaluation in the NGO world. How does your NGO define performance measurement?
1. What is the vision, mission and Overarching objective of the NGO. How is it communicated to managers and employees?
 2. What are the key success factors that are believed to be central to your NGOs’ future success? What are some of external and internal goals for your NGO specifically related to your work?
 3. What strategies and plans has the NGO adopted? How is the strategic planning process undertaken? what are the specific processes and activities will be required for it to ensure its success?
 4. What are the NGO’s key performance measures used to assess achievement of the Objectives? How is performance measurement criteria developed? How does the organisation go about assessing and measuring its success in achieving them?
 5. What are some of the important performance targets set so departments and employees? How does it go about setting appropriate performance targets for departments and employees?
 6. What processes does the NGO use to evaluate individual, group and organisational performance? How important is formal and informal information on these processes? Who is responsible for performance measurement? What type of data do you collect? What methods do your organisation use to collect data?
 7. What rewards (both financial and non-financial) will managers and other employees gain by achieving performance targets (or, what penalties will they suffer by failing to achieve them)?
 8. What types of feedback systems and monitoring systems have been formulated to enable the NGO to learn from its experience, take corrective action, to generate new ideas and to recreate strategies and plans? How is this information and feedback

communicated?

9. What type of use is given to information obtained from the above mechanisms? Any changes made in the operation based on performance information? Is the information used for organisational learning, decision-making, accountability, proving legitimacy, or altering strategy? Is the information used to improve performance?
10. How has the performance management and control system changed in the light of the change dynamics of the NGO and of its environment over the years? What are some of the factors that have shaped this change?
11. What is the strength or weakness of the current performance evaluation systems? How consistent is the performance measurement system with the whole organisation? Are there any advantages or disadvantages?
12. Is there any performance Measurement or evaluation frameworks you are aware of used in the NGOs? Which one do you currently use?

Organisational and Environmental Determinants

- What internal organisational factors influence performance measurement of your NGO?
Probe: Information technology; organisational structure; organisational strategy; culture
- What are some of the external environmental factors that influence performance measurement of your NGO?
Probe: stakeholders' accountability demands; competition and political; and regulatory environment
- What reasons initially motivated the organization to measure performance?
- What difficulties or challenges do NGOs face with implementing performance measurement systems?

NGO effectiveness and Performance

- NGO effectiveness and performance is another concept we all do not know how to define. How does your NGO define effectiveness?

- Given your definition, can you describe to me a particular occasion when your NGO was effective?
- How would you evaluate the overall “effectiveness” of your organization?
- Name dimensions of effectiveness that are important to your NGO

Probe: indicators of management effectiveness; program effectiveness; responsiveness to external environment; Networks and Partnerships

- What are the other attributes of NGOs that stand out as being particularly effective in Kenya?
- In your opinion in which ways do you think performance measurement influence NGO effectiveness?

Probe: Negative or Positive

- What suggestions do you have for how the NGOs can improve measurement of their performance?

Interviewee Debrief

Finally, is there anything else that you would like to share with us about your NGO? Do you have any questions for me, or would you like clarification about anything that we have discussed?

Thank you again for your time and willingness to participate in this interview. Your information will be combined with others who have participated in similar interviews and analyzed to create a broad picture of performance management and NGO effectiveness. This picture will help us better understand determinants and role of performance management practices on NGO effectiveness. We hope to involve you and your colleagues in our future research and initiatives designed to support your work.

Please do feel free to contact University of Bedfordshire or me should you have any further questions about the study.

[I turn off and retrieve the recorder and LOCK the interview]

Interviewer Debrief

I will reflect on the interview that I have completed by answering the following questions:

- What were the three main things I took away from this interview (lessons learned, observations, surprises)?
- Were there any points on which the interviewee seemed less than candid? If so, what factor(s) seemed to be at play? Any situational conditions which impacted on the quality/validity of the answers?
- How usable are the data and were there any particular challenges to the interview?
- Was it easy to follow the order of the questions in the protocol? If not, I will comment on which questions or sections may have been skipped, asked or talked about elsewhere in the protocol and if possible, comment on where the relevant information might be found (i.e. close to what other question or section), “
- Are there any matters that require follow-up?
- Any feedback regarding the interview protocol or lessons learned about the interview process?

END

<p>Appendix 3.2 FGD Guide</p>
<p style="text-align: center;">Determinants and Effects of Performance Management Practices in NGOs in Kenya</p> <p>Date (of FGD):</p> <p>Location (city or town where FGD is conducted):</p> <p>Organizational ID: _____</p> <p>Organization Name: _____</p> <p>Respondent's Name: _____</p> <p>Gender of Respondent: M F</p> <p>Approximate Age of Respondent: 22-35 36-45 46-55 56-65 65+</p> <p>Organizational Attributes</p> <ul style="list-style-type: none"> • Which kind of voluntary service does your NGO provide? (development NGO, relief or Advocacy) • What economic sectors do your NGO operate in? • We are also interested in how NGO like yours are structured. Would you please tell me a little bit, about how your NGO is structured? <p style="margin-left: 20px;">For example, are you a federation, a coalition of independent organizations, a unitary organization?</p> <p style="margin-left: 20px;">Are you more centralized or de-centralized NGO?</p> <p style="margin-left: 20px;">International or National NGO</p> <ul style="list-style-type: none"> • What is the total number of employees and Volunteers in your current office?

- How would you please describe the specific role you play in this NGO?
- How long have you been in your position?
- How long have you been in the NGO sector overall?
- What is your General Educational and Professional Background?
- Have you ever worked in private sector or public sector before?

Determinants and Effects of Performance Management Practices in NGOs in Kenya

NPO definitions

1. How do you define NPO/NGO?
2. How has the definition and activities of NGOs shifted over the years?
3. In which Ways are NGOs different from Private and public sector?

NGO effectiveness and Performance

- NGO effectiveness and performance is another concept we all do not know how to define. How does your NGO define effectiveness?
- **How would you evaluate the overall “effectiveness” of your organization?**
- Name dimensions of effectiveness that are important to your NGO
- What are the other attributes of NGOs that stand out as being particularly effective in Kenya?

Performance Management practices

- Let me ask you about the concept of “performance measurement,” which is something we all have trouble defining. Sometimes referred to as performance reporting, outcome or impact measurement, monitoring and evaluation in the NGO

world. How does your NGO define performance measurement?

1. How are the mission, vision and objectives it communicated to managers and employees?
2. What are the key success factors that are believed to be central to your NGOs' future success?
3. How is the strategic planning process undertaken? What are the specific processes and activities will be required for it to ensure its success?
4. What are key performance indicators used to assess achievement of the Objectives in NGOs? How are they developed? Such as inputs, outputs, outcomes, financial, non financial
5. What are some of the important performance targets set so departments and employees?
6. What methods does your organisation use to collect performance data?
7. What rewards (both financial and non-financial) will managers and other employees gain by achieving performance targets (or, what penalties will they suffer by failing to achieve them)?
8. What types of feedback systems and monitoring systems have been formulated to enable the NGO to learn from its experience? How is this information and feedback communicated to employees?
9. How is the performance information collected from the above mechanisms used?
10. How has the performance management and control system changed in the light of the change dynamics of the NGO and of its environment over the years? What are some of the factors that have shaped this change?
11. What is the strength or weakness of the current performance evaluation systems used in NGOs?
12. Is there any performance Measurement or evaluation frameworks you are aware of used in the NGOs? Which one do you currently use?

Organisational and Environmental Determinants

1. What internal organisational factors influence performance measurement of your NGO?
Probe: Information technology; organisational structure; organisational strategy; culture
2. What are some of the external environmental factors that influence performance measurement of your NGO?
Probe: stakeholders' accountability demands; competition and political; and regulatory environment
3. What difficulties or challenges do NGOs face with implementing performance measurement systems?
4. In your opinion in which ways do you think performance measurement influence NGO effectiveness?
5. What suggestions do you have for how the NGOs can improve measurement of their performance?

FGD Debrief

Finally, is there anything else that you would like to share with us about your NGO? Do you have any questions for me, or would you like clarification about anything that we have discussed?

END

Appendix 3.3: Measurement of Variables			
Latent Variable	Observed variables	Data Source	Authors
NGO Ownership/scope	International	Reports	
	National		
NGO Sector	Various	Reports/questionnaire	
NGO size	Budget size	Reports	
	Number of employees		
	Number of Volunteers		
NGO age	Various	reports	
Gender	Male	Questionnaire	
	female		
Managers age		Questionnaire	
	<i>18 to 26</i>		
	<i>27 to 35</i>		
	<i>36 to 44</i>		
	<i>45 to 53</i>		
	<i>Over 54</i>		
Position	Open ended	Questionnaire	
Department/Functional area	Various	reports	
Work experience		Questionnaire	
	<i>Less than 5 years</i>		
	<i>6-10 years</i>		
	<i>11-15 years</i>		
	<i>16-20 years</i>		
	<i>Over 21 years</i>		
Education Level		Questionnaire	
	<i>Doctoral Degree</i>		
	<i>Master's Degree (eg MPhil, MRes, MA, MSc)</i>		
	<i>Postgraduate Diploma or certificate</i>		
	<i>Bachelor's Degree with Honours (eg BA/BSc Hons)</i>		
	<i>Higher National Diploma (HND)</i>		
	<i>Diploma</i>		
<i>Certificate</i>			

	<i>Others</i>		
Educational background		Questionnaire	
	<i>Business management, Accounting and Finance</i>		
	<i>Social sciences and education studies</i>		
	<i>Natural sciences, engineering, medical studies</i>		
External Environment		Questionnaire	
Intensity of Competition			
	Competition for staff and volunteers		
	Competition for external funding		
	New innovative products and services		
	Competition for community resources among NGOs		
Environmental Dynamism			
	Regulatory and policy aspects		
	Social economic aspects		
	Political and security aspects		
	Technological aspects		
Perceived environmental uncertainty			
Requirements and accountability demands	Government requirements		
	Beneficiary requirements		
	Funder's requirements		
	Public and external groups accountability demands		
NGO Strategic orientation		Questionnaire	
Aggressiveness	We constantly attempt to be among the top NGOs in Kenya.		
Analysis	We tend to be analytical in our daily operations to support our decision making		
external defensiveness	We constantly seek close relationships with our stakeholders		
Internal defensiveness	We constantly monitor costs while searching for new methods for reducing costs		
Futurity	We emphasize on long-range planning and focus on long-term view in all decisions		
Pro-activeness	We tend to be pioneers in addressing and meeting		

	needs of new beneficiaries		
Riskiness	We generally embark on risky projects that are beyond our mission and focus		
innovativeness	We constantly innovate our products and processes thus usually the pioneers		
Strategic Change	Competition for community resources among NGOs		
Organisational structure		Questionnaire	
Degree of decentralization	Staff and volunteers participation in organizational decisions		
Degree of formalization	Formal job descriptions and observation of written rules and regulations		
Degree of stratification	Friendliness and closeness between managers, staff and volunteers		
Degree of complexity	staff professional training and occupation specialisations		
Technology		Questionnaire	
Technological complexity	The work tasks rely on standardised operating procedures and automated processes		
Task Uncertainty	-There is the variety in the work tasks with something different to do every day (task Variability)		
	-Measures of work output are predictable and easy to analyse variations (task Analysability)		
Technological Independencies	tasks are highly dependent on each other, projects, or external stakeholder's interactions		
Modern IT application	Personal computers and laptops		
	Internet, worldwide Web, Intranet and email		
	Computer softwares (accounting, project and human resource)		
	Communication technologies (voice and sms)		
	Management information systems e.g ERP, PMS, GPS		
Organisational Culture		Questionnaire	
Proactive/reactive culture	-Staff think proactively and try to forestall potential problems		

	-Employees are receptive to new ideas and regulations		
Soft/hard culture	There is atmosphere of cooperation, loyalty and good informal relationships		
Collectivism/individualism	Employees are open to each other, embracing team spirit and togetherness,		
Power decentralization/centralization	Work is done on the basis of consensus and participation of employees		
Leadership style	The top management likes to delegate tasks	Questionnaire	
	The top management thinks proactively (in advance)		
	The top management likes to risk		
	The top management often motivate and reward employees		
	The top management emphasize private sector management practices		
	The top management has an excellent working relationship with the board		
	The board provides sufficient direction and overall leadership		
Performance Planning Practices		Questionnaire	
Mission, Vision, Values and Objectives, key success factors	The NGO uses the mission statement as a criterion for determining success.		
	The mission and vision statements are communicated throughout the NGO		
	The NGO reviews of the mission and vision statements at regular intervals		
	The NGO has a clear and broadly accepted set of core values		
	The objectives and goals are well specified and communicated		
	The key success factors are well identified by the NGO		
Strategic planning process and activities	The strategic plans and strategies are clearly linked to the objectives and mission		
	Actions and programs of the organization reflect the mission and vision		
	The strategic planning process involves stakeholders		

	strategic workshops		
	We use of external consultants to make strategic plans.		
	The management has set of clear strategic activities within the NGO		
Performance measurement practices		Questionnaire	
Performance Indicators			
	<u>Project or program focused</u>		
	Input Indicators		
	Process or activity indicators		
	Output indicators		
	Outcome and impact indicators		
	<u>Financial</u>		
	Funding and Revenue indicators		
	Administrative costs indicators		
	Economy indicators (the relationship between costs and inputs)		
	Efficiency indicators (the relationship between costs and outputs)		
	Productivity indicators (relationship between inputs and outputs)		
	<u>Non Financial indicators</u>		
	Service quality indicators		
	Client satisfaction indicators		
	Sustainability indicators		
	product and service Innovations indicators		
	Effectiveness indicators (achievement of results as planned)		
	Relief chain flexibility (time and volume response to disasters)		
Performance Targets			
	Team targets		
	Individual targets		

	Organisational targets		
Performance data collection tools			
	Observations		
	Email and Website self reporting		
	Telephone and mobile phone interviews		
	Pre-prepared forms		
	survey Questionnaires		
	Personal and casual conversations		
	Unstructured project visits		
	key informant interviews and focus groups		
Rewards and Sanctions	Team rewards		
	Individual rewards		
	Dismissal, Demotions and Termination of contracts,		
	Termination of the program or project		
Information feedback systems			
	Formal Feedback systems(e.g memos, reports,review meetings)		
	Informal information flow by staff networks (e.g rumours)		
	External evaluation reports (e.g annual, mid term, summative)		
	Internal monitoring tools (e.g paper/computerised staff reports,ERP)		
	Feed forward systems (e.g baseline surveys, media and government reports)		
Performance Information use			
	Inform strategic priorities and decision making		
	Take corrective action against deviations		
	Inform organizational learning		
	Demonstrate accountability and legitimacy to stakeholders		
	Document past performance and share best practices		
	Understand emerging issues and define the future growth		

	To reward employees and volunteers		
	To comply with legal requirements and annual reporting.		
PMS dynamism			
	The performance measurement system has changed over time		
	There are a shift towards qualitative measures		
	There is a shift towards private sector like performance management concepts		
	need of better service delivery led to the change		
	Change in community needs influence the our system		
	Failure to meet performance targets led to change of the system		
PMS strength, coherence and performance			
	Our PMS provides comprehensive and accurate information		
	The PMS contributes to the organisational effectiveness		
	The PMS is useful in the staff induction process		
	The PMS integrates with all other aspects of the NGO operations		
	The PMS ensures clear definition of perspectives and professionalism		
	The PMS is resource intensive		
	The PMS leads to obsession with results		
	The PMS does not consider on welfare and capacity of employees		
Organisational Effectiveness		Questionnaire	
Organisational Management domain	Capacity		
	specification and usage of mission, vision and strategic documents		
	Human Resource, IT and accounting, Management systems		
	Organisational communication strategies to key stakeholders		
	Interdependence of processes within the organisation		

	Organisational decision making process		
	Outcomes		
	The stability and diversity of funding achieved		
	level of employee and volunteer satisfaction		
	The number of innovations in the organisation		
	Achievement of short-term (annual) NGO objectives		
	Achievement of long-term (five years) NGO objectives		
	stakeholders confidence in the organisation		
Program design and implementation domain			
	Capacity		
	completion of project work tasks and processes		
	Goal and program activities clarity		
	Level of resources provided to a program		
	Identification of project implementation problems		
	Outcomes		
	Achievement of projects outcomes and impacts targets		
	Achievement projects inputs and resources targets		
	Improvements in the quality of services offered to clients		
	Beneficiary satisfaction with services provided		
Responsiveness to external environment domain			
	The NGOs reaction to external opportunities and threats		
	NGOs approach to networking to mobilize resources		
	Your NGOs resistance to global norms , policy agendas and political influence		
	Your NGOs resistance to funders demands that do not contribute to the mission		
	Your NGOs participation in the government policies and regulation of the sector		
	Your NGO participation democratic, political and advocacy agendas		

Partnerships and networks domain			
	Capacity		
	The alignment between the agreed partnerships policy and strategy with the NGOs own mission		
	The staff and management participation to the partnerships implementation and review process		
	Common documentation, shared access to project records and joint budgeting review by all partners.		
	Jointly agreed written procedure regarding information sharing and data confidentiality		
	Joint commitment to investment in staff training, staff induction and attendance		
	The level of formal and informal networking between the NGO staff and the project stakeholders		
	Outcomes		
	Improvement of access to resources and new funding		
	Enhancement the NGO reputation		
	Achievement of intended partnership outputs and outcomes		
	Increase in organisation capacity		

10.4 Appendix 4 Snap Survey Questionnaire

Survey of Performance Management in Non Governmental Organizations (NGOs) In Kenya.

Thank you for taking time to complete this survey. Your participation in this survey is valuable to better understand performance management practices in Kenyan NGOs that influence organisational effectiveness.

All information collected in this survey will remain confidential and will only be reported in aggregate form. You may withdraw from participation at anytime.

Instructions

Please mark on a circle to pick your response to the questions.
Scroll down to end of the page to move to the next page
There is NO right or wrong response

Please Enter the NGO Code (provided in the invitation email or letter)

NOTE: The survey will take less than 20 minutes to complete

If you have questions at any time about the study, you may contact the researcher
Billy Wadongo

Business and Management Research Institute (BMRI)

University of Bedfordshire, UK

email: billy.wadongo@beds.ac.uk: **tel:** +447570238278 (UK) or +254(0)208148542/ +254 (0)721354089 (kenya)

Research sponsored by
Business and Management Research Institute(BMRI)



Approved by

- Research Graduate School, University of Bedfordshire, UK
- National Council for Science and Technology, Kenya
- NGO Coordination Board, Kenya

Section A: External Environment

A1. Please indicate below, the level of competition your NGO faces in the following areas? (please, tick one circle on each statement)

	Very competitive	competitive	moderately competitive	uncompetitive	very uncompetitive	Don't know
Competition for staff and volunteers among NGOs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competition for external funding among NGOs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Number of new innovative programs and projects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competition for community resources among NGOs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

A2. Please indicate below, how frequently your NGO's external environmental factors change? (please, tick one circle on each statement)

	Very Frequently	Frequently	Occasionally	Rarely	Very Rarely	Don't know
Regulatory environment (e.g laws, regulations, policies)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social economic environment (e.g inflation, population, crime, disasters)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political and security aspects(e.g elected leaders, politics, violence)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technological environment (e.g innovations, ICT,)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

A3. Please indicate below, how predictable are your NGO's stakeholders requirements and accountability demands? (please, tick one circle on each statement)

	Highly predictable	predictable	neither predictable or unpredictable	unpredictable	highly unpredictable	Don't know
Government requirements/accountability demands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Donors requirements/accountability demands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beneficiary requirements/accountability demands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public and community accountability demands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section B: NGO Strategic orientation

B1. Please indicate below, to what extent your NGO focuses on the following strategic priorities?(please, tick one circle on each statement)

	Always	Most of the time	Some times	Rarely	Never	Don't know
The NGO constantly attempt to be among the top NGOs in Kenya.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO analyses daily operations to inform decision making	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO constantly seeks close relationships with the stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO constantly focus on monitoring and reducing costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO emphasises long-range planning/strategic decision making	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO pioneers in identifying and addressing needs of new beneficiary groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO embarks on risky funded projects that are beyond our mission and focus	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO pioneers in introducing innovative projects and programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO emphasises on changing strategic activities over the last few years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section C: Organisational structure

C1. Please indicate below, to what extent your NGO emphasises the following organisational structure aspects? (please, tick one circle on each statement)

	Always	most of the time	some times	rarely	Never	Don't know
Staff/volunteers participation in formal decision making process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formal job descriptions and observation of written rules and regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Friendliness and closeness between managers, staff and volunteers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
staff professional training and occupational specialisations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section D: Technology

D1. Please indicate below, your level of agreement with the following statements reflecting your NGO's staff task characteristics (please, tick one circle on each statement)

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
The staff/volunteers work tasks rely on standardised procedures and automated processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The staff/volunteers work tasks involve a variety of activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Measures of staff tasks performance are clear and variations easily analysed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The completion staff tasks are highly dependent on other staff tasks in the NGO /project.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

D2. Please rate, how often do staff in your NGO utilise the following information technology aspects in their daily tasks (please, tick one circle on each statement)

	Always	Most of the time	Some times	Rarely	Never	Don't know
Personal computers and laptops	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet, worldwide Web, Intranet, email	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
specialised computer softwares (e.g MS Quickbooks, MS Project and payroll, data analysis)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Communication technologies (e.g mobile, fax, telephone, and sms)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management information systems (e.g Enterprise resource planning)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section E: Organisational Culture

E1. Please indicate below, your level of agreement with the following statements reflecting your organisational culture? (please, tick one circle on each statement)

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
Staff think proactively and try to forestall potential problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees are receptive to new ideas and regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is atmosphere of cooperation, loyalty, and good informal relationships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees are open to each other, embracing team spirit and togetherness,	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Work is done on the basis of consensus and participation of employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section F: Leadership style

F1. Please indicate below, your level of agreement with the following statements reflecting your NGO leadership style? (please, tick one circle on each statement)

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
The management team likes to take risk and think proactively	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The management team emphasize private sector management practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The management team has an excellent working relationship with the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board provides sufficient direction and overall leadership to the NGO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section G: Performance Planning Practices

G1. Please indicate below, your level of agreement with the following statements reflecting your NGO's Performance Planning Practices? (please, tick one circle on each statement)

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
The mission and vision are communicated throughout the NGO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO emphasizes clear and broadly accepted set of core values	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The objectives and goals are well specified and communicated	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The key success factors are well identified by the NGO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The strategic plans and strategies are clearly linked to the objectives, and mission	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Actions and programs of the NGO reflect the mission and vision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The strategic planning process involves stakeholders strategic workshops	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The management has set of clear strategic activities within the NGO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section H: Performance measurement practices

H1. Please Indicate below, to what extent your NGO Uses the following performance measurement systems (PMS) (please, tick one circle on each statement)

	completely	to great extent	to some extent	to a little extent	not at all	Don't know
Balanced scorecard	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logical Framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social return on investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outcome management tool	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Results based management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Benchmarking tools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

H2. Please indicate below, to what extent your NGO uses the following performance targets ? (please, tick one circle on each statement)

	Very often	Often	Occasionally	Rarely	very rarely	Don't know
Team targets (e.g project/departmental team targets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual targets (e.g individual employee/managers targets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Organisational targets (e.g whole organisational targets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

H3. Please indicate below, to what extent your NGO uses the following performance indicators ?(please, tick one circle on each statement)

	Very Often	often	occasionally	Rarely	Very Rarely	Don't know
Input indicators (measure of quantities of resources provided to the project)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Process or activity indicators (measures of what happens during project implementation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Output indicators (measures of immediate project quantitative or qualitative results)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outcome/impact indicators (effects of project outputs to beneficiaries and society)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Revenue indicators (income from funders or internally generated)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative costs indicators (expenses related to administrative duties)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economy indicators (the relationship between costs and inputs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Efficiency indicators (the relationship between project costs and outputs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Productivity indicators (relationship between inputs and outputs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service quality (measures against sector standards and benchmarks)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beneficiary satisfaction (project outputs correspondence to client preferences)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability indicators (results to extend beyond the projects formal life)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovation indicators (measures of project/programs Innovation initiatives)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Effectiveness indicators (measures of achievement of results as planned)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supply chain flexibility (e.g your NGO's timely/volume response to disasters)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

H4. Please indicate below, to what extent your NGO uses the following data collection tools ? (please, tick one circle on each statement)

	Very Often	Often	Occasionally	Rarely	Very Rarely	Don't know
key informant interviews and focus groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Email/ Website self reporting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Telephone/mobile phone interviews	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pre-prepared forms/survey questionnaires	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal/casual conversations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unstructured project/program visits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

H5. Please Indicate below, to what extent your NGO uses are the following rewards and penalties (please, tick one circle on each statement)

	Very often	Often	Occasionally	Rarely	Very Rarely	Don't know
Team rewards (e.g staff parties, trips, team bonuses.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual rewards(e.g training, scholarships, certificates, promotions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dismissal, demotions/termination of contracts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Termination of the program or project	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section I: Performance Context Practices

11. Please indicate below, to what extent your NGO uses the performance data collected in accomplishing management functions? (please, tick one circle on each statement)

	<i>Very Often</i>	<i>Often</i>	<i>Occasionally</i>	<i>Rarely</i>	<i>Very Rarely</i>	<i>Don't know</i>
To inform strategic priorities and decision making	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To take corrective action against deviations from desired performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To inform organizational learning and share best practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To demonstrate accountability and legitimacy to stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To reward employees and volunteers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To comply with legal requirements and annual reporting.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Please indicate below, to what extent do your NGO uses the following information flow channels to communicate within the NGO? (please, tick one circle on each statement)

	<i>Very Often</i>	<i>Often</i>	<i>Occasionally</i>	<i>Rarely</i>	<i>Very rarely</i>	<i>Don't know</i>
Formal feedback systems(e.g memos, reports,review meetings, 360 degree)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
From Informal information by staff networks (e.g rumours)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
External evaluation reports (e.g annual, mid term, summative)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internal monitoring tools (e.g paper/computerised staff reports,ERP)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Feed forward systems (e.g baseline surveys/Rapid project participatory appraisals)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. Please indicate below, your level of agreement with the following statements reflecting your NGO performance measurement systems continuous change? (please, tick one circle on each statement)

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Don't know</i>
The NGO's performance measurement has continuously changed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is a shift towards qualitative measures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is a shift towards use of both financial and non financial indicators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The management reviews the performance measurement tools at regular intervals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. Please Indicate below, your level of agreement with the following statements regarding your NGOs performance measurement systems (PMS) performance (please, tick one circle on each statement)

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Don't know</i>
The PMS provides comprehensive information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The PMS contributes to the organisational performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The PMS integrates with other NGO operations (e.g HR,project management)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The PMS ensures clear definition of objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The PMS is resource intensive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The PMS leads to obsession with results	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The PMS does not consider on welfare and capacity of employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section J: Organisational Effectiveness

J1. Please indicate below, your NGO's performance over the last 1 year in the following activities and processes areas? (please, tick one circle on each statement)

	Very good	Above average	Average	Below Average	Very Poor	Don't know
Utilisation of strategic documents (e.g mission, plans)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall organisational processes and systems (e.g HR, accounting)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Organisational decision making processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Goal/program activities clarity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Program resources utilisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reaction to external opportunities and threats	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The NGO's ability to network and mobilise resources in the sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resistance to unfavourable global policy agendas/ donors requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Participation in the government policies and regulation of the sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The existing partnerships strategy with the NGOs own mission alignment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The current partnership project implementation and review process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formal and informal networking between the staff and the stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

J2. Please indicate below, your NGO's overall performance over the last 1 year in the following outcome areas relative to your targets (please, tick one circle on each statement)

	Very Good	Above average	Average	Below average	Very poor	Don't know
Achievement of projects targets (e.g inputs/outputs/outcomes)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beneficiary satisfaction with services provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The number of innovations in the NGO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Achievement of overall short-term (annual) Objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Achievement of overall long-term (five years) Objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Donor confidence in the NGO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improvements in the quality of services offered to clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The stability/diversity of funding acquisition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Achievement of partnerships targets (e.g outputs/outcomes)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section K: Demographics

K1. Are you male or female?

Male

Female

K2. What is your age?

Below 25

46 to 55

26 to 35

Over 55

36 to 45

K3. What is the highest academic qualification you have attained?

Master's Degree

Diploma

Postgraduate Diploma or certificate

Certificate

Bachelor's Degree

Others (please specify below)

Higher National Diploma

K4. What is your Educational background?

Business management, Accounting and Finance

Natural sciences, engineering, medical studies

Social sciences, and education studies

Other, please specify

K5. How long have you been working in the NGO sector?

Less than 5 years

16-20 years

6-10 years

Over 20 years

11-15 years

K6. What is your current position in this NGO?

K7. Would you be willing to participate in a follow-up interview at your convenience?

No

Yes

If yes Please complete your contact details in K8 below

K8. If you would like to receive a copy of summarised results, please complete the following information:

Your Name

Email Address

Telephone number

Thank you for taking the time to tell us your views.

If you have any further questions or comments contact the researcher at email; billy.wadongo@beds.ac.uk

10.5 Appendix 5 Framework Matrix

Appendix 5.1 NGO definition and Characteristics

	NGO Definition	NGO Activities shift	NGO Sector Uniqueness
1 : AED	Governments definition, classification, regulation and licensing of the NGO sector is confusing Small NGOs working in small geographic locations termed as CBOs or community groups	NGO networking and collaborating with government Community participation in program design and implementation NGOs networks and partnerships through forums coalition and consortium to address similar purposes Thus difficult to measure performance	Emphasis on planning and accountability for performance
6 : PLI	Sole purpose of supporting social community not making profits providing social services without any demand for profit welfare organizations defined by sources of funding	Relief services to development systems, capacity building and empowerment Community involvement project design and implementation	NGOs your performance is evaluated on how well you have implemented your project, efficiency, resource utilisation and effectiveness emphasis on utilisation of funds irrespective of the achievement of objectives continuous measurement Public sector return money to the treasury
7 : SGF	Social enterprises registered both as trusts and limited companies Profits ploughed back to the community Aim at impact maximization not profit maximization. Budget and area of operation not sufficient to classify NGOs since some NGOs work in small geographical location but have big budgets	Sources of funding from external sources and income generating activities aimed at sustainability	
10 : OMF	Main purpose is provision of social services and social transformation without demand for profit Youth groups /self help groups is classified as CBO's . sources of funding-donors for social impact and get funding from donors government confusion in definition in regulation and licensing Budget not sufficient to classify NGO as some CBOs get more funding than NGOs Capacity is the key		NGOs are different as they impose projects on communities unlike public sector funding where communities decide where to fund
11 : SCV	NGOs are independent of government control and focus on specific community needs donors influence the specific needs addressed	Focus on social business NGO activities change due to global partners policies and potential funding	NGO sector the benefits are measured in terms of the social benefits, environmental benefits Private sector focuses on profit maximization and NGO's do not
12 : SNI	Profits ploughed back in the community external sources of funding purpose is impact maximisation not profit maximisation social enterprises low prices for communities Operate for public benefit Profits use the major difference from private sector	Community involvement in project design and implementation NGO networking with government difficult in measurement due to community involvement	emphasis on planning, capacity building and accountability
13 : WCC	CBOs-work in specific area NGOs are private entities CBOs have limited funding capacity Operates same as NGOs definition not global but African specific	Networking with other NGOs of similar purposes Networks help identify gaps to avoid duplication Community involvement in project design and implementation	

Appendix 5.2 Performance Planning Practices

	Vision	Mission and	Objectives and Goals	Strategies and Plans	Key success factors	Core Values
1 : AED	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • children access high quality education 	<ul style="list-style-type: none"> • Improves access to quality education 	<ul style="list-style-type: none"> • Strengthening education system • Broadening education options • Building partnerships and networks 	<ul style="list-style-type: none"> • Credibility of the organisation 	<ul style="list-style-type: none"> • Innovation, • Mutual respect • Passion • Accountability • Commitment to Excellence • Teamwork
2 : CAI	<ul style="list-style-type: none"> • Equal access to ICT 	<ul style="list-style-type: none"> • To reduce poverty 	<ul style="list-style-type: none"> • Provide affordable IT solutions 	<ul style="list-style-type: none"> • Provision of affordable innovative ICT solutions to the education , agriculture and health sector, • Provide training and technical support to end-recipients • Build partnerships and network 	<ul style="list-style-type: none"> • Partnerships capacity Building • Cost effective solutions • comprehensive induction process for employees and partners 	<ul style="list-style-type: none"> • Community empowerment • Partnerships • Sustainable solutions
3 : CWWI	<ul style="list-style-type: none"> • A poverty free world 	<ul style="list-style-type: none"> • Reduce extreme poverty 	<ul style="list-style-type: none"> • To provide education, economic empowerment and humanitarian assistance 	<ul style="list-style-type: none"> • Focus on preventive health,. food security and nutrition • Humanitarian assistance • Improving livelihoods and economic empowerment • Legislation and policy advocacy 	<ul style="list-style-type: none"> • First-class human resources recruitment and retention • Adherence to strategic plans • Local partnerships capacity building 	<ul style="list-style-type: none"> • Extreme poverty must be targeted • Mutual respect first • Good stewardship Trust • Participation and commitment
4 : IHI	<ul style="list-style-type: none"> • Universal access to health and well-being 	<ul style="list-style-type: none"> • Improve community health and wellbeing 	<ul style="list-style-type: none"> • To improving health worker performance, strengthening health systems, harnessing technology and leveraging partnerships. 	<ul style="list-style-type: none"> • Local capacity building • Improve health workers performance • Advancing community-level primary healthcare • Build partnerships and networks • Improvement of internal operations and capacity 	<ul style="list-style-type: none"> • Efficient operations • Precise demand forecasts and delivery of drugs 	<ul style="list-style-type: none"> •
5 : KRC	<ul style="list-style-type: none"> • Most trusted and self-sustaining humanitarian NGO 	<ul style="list-style-type: none"> • To prevent and alleviate human suffering and save lives 	<ul style="list-style-type: none"> • To carry out preventive and responsive humanitarian work and improvement of community health, livelihoods and environment 	<ul style="list-style-type: none"> • Responsive disaster management provide affordable water and sanitation, health and social services • develop internal operation efficiency • Local capacity building • Build partnerships and networks • Fundraising 	<ul style="list-style-type: none"> • Always there • Activity prioritisation • Beneficiary needs come first • Accountability • Partnerships and collaboration 	<ul style="list-style-type: none"> • Commitment • Accountability • Service to Humanity • Trust • Always There
6 : PLI	<ul style="list-style-type: none"> • Realisation of the children potential 	<ul style="list-style-type: none"> • Improve quality of life for children 	<ul style="list-style-type: none"> • to reduce poverty, support vulnerable children and advocate for children rights 	<ul style="list-style-type: none"> • Increase fundraising capacity and resource mobilization • Improve internal policies, systems and processes • Build partnerships and networks • Youth economic empowerment • HIV and AIDS prevention 	<ul style="list-style-type: none"> • Clarity of the purpose organisational capacity • Broad strategic plan and sustainability 	<ul style="list-style-type: none"> • Act in the best interests of the child • Be ethical, • Honest, transparent and integrity • Teamwork and mutual partnerships.

						<ul style="list-style-type: none"> • Continuous learning Accountability
7 : SGF	<ul style="list-style-type: none"> • An empowered and independent community 	<ul style="list-style-type: none"> • Socio-economic empowerment of local communities to reduce poverty 	<ul style="list-style-type: none"> • To create sustainable income generating opportunities 	<ul style="list-style-type: none"> • Economic development • Social transformation- • Environmental restoration • Resource mobilises 	<ul style="list-style-type: none"> • Proper handling of government systems and personnel • Strategic positioning • Proactive actions 	<ul style="list-style-type: none"> • Individual responsibility • Indigenous knowledge emphasis • Transparency • Accountability
8 : GAF	<ul style="list-style-type: none"> • A green Africa 	<ul style="list-style-type: none"> • To ensure constructive transformation of the environment To alleviate poverty 	<ul style="list-style-type: none"> • To promote environmentally, friendly socio-economic and ethical practices and sustainable natural resource management 	<ul style="list-style-type: none"> • Environmental conservation activities • Build partnerships and networks • Promote scientific and innovative solutions • Support environmental legislation and policy 	<ul style="list-style-type: none"> • Clear organisational goals • Clear Policies and targets • Superior organisational reputation 	<ul style="list-style-type: none"> • Partnerships • Integrity • Transparency and Accountability • Recognition of local capacity
9 : KFD	<ul style="list-style-type: none"> • A society that upholds human rights and gender equity for all. 	<ul style="list-style-type: none"> • To promote gender equity and human rights to all for sustainable development 	<ul style="list-style-type: none"> • To reduce ignorance in communities , promote use of new skills for self-help groups and ,initiate community research 	<ul style="list-style-type: none"> • Develop participatory education programs and training • Needs assessment • Research, project planning and development • Institutional management and development • Lobby and advocacy • Build partnerships and networks 	<ul style="list-style-type: none"> • Open dialogue due to sensitivity of the issues • Networks and partnerships • Clarity of objectives 	<ul style="list-style-type: none"> •
10 : OMF	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Promote health and build livelihood support systems 	<ul style="list-style-type: none"> • To improve socio economic development and poverty reduction for those affected with HIV/AIDs 	<ul style="list-style-type: none"> • Provision of home based care and VCT services • Strengthening referral and capacity building • Improving livelihoods and economic empowerment • Income generating activities • Lobby and advocate HIV /AIDS legislation and policy 	<ul style="list-style-type: none"> • Clarity of purpose • Organisational capacity 	<ul style="list-style-type: none"> •
11 : SCV	<ul style="list-style-type: none"> • An ecologically sustainable environment. 	<ul style="list-style-type: none"> • To promote small scale agro forestry practices to reduce poverty 	<ul style="list-style-type: none"> • To improve environment, livelihood and empowerment of small-scale farmers. 	<ul style="list-style-type: none"> • Organisational development • Sustainable production • Marketing and financial services • Build partnerships and networks • Lobby and advocacy • fundraising 	<ul style="list-style-type: none"> • Achieving your niche • Clear focus area 	<ul style="list-style-type: none"> •
12 : SNI	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • To facilitate sustainable access to water and sanitation services. 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Provision of water affordable catchment and conservation solutions to individuals and communities • Promote community health and sanitation education and awareness • Fundraising 	<ul style="list-style-type: none"> • Credibility of your organization 	<ul style="list-style-type: none"> •
13 : WCC	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Point of project entry • Government relations • Community leaders support 	<ul style="list-style-type: none"> •

Appendix 5.3 Performance Measurement Practices

	Performance measurement definition	Performance measurement Framework	Performance Indicators	Performance collection tools	Data	Performance Targets	Performance Rewards and Sanctions
1 : AED		<ul style="list-style-type: none"> Logical Framework SWOT Analysis tool 	<ul style="list-style-type: none"> Output in terms (number of students) 	<ul style="list-style-type: none"> Monthly reports 			<ul style="list-style-type: none"> Financial rewards (Budgeted annual increments) Sanctions (reduced bonuses)
2 : CAI	<ul style="list-style-type: none"> Quantitative measurement achievement of goals Financial performance measurement Qualitative social impact on beneficiaries 	<ul style="list-style-type: none"> 360 Degrees Feedback Impact measurement tool Pipeline feedback system ISO 92001 certification 	<ul style="list-style-type: none"> Financial indicators (Computer Revenue, cost of the computers, Overhead costs) Social impact (beneficiary experience) Output indicators (number of equipments, and access hours) 	<ul style="list-style-type: none"> Partner reports Technical reports Monitoring and evaluation reports Impact reports Informal information Personal conversations Questionnaire Website 		<ul style="list-style-type: none"> Global and regional targets Number of PC pieces supplied Number of poor countries supplied, Number of sector Number of partners 	<ul style="list-style-type: none"> Financial rewards (Permanent jobs) Team rewards(Bonus) Non financial rewards (Appreciation) Sanctions (Job termination)
3 : CWWI	<ul style="list-style-type: none"> Staff performance Monitoring and reporting 	<ul style="list-style-type: none"> Logical Framework Benchmarking tool Personal Development Review Tool 	<ul style="list-style-type: none"> Financial indicators Output indicators(numbers, percentages) Socio impact (degree of intervention) Service quality(training quality) 	<ul style="list-style-type: none"> Monitoring and evaluation Baseline surveys Questionnaires, Face to face interviews Field visits 		<ul style="list-style-type: none"> Individual targets(Staff in the program agree on the objectives and decide the targets, timelines) Non-financial targets quantitative (number of schools, number of Districts) 	<ul style="list-style-type: none"> Financial rewards Non financial rewards Sanctions
4 : IHI	<ul style="list-style-type: none"> Measuring supply chain efficiency 	<ul style="list-style-type: none"> Logical Framework Performance Contracting 	<ul style="list-style-type: none"> Customer satisfaction (Feedback from hospital facilities Accuracy of the orders) Output (Order rates, number of orders, time, accuracy) 	<ul style="list-style-type: none"> Work plans Quarterly reviews Monitoring and evaluation Phone calls ERP reports- orders, drug expiry, receipts, stock levels 		<ul style="list-style-type: none"> Non financial Qualitative targets (Build staff capacity and supervisors) Quantitative targets(Warehouse operations targets, number of hospitals per day Warehouse pickers orders handled per day) 	<ul style="list-style-type: none"> Financial rewards(Little bonus) Non financial rewards(Appreciation certificates, Publication of success stories) Individual rewards Sanctions (job termination)
5 : KRC	<ul style="list-style-type: none"> Achievement of organisational objectives Staff performance reporting 	<ul style="list-style-type: none"> Logical framework Balanced scorecard Benchmarking tool 	<ul style="list-style-type: none"> Financial indicators(Funding stability and efficiency) Organisational reputation employee attitude and satisfaction Internal systems output indicators(Members recruited) 	<ul style="list-style-type: none"> Monthly reports Weekly updates from branches and partners 		<ul style="list-style-type: none"> Individual Targets(staff/supervisors targets-yearly, half year – appraisal) 	<ul style="list-style-type: none"> Financial rewards(Performance based salary increments) Sanctions (Dismissal, No promotion)
6 : PLI	<ul style="list-style-type: none"> Achievement of objectives and goals Social impact/outcome 	<ul style="list-style-type: none"> Logical Framework 360 degrees Feedback Participatory Action and 	<ul style="list-style-type: none"> Output indicators Outcome indicators(Malaria prevalence after 5 yrs) 			<ul style="list-style-type: none"> Individual targets(yearly) Quantitative (Financial targets investment targets) 	<ul style="list-style-type: none"> Financial rewards (Salary increment) Non financial rewards (staff exchange program)

	measurement •Staff performance appraisal, reporting and development	Learning Systems			amount within this period)	•Sanctions (Warning letters)
7 : SGF		•Logical Framework •Social Return on Investment(SROI)	•Output indicators(Number of trees •Survival rates)	•Farmer Data sheets Rumours •Clients meetings •Video cameras, cameras	•Financial resources targets	•Financial rewards(Performance based salary increment and Bonuses) •Non financial rewards(recognition messages trophies, staff exchange program staff tours) •Individual rewards •Sanctions(Warning letters)
8 : GAF	•Achievement of targets by departments and partners	•Benchmarking tool •No formal framework	•Output indicators(Number of farmers)		•Organisational Individual and departmental targets(employees and the departments have their own clear targets) •Qualitative(we do CSR programs with corporate) •Quantitative(number of people trained, revenue targets number of seedlings sold)	•Financial rewards(Salary increment) •Non financial rewards(Recognition certificates mentorship and development) •Sanctions(termination of contract)
9 : KFD	•Result based measurement and review	•Results-based management system •Peer Review systems •Logical framework	•Output indicators(Numbers trained and trainings sessions held) •Qualitative change in the community	•Questionnaires, •Monitoring and evaluation •Project assessment and review exercise •Observation	•Individual and Team targets •Qualitative targets(the qualitative change constraints project reviews)	•Non financial rewards (recognition certificates- No monetary rewards) •Sanctions(Dismissal End of the program Lose of funding)
10 : OMF	•Outcome measurement •Measurement as process and system •Staff performance appraisal, reporting	•Logical Framework	•Financial indicators (Investment costs) •Output indicators (Numbers trained) •Outcome indicators(Behavioural change)			•Non Financial rewards(Recognition certificates) •Sanctions (Job termination)
11 : SCV				•Meetings, •data forms •Monthly reports	•Department level	•Non financial rewards(tours and visits for staff)

Appendix 5.4 PMS context practices

	PMS Information Flow systems	PMS Dynamism	PMS Information use Diagnostic use	PMS Information use Interactive Use	PMS Strength	PMS Weaknesses
1 : AED	•	•	• Future use	• To broaden knowledge	•	•
2 : CAI	<ul style="list-style-type: none"> • Pipeline feedback system indicating % of activity completed every two weeks • Monthly partner quality assurance • Telephone feedback • Email 	<ul style="list-style-type: none"> • New quality standards • Developed Environmental impact measures • reduced performance targets for staff to improve efficiency 	<ul style="list-style-type: none"> • Track organisational performance • Prove accountability and legitimacy • Quantify growth plan • NGO impact on social policy • Marketing and publicity 	<ul style="list-style-type: none"> • For organizational learning • To Improve internal operations • Market intelligence analysis • R and D to inform IT innovations • solutions addressing social inclusion, poor energy infrastructure and Internet network • Inform innovations 	<ul style="list-style-type: none"> • The comprehensive induction process for our staff and partners 	<ul style="list-style-type: none"> • System depends on Employee trust Risk for employee gaming • Not dynamic enough to accommodate the new technological changes
3 : CWWI	•	•	• Share best practises with the peer organizations and employees	<ul style="list-style-type: none"> • Inform strategy and redefine objectives • Decision making 	<ul style="list-style-type: none"> • All inclusive PMS involving staff 	<ul style="list-style-type: none"> • Restricts innovation risk of Gaming by employees
4 : IHI	<ul style="list-style-type: none"> • Internal ERP reports • Telephone • Customer service department • E-mail • Forms • Stakeholder Reports 	<ul style="list-style-type: none"> • Introduction of ERP system • 24 hrs warehouse operations • Management involvement in daily operations • Changes due to new technical board, government pressure and donors demands 	<ul style="list-style-type: none"> • To track and improve performance 	<ul style="list-style-type: none"> • To shape strategy • Decision making 	<ul style="list-style-type: none"> • Real time feedback Staff involvement and commitment 	•
5 : KRC	<ul style="list-style-type: none"> • Internal memos • Press media • Evaluation reports • follow up meetings 	<ul style="list-style-type: none"> • Reduced number of targets in to improve employee performance • Prioritization of activities and objectives 	<ul style="list-style-type: none"> • To Improve performance • Documentation of success 	<ul style="list-style-type: none"> • Decision making • To shape implementation strategy 	<ul style="list-style-type: none"> • Clear definition of perspective • Defines organizational culture • Professionalism in management of staff and partners • Attract funding • Leads to institutional development 	<ul style="list-style-type: none"> • Leads to obsesses ion with results • Lack of employee welfare, social aspects and capacity considerations • Risk of employee gaming especially • Resource Intensive
6 : PLI	<ul style="list-style-type: none"> • Annual program progress stakeholders review s • Informal employee channels • Monitoring and evaluation reporting systems 	•	•	•	<ul style="list-style-type: none"> • Mirror to monitor progress towards achievement of objectives and resource utilisation 	<ul style="list-style-type: none"> • Measures abstract to precisely measure program achievements • Difficult to measure long term qualitative outcomes and change
7 :	• Regular Project leaders	•	•	•	•	•

SGF	<ul style="list-style-type: none"> and staff meetings Focus group discussions. Informal channels Monthly management meetings 					
8 : GAF	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Benchmarking tools Fundraising activities 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
9 : KFD	<ul style="list-style-type: none"> Feedback review meetings staff capacity reviews Questionnaires Forms used 	<ul style="list-style-type: none"> Evaluate emerging measurement tools to identify the most effective Adapt the performance measurement tools to the local community abilities Increased flexibility to address different group needs 	<ul style="list-style-type: none"> To prove legitimacy and Accountability For advocacy and lobbying government policies 	<ul style="list-style-type: none"> Understand emerging issues Review staff capacity Change strategy 	<ul style="list-style-type: none"> Assist to identify emerging issues and organisational weaknesses to refocus plans 	<ul style="list-style-type: none"> Resource Intensive
10 : OMF	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> To measure NGO effectiveness 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
11 : SCV	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Changed to qualitative measures such as media reviews, discussions and forums which were not in place before. 	<ul style="list-style-type: none"> For Reporting 	<ul style="list-style-type: none"> Feedback to and alignment in strategy. Organisational learning Better decision making 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

Appendix 5.5 Strategic performance planning process and challenges

	Strategy Planning Process	Target setting Process	Communication of NGO Intentions	Performance Indicators challenges	Reward system challenges
1 : AED	Participatory approach		meetings		Should be budgeted and documented in the organisation policies.
2 : CAI	Bottom up approach Revise strategy every 2 years Provide training to employees Frequent strategy meetings to identify priority areas	Targets set by individual employees and departments then forwarded to the Head office Past performance evaluated and any constraints addressed	Meetings CEO or trustee field visits Quarterly departmental meetings The induction process	Employees cannot be held on strict performance indicators due to the socio nature of the business	Contractual positions pose challenges Charities don't pay commissions Focus on cost reduction to deliver cost effective product and sustainability limits rewards systems Intrinsic nurture of the charitable work means staff do not expect performance based compensation

Appendices

3 : CWWI	Participatory approach involving key stakeholders Bench marking peer organisations, program participants 5 year strategic plan	Past performance evaluated Discussions between managers and individual staff to set the target	The induction process Annual review meetings Review congruence between staff objectives and NGO mission		Reward systems not based on performance Programs closely monitored emphasis on assessment of challenges for failure
4 : IHI	Undertaken by external consultant Management strategic workshops held	In the process of developing the performance targets Realistic targets agreed among the departments Targets based on assessment of organisational capacity	Daily technical advisors meetings Monthly and quarterly meetings with partners		Emphasis on assessment the challenges and limitations the employees face
5 : KRC	Bottom up approach Participatory approach Reevaluate the past performance Identify critical gaps Assess capacity-governance, staff, stakeholders Annual departmental objectives and indicators drawn from the main plan Emphasis on departmental contribution to main objectives External consultant	Developed by staff and discussed and jointly reviewed with manager	Elaborate dissemination through strategic and implementation documentation Induction process	Qualitative indicators are subjective and difficult to measure e.g governance Based on a lot of assumptions.	Reward systems may lead to gaming Unfair reward systems can lead rebellion Financial constraints limits reward systems Performance based bonuses not budgeted Risk for biasness in supervisors employee performance appraisal
6 : PLI	Consultative and participatory approach to ensure employee ownership the top down approach	Developed by staff and discussed within the departments Realistic targets based on key assumptions, challenges and limitations	Direct communication		Rewards must be budgeted to avoid constrain on the normal operations budget
7 : SGF	Creating strategic plan participatory approach all stakeholders, management team and the beneficiaries,		Circulation of strategic documents		Risk for reward system to lead to corruption and bribery Rewards have to be made upfront
8 : GAF	Writing a strategic plan Participatory approach Clear alignment of the individuals responsibilities with organisational wide goals		Regular meetings	Qualitative indicators are difficult to measure Volatile nature of the sector hinders use of indicators	Goal displacement as all employees focus on the reward challenges in apportioning collaborative project success to individual employees
9 : KFD	Participatory approach involving staff and community		Stakeholder meetings	Diversity of the programs leads to multiple indicators	NGO sector do not need rewards systems
11 : SCV		Developed at the department level and jointly discussed			
12 : SNI		Targets are set in the long-term strategic plan	Induction process Direct communication and discussion		

Appendix 5.6 NGO effectiveness

	NGO Effectiveness Definition	NGO Effectiveness examples	Effective NGOs Attributes	Organisational Management	External Environment Responsiveness	Project design and implementation	Partnerships and Networks
1 : AED	Organisational Capacity, HR and skills to deliver the project. Systems M and E through SWOT analysis				Acceptance of external stakeholders like beneficiaries		
2 : CAI	sustainability of the project processes and activities efficiency of the projects and partners	Increase in number of PCs used Not able to measure final impact of PCs	AMREF-Expertise in Project implementation and attention to detail and interactive use of information	efficiency of internal processes ISO management standards; HR induction	NGO response to external donors policies and agendas	Distribution of PCs, program implementation	Quality of network and partnership
3 : CW WI			UNICEF Level of intervention	Organisational capacity- logistics and systems, infrastructure and Human resources		Program effectiveness	partnerships and networks,
4 : IHI	Good public and partner perception Measured by number of complaints	Increased warehouse efficiency Automation of the processes through ERP Warehouse operation improvement 250% increase in distribution capacity Availability of the drugs to beneficiaries	MEDS -large scale operations, sustainability and fundraising ability	Management and internal organisational effectiveness		Program effectiveness	Networks and partnerships with organisations with similar objectives
5 : KRC	Quality delivery of services to our beneficiaries' Optimal resources utilisation.	Fast responses to post election violence, drought and floods victims	OXFAM USAID DFID effective monitoring and evaluation	Management effectiveness			quality and utilisation of the strategic partnerships with NGOs and government
6 : PLI	Management and systems effectiveness Program effectiveness and synergy within the organisational processes, tools and results Achievement of goals				Environmental scanning for signs of overall impact on effectiveness		Partnerships leads to program leverage and synergy
7 : SGF	Economic development, social transformation and environmental restoration in beneficiaries		Millennium Villages Activity and project prioritisation		Responsiveness of the community to the program		

	Impact of the project						
8 : GAF	Project and organisational sustainability	Long term impacts of a Bio fuel training in Lamu based on Several awards and government recognition	Monaco Foundation Social business model	top level Management HR culture and attitude			Strategic partnerships improves outcomes
9 : KFD	Perception of the community and beneficiaries- Outcome measurement measured by beneficiaries stories	to long-term community changes due to Kapsokwony 2008 declaration to abandon cattle rustling and farming and embrace education	PACT Kenya Collaborations with government	Management and internal organizational effectiveness		Program effectiveness	Partnerships with other NGOs emerging due to basket funding by donors Partner conflict resolution and management mechanisms Individual employee involvement
10 : OMF	Achievement of goals based on deliverables and outputs(numbers)		AMREF emphasis on indigenous communities and organisations Kenya Human Rights Commission - knowledge management programs				
11 : SCV	Achievement of budget targets and outputs Impact measurement Measured on monthly and annual reviews		AMREF-appreciate indigenous knowledge Red Cross Government and public trust				
12 : SNI	Impact measurement and societal changes Goal achievement						
13 : WCC	Achievement of goals Organisational capacity measured M and E and monthly reports		AMREF emphasis on IGAs and sustainability effective monitoring and evaluation				

Appendix 5.7 Determinants of PMS

	Culture	Internal rules and regulations	Leadership	Modern Information Technology	Resources	External Environment
1 : AED	Organizational culture influence performances Employees resistance to technologies					External Partnerships (Government reports can be misleading due to inflation and overlap of figures e.g. on HIV/AIDS.)
2 : CAI	Multi dimensional and multicultural INGO Cultural differences in countries The induction process and standardised procedures address Cultural issues African culture limits beneficiaries impact reporting	Predefined organisational processes Clear rules and regulations ISO quality certification programs to ensure organisational standards	Founders syndrome restrict growth and performance Need for succession planning INGOs have leadership systems	ICT, Internet, databases are critical to NGOs	Lack of funding from donors Lack of Human resources	Competition Stakeholders requirements (Political and security issues Participate in government surveys and policy discussions
3 : CWVI			Top level management background e.g. age and education and career influence choice of performance indicators	The modern IT enhance reporting		Stakeholder requirements (Beneficiaries understanding the program objectives)
4 : IHI	Government and public sector culture among the staff negatively influence PMS		Change in board members	ERP help in reporting GPRS to track vehicles	Limited financial resources from government and donors	Regulatory requirements (donor procurement policies and government procurement policies Government regulations) Stakeholder requirements (Stakeholder accountability demands Political interference Stakeholders decisions like unplanned donations Government delays decision-making and funding)
5 : KRC	The Balanced scorecard redefines the organisational culture synchronised organisational values and culture positively influence performance	Internal organisational governance and discipline Streamlined HR recruitment processes			lack of capacity and the infrastructure, HR resources and training BSc is resource Intensive	Competition External Partnerships(Provision of false information from partners) Regulatory environment
6 : PLI				Use PERPAY software for HR function and procurement Most NGOs do not embrace technologies		Regulatory requirements(the policy and legal environment may not allow you to report cases of child abuse yet you are advocating on children rights)

7 : SGF	Previous work experiences in the social sector and private sector brings cultural conflict among employees due to conflicting objectives and perceptions		Founders syndrome leads to close control Succession planning to allow them to serve as advisers Diverse Career backgrounds i.e. from private sector and social sector influence selection of performance indicators and domains			Regulatory requirements(Government and security agencies interfering with reporting e.g children rights) Stakeholder requirements (Funders too have started focusing on more than numbers and figures but view impacts too)
8 : GAF			Founders Syndrome problem in most National NGOs Need for succession Planning			
9 : KFD	Community perception of the organisational culture			Access to modern IT improves reporting		Competition (Increased competition due to reduced funding opportunities New political dispensation means donors now fund directly to government Diversify partnerships increasing number of NGOs) Stakeholder requirements (Pressure from funders Focus on beneficiary Changing Funding trends with focus on partnerships)
10 : OMF			Founder syndrome leads to biased recruitment processes thus affect performance reporting negatively.			competition of local resources Regulatory requirements(Government influencing the reporting of such like cases. legal structure or the organisation) Stakeholder requirements (donors and the government, even the communities in which the projects are normally implemented.)
11 : SCV				Use GPRS to capture data in hardship areas thus positive on our performance.		External Partnerships (Resource sharing e.g. funds, community and results.)
12 : SNI						
13 : WCC						External Partnerships(Problem is health projects, different NGO's report the same data to the government thus inflating statistics e.g. on people with HIV/AIDS)

Appendix 5.8 Challenges, Benefits and recommendations

	Contextual Challenges	Technocratic Challenges	PM Benefits	PM Recommendations
1 : AED	Government reports can be misleading due to inflation of figures Donor conditions and policies can be incompatible organisational objectives	Emphasis on quantitative data and not qualitative outcomes Inflation of figures and		Government and NGO should work together.
2 : CAI	Donors don't fund performance measurement	The PMS is not dynamic employee gaming Lack of creation of knowledge base to address organisation learning gaps	Self sustainability clear objectives synchronisation with partnerships objectives	Research and development NGOs embrace social business approach and private sector management practices clear procedures and processes
3 : CWWI		PMS restricts innovation employee gaming difficult to attribute success to one NGO Abstract PM Framework		Good management systems and logistics Develop employee capacity
4 : IHI	Public sector culture-reluctance to embrace change Lack of funding for ERP Political influence in recruitment Donors pressure to Justify ERP benefits	Reliance on employees' capacity and commitment. Competent employees sabotage the ERP system Employee gaming	ERP has improved the efficiency of the warehouse	Harmonisation and sharing of project plans, among partners Government to step up NGO regulation
5 : KRC	Lack of resources Changing patterns of beneficiary needs and disasters Poor partner reports	Measuring individual employee's contribution difficult. Leads to obsession with results Does not consider employee capacity Employee gaming	Improves staff quality Streamlines management issues Attract funding due to improved organisational capacity	Ensure linkage of achievements within the organisational hierarchy(individual ,department and organisation)
6 : PLI				Embrace participatory reviews
7 : SGF			PMS enhances Beneficiaries' feedback thus winning their support and cooperation.	Enhancing partnerships and networks for knowledge sharing.
8 : GAF	Lack of organisational capacity to implement the system High HR resources costs (addressed through utilisation of interns and government employees) Founders syndrome challenges	Employee capacity		Accountability and partnerships Networks of responsibility Replication of Sustainability Open systems
9 : KFD	Lack of Gender mainstreaming in performance measurement			Embrace self-evaluation
10 : OMF	Lack of capacity negatively impacts performance.		performance measurement helps to redesign the next phase	Embracing technology. Collaborative working strategies and partnerships
11 : SCV	Record keeping is difficult among the communities Lack integrity of the information collected due to lack of control			
12 : SNI				
13 : WCC	Health sector NGO's report the same data to the government thus inflating statistics			

10.6 Appendix 6: Factor Score Matrix

	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20	X21	X22	X23	X24	X25	
Power decentralization	0.18	-	-					-																	0.06	
Collectivism individualism	0.23	-	-					-				-					-									0.07
Soft hard culture	0.28	-	-					-				-					-							0.06	0.09	
Accountability and legitimacy	-	0.15	-					-								-	-	-	-							
Organizational Learning	-	0.22	-					-								-	-	-	-					-		
Take corrective action	-	0.16	-					-								-	-	-	-							
Strategic priorities/decision-making	-	0.23	-					-								-	-	-	-					-		
Change to Balanced measures	-		0.20					-								-								-		
Change to Qualitative Measures	-	-	0.32			-		-								-								-		
PMS change over time	-		0.21					-								-								-		
Clear Definition of objectives				0.16									-				-		-						-	
PMS integration with systems				0.17									-				-		-						-	-
Comprehensive and accurate information				0.19									-				-		-						-	-
Contribution to organisational performance				0.24									-				-		-						-	-
Internal monitoring tools					0.23	-	-		-		-															-
External evaluation reports					0.23	-	-		-		-															-
Team rewards					-	0.22															-		-	-		
Individual rewards			-		-	0.50														0.07	-		-	-		
Team targets					-		0.19												-				-	-		-
Individual targets					-		0.09												-				-	-		
Organisational targets					-		0.26												-				-	-		-
Benchmarking tools			-					0.10																		
Outcome management tool	-	-	-					0.17								-									-	
Results based management	-	-	-					0.15								-									-	
Social return on investment								0.09																		-
Balanced scorecard			-					0.07																		-
Logical Framework			-					0.08																		-
Strategic Activities					-				0.11										-	-						

	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20	X21	X22	X23	X24	X25
Projects and programs design					-				0.1									-	-						
Strategic Planning excellence					-				0.1									-	-						
Key success factors					-				0.08									-	-						
Objectives and goals					-				0.12									-	-						
The mission and vision					-				0.11									-	-						
Core values					-				0.10									-	-						
Process indicators	-	-	-		0.07		0.07	-		0.49			0.08	-			-0.07		-						
Input indicators										0.15				-			-								
Output indicators										0.13				-			-								
Economy indicators					-						0.13								-					-	-
Efficiency indicators					-						0.39			-				-	-					-	-
Productivity indicators					-						0.25			-					-					-	-
Beneficiary satisfaction						-						0.16	-					-	-					-	-
Sustainability indicators						-						0.19	-				-	-						-	-
Innovation indicators forms &survey questionnaires													0.21												-
Interviews and focus groups													0.19												-
Telephone interviews														0.15				-							-
Email Website self reporting										-				0.58				-					-	-	-
Personal computers and laptops																									
Internet and email														0.11	0.28	-	-								
Communication technologies																		-							
Futurity innovativeness		-	-					-								0.1									
External defensiveness		-	-					-								0.12									
Technological Innovation																	0.15								
Local and community resources		-		-						-							0.12		-						-
Political and security environment																		0.65	0.09						-
Social economic environment																			0.27					-	-
Achievement of project targets																			0.32						-
Innovation		-		-		0.07														0.15					-
Achievement long-term Objectives		-		-																0.2	0.07				-
Decision making processes																				0.13					-
																				0.07	0.2				

	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20	X21	X22	X23	X24	X25	
Program resources utilisation						-		-				-	-		-				0.06	0.18						
Goal program objectives clarity						-		-				-	-		-	-			0.07	0.2						
External Participation in policies																					0.13				-	
Partnership project implementation											-										0.33			-	-	
Partnership strategy design											-										0.32			-	-	
Public and external groups demands						-	-						-	-				-				0.41	-			
Beneficiary requirements						-	-						-	-				-				0.22				
Task analysability		-	-		0.07	-	-	-			0.06			-0.06				-					-	0.25	0.08	0.08
Task variability			-			-	-	-						-				-					-	0.16		
Degree of stratification				-							-	-					-								0.14	
Degree of decentralization				-							-	-					-								0.11	
Degree of formalisation				-							-	-					-								0.12	
Degree of complexity				-							-	-					-								0.16	
Board governance					-						-	-	-	-			-		-						0.37	
Management Excellence					-		-				-		-0.06	-			-		-							0.49
	X1	Organisational Culture					X10	Project Indicators					X18	Environmental Dynamism												
	X2	PMS Information Use					X11	Financial Indicators					X19	Organisational Outcomes												
	X3	PMS dynamism					X12	Non Financial Indicators					X20	Partnership Effectiveness												
	X4	PMS Strength and Coherence					X13	ICT-based Data Collection					X21	Partnership Effectiveness												
	X5	PMS Information flow systems					X14	Traditional Data Collection					X22	Environmental Unpredictability												
	X6	Performance Rewards					X15	Information Technology					X23	Technology												
	X7	Performance Targets					X16	Strategic Orientation					X24	Organisational Structure												
	X8	Frameworks					X17	Environmental Competitiveness					X25	Organisational Leadership												
	X9	PM Planning					CR	Composite Reliability					AVE	Average Variance Extracted												

END

THANK YOU