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How Performance Measurement Influences Stakeholders in Not-for-Profit Organizations

ABSTRACT

Purpose: This paper examines the influences of performance measurement (PM) on not-for-profit organizations' stakeholders by studying how PM practices interact with understandings of legitimate performance goals. This study invokes institutional logics theory to explain interactions between PM and stakeholders.

Design/methodology/approach: An in-depth case study is conducted in a large not-for-profit organization in the United Kingdom. Managers, employees, and external partners are interviewed and observed, and performance-related documents analyzed.

Findings: Both stakeholders and PM practices are found to have dominant institutional logics that portray certain goals as legitimate. PM practices can reinforce, reconcile or inhibit stakeholders' understandings and propensity to act towards goals, depending on the extent to which practices share the dominant logic of the stakeholders they interact with.

Research implications/limitations: A theoretical framework is proposed for how PM practices firstly interact with stakeholders at a cognitive level and secondly influence action. This research is based on a single case study, which limits generalizability of findings; however, results may be transferable to other environments where PM is aimed at balancing competing stakeholder objectives and organizational priorities.

Practical implications: PM affects the experience of stakeholders by interacting with their understanding of legitimate performance goals. PM systems should be designed and implemented on the basis of both their formal ability to represent organizational aims and objectives, and their influence on stakeholders.

Originality/value: Findings advance PM theory by offering an explanation for how PM influences attention and actions at an individual level.

Paper Type: Research paper

Keywords: performance measurement, stakeholders, not-for-profit, institutional logics.

Introduction

Over the past two decades, a considerable body of research has emerged around the development and effects of performance measurement (PM) (Bititci *et al.*, 2011; Pavlov and Bourne, 2011; Franco-Santos *et al.*, 2012; Bourne *et al.*, 2013). For example, there is evidence that measurement can make organizations more efficient (Neely, 2005), trigger performance improvement (De Leeuw and Van den Berg, 2011), and lead to improved capabilities, which then impact performance (Koufteros *et al.*, 2014).

However, only recently have researchers started to investigate the ‘implicit assumption’ that PM “affects behavior of individuals in an organization, which then facilitates the achievement of organizational goals” (Leeuw and Van den Berg, 2011; p. 224). Examination of the link between measures and behavioral consequences has illuminated new aspects of PM. In particular, ‘subjective’ elements – i.e., the beliefs and values stakeholders attach to PM – have been found to affect individuals’ interpretations, experiences, and uses of measures (e.g., Woods, 2012; Marginson *et al.*, 2014). Indeed, positive utilization of PM systems is attained not only through accuracy and precision of specific measures (Neely *et al.*, 1997), but also through fit between types of measures (e.g., objective or subjective) and stakeholders’ characteristics (Kunz, 2015).

Yet, existing studies do not fully explain how and why organizations and individuals experience PM in different ways (Pavlov and Bourne, 2011), or what organizations can do to increase the positive effects of PM on performance (Koufteros *et al.*, 2014). Consequently, several authors have called for further elaboration of the behavioral consequences of PM, such as how managerial perceptions of performance measurement affect the use and effectiveness of performance information (Hall, 2008; Bititci *et al.*, 2011), how measurement influences stakeholders (Micheli and Mari, 2014), and how to apply PM for the engagement and satisfaction of employees (Kunz, 2015).

In this study we respond to calls for research into the behavioral consequences of PM by invoking institutional theory (Bhakoo and Choi, 2013; Kauppi, 2013) to investigate how stakeholders in a not-for-profit (NFP) understand PM, and how PM then influences stakeholders' perceptions of legitimate goals. Specifically, we focus on various PM practices, defined as the accepted tools and activities that support the PM process, and address the question: *how do PM practices influence stakeholders' understandings of legitimate performance goals in NFPs?* To do so, we build on micro-level PM studies (Hall, 2008; Marginson *et al.*, 2014; Kunz, 2015) and recent institutional logics literature (Pache and Santos, 2010; 2013).

Institutional logics are the underpinning assumptions, rationales, norms, and values for operating in a given industry or sector (Thornton *et al.*, 2012). In different contexts, various logics are at play, and these contribute to defining organizational purpose, infusing practices with meaning, and informing actors of expected actions, behaviors, and goals (Thornton *et al.*, 2012). For instance, in NFPs three institutional logics are usually present: social welfare (dedication to improving the lives of individuals and/or society), commercial (efficient and effective use of resources), and public sector (transparency of processes and results, and provision of equal access) (Pache and Chowdhury, 2012). From this perspective, organizations must respond appropriately to the pressures exerted (or the opportunities offered) by the multiple institutional logics in their field, in order to maintain legitimacy in the eyes of stakeholders (Besharov and Smith, 2014). Therefore, NFPs must find a way to balance competing rationales to properly respond to stakeholders' needs, and attain goals associated to each logic (Amans *et al.*, 2015).

In the field of PM, various authors have argued that one of the main roles of measurement systems is to provide coordination and organizational alignment (Melnik *et al.*, 2004; Micheli and Manzoni, 2010). If we consider the existence of different logics, aligning

stakeholder behaviors with organizational strategy would require PM to reflect and integrate such logics and associated performance goals. However, while PM has been proposed as a mechanism for organizations to deal with multiple institutional pressures (Amans *et al.*, 2015), we are not aware of any study that has yet investigated whether and how PM interacts with different institutional logics to affect behaviors.

In this research we explore the interrelationships between PM, stakeholder behaviors, and institutional logics through an in-depth case study. The context is an NFP offering accommodation and support services to at risk and homeless youth in one of the United Kingdom's largest cities. The not-for-profit sector is especially important to this study for both theoretical and practical reasons. From a theoretical point of view, NFPs offer a particularly challenging context in which to achieve – also through PM practices – alignment of attitudes and behaviors, and attainment of common goals, as NFPs must constantly balance their motivation to contribute to societal wellbeing with the need to stay financially viable (Battilana *et al.*, 2014). From a practical angle, the adoption of PM practices by NFPs has greatly increased over the past few years, but little is known about whether and how organizations are reaping the benefits of such investments (Moxham, 2014).

The paper is structured as follows. In the next section we review relevant literature on PM - first in general and then specifically in NFPs – and on institutional logics. Subsequently, we present method and findings, where we examine how the institutional logics of PM practices interact with stakeholders' logics and reinforce, reconcile or inhibit their understandings of legitimate performance goals. In the discussion, we elaborate upon current PM theory and offer an explanation for why and how stakeholders are influenced differently by measurement. We conclude by highlighting main contributions to theory and practice and by proposing avenues for further research.

Literature review

Performance measurement

Performance measurement is the process of obtaining and expressing descriptive information about the property of an object (e.g., process, activity or people) (Micheli and Mari, 2014). Performance measurement practices are the mechanisms and tools, which support the PM process and which may become formalized over time (Cruz *et al.*, 2011). Over the past years, research in PM has progressively shifted from the design of effective tools (e.g., frameworks and systems) to the exploration of how PM practices can enable positive behaviors, such as creative discussions (Chenhall *et al.*, 2013), high levels of workforce participation (Groen *et al.*, 2012) and individual improvements (Micheli and Mari, 2014). For example, Koufteros *et al.* (2014) showed that the link between PM systems and performance depends not simply on how systems are structured, but how stakeholders use them. Hall (2008) found that certain performance measures affect role clarity and levels of empowerment amongst managers. Bourne *et al.* (2013) uncovered intimate links between human resource management practices, PM, and their cumulative effects on stakeholders' motivations, efforts, and abilities to contribute to overall organizational performance. Groen *et al.* (2012) concluded that for employees to be engaged in performance improvement initiatives, they need to be involved in the design of measures related to such initiatives. In sum, these studies suggest that PM processes and practices are inextricably related to behaviors, as individuals' interpretations of performance measures influence their actions, which, ultimately, affect organizational performance.

Performance measurement in not-for-profit organizations

While there is a vast literature that looks at PM in private and public sector organizations, only recently have researchers started to examine the design, uses and effects of PM systems in

NFPs (Moxham, 2014). Work on developing methods for the measurement, management and reporting of performance in the not-for-profit sector has instead largely been undertaken by practitioners, most notably by Social Value International, New Philanthropy Capital, and the National Council for Voluntary Organizations. Yet, NFPs are increasingly being held accountable for their operations and results, and expected to improve and be able to demonstrate their efficiency and effectiveness in using donor resources (Ebrahim and Rangan, 2014).

Several studies have concluded that PM practices developed in the private sector can be applied in NFPs, as ultimately both need to satisfy elements of productivity, growth, customer needs, and quality (Moxham, 2009). However, although many NFPs have introduced PM practices, the majority has yet to reap the benefits experienced in other sectors (Moxham and Boaden, 2007). According to other authors, instead, NFPs' priorities are different from those of private firms, and therefore require PM practices to be reconfigured to reflect differences, such as the importance of mission achievement (Kaplan, 2001). Nevertheless, even when attempts of introducing PM systems specifically for NFPs have been made, the complexity of stakeholder relationships, and the often-conflicting conceptions of legitimate performance goals amongst these stakeholder groups (Ebrahim *et al.*, 2014) have translated into difficulties in designing practices and tools that can assist NFPs in their quest to achieve commercial, public sector and social objectives (Amans *et al.*, 2015).

Furthermore, the few studies that have examined the role of PM in NFPs have found PM to be overly resource intensive, complicated, and limited in its ability to deliver strategic information (Moxham, 2009; Millar and Hall, 2013; Ebrahim and Rangan, 2014). This has led to calls for further research which investigates how and why PM can have beneficial effects within NFPs (Moxham, 2014). We aim to address these questions by utilizing institutional

logics theory to examine the influence of various PM practices on multiple stakeholders in a large NFP.

Institutional logics

Institutional theorists have long focused on how individuals and organizations respond to pressures exerted by external stakeholders in order to acquire legitimacy and goodwill within their environment (Bhakoo and Choi, 2013). Institutional theory posits that decision-making, rife with ambiguity and complexity, tests the cognitively limited ability of individuals, who act according to their ‘institutional logics’ - the cultural beliefs and rules that prevail within a group or field (Lounsbury, 2008).

Research on institutional logics originated from studies on the values, symbols and meanings associated to being and acting within organizations (Friedland and Alford, 1991). In particular, scholars examined the symbolic meanings attached to organizational actions and decisions, which are related to the overarching institutional orders of religion, family, market and the state (Friedland and Alford, 1991; Thornton *et al.*, 2012), and which are recognizable in organizations by their definition of legitimate aims, rationale for operations, and focus of attention (Thornton and Ocasio, 2008). Looking at specific contexts, institutional logics may be identified in three main ways: deduced from language used and behaviors apparent in empirical data and context; by comparing contextual features to ideal types as characterized by the theory’s founders (see Friedland and Alford, 1991 and Thornton *et al.*, 2012 for discussions of these ideal types); or induced from patterns in empirical data (Reay and Jones, 2015). For this study we will use the classification of institutional logics that is commonly applied when studying social sector organizations: social welfare, commercial, and public sector (e.g., Battilana *et al.*, 2014; Pache and Chowdhury, 2012; Pache and Santos 2010; 2013).

Institutional logics therefore “define the ends and shape the means by which interests are determined and pursued, instilling value, and giving intrinsic worth” (Townley, 1997, p. 263). Such logics often compete because actions, processes, norms and structures, when viewed from one perspective, may seem legitimate, but less so or even illegitimate when viewed from another (Thornton *et al.*, 2012). For instance, a Board’s ideas for attaining better performance results may conflict with employees’ conceptions of appropriate service delivery (Mair *et al.*, 2015).

While the institutional logics literature first focused on the mechanisms through which one logic could become dominant, recent studies have investigated contexts of institutional pluralism where multiple logics must co-exist (Greenwood *et al.*, 2011). Not-for-profit organizations have attracted much attention, as commercial, public sector, and social welfare logics are often present, and can sometimes reinforce each other or, as most often is the case, create significant tensions (Pache and Santos, 2010). For example, commercial performance may support the achievement of social performance (in the capacity to have a better reputation and more resources for performing social goals), but social performance could inhibit commercial performance, as employees within organizations with a strong social identity are more likely to act in accordance with social goals, sometimes at the expense of revenues (Battilana *et al.*, 2014).

To better understand how NFPs could benefit from the existence of institutional logics, or mitigate the tensions associated with them, it is crucial to comprehend whether and how PM practices could embody, reconcile or purposefully disrupt logics encompassed within organizations, and thus promote organizational alignment and improve performance. Following calls from both the PM literature (Bititci *et al.*, 2011; Chenhall *et al.*, 2013; Micheli and Mari, 2014) and institutional theorists (Besharov and Smith, 2014; Mair *et al.*, 2015), we explore the intricacies between PM and institutional logics, to better comprehend how PM

practices are valued and utilized by stakeholders in NFPs, and, in turn, how resulting understandings affect stakeholders' behaviors and actions in their pursuit of organizational goals.

Research methods

To shed light on how the interrelationships between PM and stakeholders influence performance in NFPs we chose to undertake a single, inductive case study (Barratt *et al.*, 2011). The single case study method is most beneficial for addressing 'how' and 'why' questions, which seek to acquire deeper understandings of phenomena in their natural setting (Voss *et al.*, 2002), as evidenced in several operations management studies (see, e.g., Ivert and Jonsson, 2014). This method enabled us to garner finer details of stakeholders' relationships with various PM practices and provide conceptual insights for theory building at the intersection of PM and institutional theory (Brignall and Modell, 2000; Siggelkow, 2007). Multiple data collection sources were used: semi-structured interviews, observations, and documentary analysis. Data triangulation greatly enhanced the validity of constructs and findings (Voss *et al.*, 2002), and the use of semi-structured interviews was especially important to access the meanings and interpretations stakeholders have for PM (Eisendhardt and Graebner, 2007).

In order to study how PM was influencing stakeholders we theoretically sampled a representative case of an established NFP (Voss *et al.*, 2002). Theoretical sampling involves selecting a case organization by identifying which features must be present to examine the phenomena under investigation, and then screening potential participants to ensure the existence of such features (Voss *et al.*, 2002). Three key criteria guided the sampling process for this study aiming to investigate how PM influences stakeholders in typical, established NFPs. Firstly, the organization had to have a sufficiently large employee base and revenue to

be using a variety of PM practices across its hierarchical levels and stakeholder groups. Secondly, the organization was required to be well established in its community and actively engaged in PM both internally and externally to evidence its ability to sustain performance over a period of time. Thirdly, it was expected to have performance goals along the three logics – commercial, social welfare, and public sector (Pache and Chowdhury, 2012). To identify a suitable NFP for the study, we conducted an advanced search of the online directory of the Charities Commission in the United Kingdom, the national charity register, and included organizations with at least £1M turnover that were over 20 years old and had more than 50 employees. As this is an in-depth case study, we also focussed on the regions within 100 miles of the researchers for facilitation of frequent travel. This led to a list of 20 organizations. We then used websites and press articles to determine which NFPs had a positive reputation in their respective fields and on-going activities related to all three institutional logics. This selection resulted in a short-list of ten organizations, which were then contacted by e-mail. Those responding to the e-mail request (4 organizations) were visited for an initial interview; this helped us determine the extent and types of PM usage. The organization that most strongly met our criteria, Youth Futures, was selected for the in-depth case study.

Case study description - Youth Futures

The chosen not-for-profit organization, Youth Futures (a pseudonym is used for confidentiality purposes), offers a range of accommodation and support options for young people (ages 16-25) who are facing or are at risk of homelessness. The organization runs 27 different accommodation projects and serves around 5,000 young people per year; it has approximately 250 employees and operates on a £8.5 million budget. Youth Future's support services are designed to lift young people into economic independence by engaging them in a

range of life skills training, such as budgeting, cleanliness, and healthy eating. Many of the young people presenting at Youth Futures (78%) are not in any training, employment or education. A large portion of the funding awarded to the organization is allocated based on its ability to meet the needs of these typically hard to reach, disadvantaged young people. By the time young people finish their transition through the services at Youth Futures - a stage called 'move-on' - 75% of them are engaged in training, employment or education. A young person is considered ready to 'move-on' once they have successfully engaged with support services, and have attained permission to move into their next accommodation. Youth Futures is one of the few youth homeless accommodation service organizations in the country that collects, analyzes, and utilizes robust information on service demand, demographics, and user needs. This made it a particularly relevant site for the study of the interplay between PM and stakeholders (Siggelkow, 2007).

The primary focus at Youth Futures is to create economically independent young people by offering positive accommodation and support services (social welfare logic); yet, in order to operate, the organization is required to stay competitive for grants, secure partnerships, and collect rent from service users (commercial logic). As its largest partner is the government, it must also ensure that services are equally accessible to all potential beneficiaries, and is required to maintain high levels of transparency through reporting and communication (public sector logic).

At an operational level, the duties of the employees in the accommodation projects are split into two categories: (1) support workers - responsible for helping young people design and implement a plan for gaining skills, education, or work and a future accommodation (social welfare logic); and (2) housing workers - responsible for ensuring rents are paid, and for overseeing maintenance of the properties (commercial logic). All departments are expected to uphold highly transparent communications (public-sector logic), for example by

electronically recording the details of all interactions with beneficiaries, keeping and sharing minutes from every meeting on the Intranet, and undergoing audits from external partners.

Key performance indicators (KPI) at Youth Futures could also be categorized as having a dominant institutional logic, based on the dimension of performance represented in their language and use. Each KPI included in the monthly KPI Report has strong resonance with a particular logic, for instance: *'proportion of people engaged with support services'* and *'unplanned departures'* reflect a social welfare logic, as they relate to services' contribution to the well-being of beneficiaries. Instead, KPIs such as *'property repair response rate'* and *'voids turnaround'* bring attention to the efficient use of resources, reflecting a commercial logic.

Regular meetings held at every level (e.g., management, team, case review) also have agendas strongly related to a dominant logic. For instance, management meetings are often dominated by topics related to a commercial logic such as accounting, maintenance and identification of strategic priorities. Conversely, at committee meetings with external partners, agendas cover information sharing, homeless services updates, and children's services updates, which embody public sector logic. Employees at Youth Futures also use a measurement tool called the 'Outcome Star' to track the progress of the youth. The Outcome Star is an independently constructed PM tool with 20 variations (e.g., Family Star, Work Star, Youth Star) used across a variety of social services dealing with enhancing the wellbeing of individuals. It measures the beneficiaries' improvements along dimensions such as 'mental health', 'budgeting skills', 'physical health', and 'cleanliness', clearly representing a social welfare logic. Finally, each of the six strategic objectives outlined in Youth Futures' Business Plan reflects a specific institutional logic.

Youth Futures' history, operations and PM practices make it a highly relevant context for exploring how PM interacts with the institutional logics of different stakeholder groups

(Voss *et al.*, 2002). Further details of the instantiation of institutional logics and the various PM practices at Youth Futures are presented in Table 1.

Insert Table 1 about here

Data gathering process

Over a six-month period we conducted 30 semi-structured interviews, each lasting between 30 and 120 minutes. Interviewees included members from every level of the organization (e.g., Board, managers, and frontline staff) and external partners (e.g., commissioners, Social Services, and Justice Services). During the interviews, we asked participants to describe which PM practices they were using, how they were using them, how useful and/or valuable they found the PM process, and what they considered to be the advantages and disadvantages of PM. Having multiple perspectives on the uses of PM enhanced construct validity, since, within each of the aforementioned stakeholder groups, the participants expressed shared understandings and uses of PM practices. For further evidence of how stakeholders were using PM, we attended 13 meetings at different levels of the organization. Also, we spent four observation days on different accommodation sites where services were delivered to the beneficiaries, and 10 observation days at the Head Office. Finally, we collected 39 internal performance related documents and numerous public documents (e.g., from the website, annual reports, posters, and brochures) as supportive materials to the claims and actions of stakeholders (Eisendhardt and Grabner, 2007). To establish internal validity we triangulated the data sources by comparing quotes from interviews with observations of PM use and the material representations of PM in the documents. For reliability and traceability of findings,

the first researcher kept a daily journal in which notes were actively taken throughout the data collection process (Voss *et al.*, 2002). Finally, a case database was constructed at the beginning of the research where all documents, notes, and interview transcriptions were stored and labeled. The sources of the data collected through each method are detailed in Table 2.

Insert Table 2 about here

Analysis and findings

The interviews confirm that stakeholders described the purpose and value of PM consistently with the three typical NFP logics (Pache and Santos, 2013) - commercial: *“in order for us to win contracts, to win bids, to get money, [we need to be] showing that the impact of what we’re doing has this success outcome”* (Corporate Relations); public sector: *“to ensure that we are accountable for the investments we make: deliver effective services, promote and safeguard the citizens”* (Commissioner); and social welfare: *“to check whether we are doing what we are supposed to be doing with young people... preventing homelessness”* (Support Worker3). A selection of the answers to each interview question is provided in Table 3 in the Appendix.

The analysis of all gathered data was undertaken using a process coding method, whereby we firstly coded all types of PM influences (e.g., strategic, routine, emotional, automatic and thoughtful) (Corbin and Strauss, 2008). This process was inductive: through data analysis we identified the patterns of influence of PM (Shepherd and Sutcliffe, 2011). The influences were recognized by following the direction of attention, actions, and behaviors of stakeholders using PM as apparent in their vocabulary and practices (Greenwood *et al.*,

2011). The analysis resulted in thirteen different influences of PM, which were then second-order coded into six major influences. Eventually, we reduced the list to three overarching themes which best explained how stakeholders were being affected by PM. The coding structure is depicted in Figure 1. The analysis was conducted by the first author and validated by the second through several rounds of conversation concerning the nature and authenticity of the explanations for PM influences, reflections on data and literature, and re-definition of the themes (Corbin and Strauss, 2008). To address concerns about validity, two presentations were delivered to the Chief Executive and to the Board of Directors, and positive feedback was received on the report containing the main findings, which was sent to the Head of Operations (Voss *et al.*, 2002).

Insert Figure 1 about here

The influence of PM on stakeholders

If performance measures in an NFP represent well the strategic objectives, they should influence actors' attention, behaviors and actions consistently with commercial, social welfare, and public sector goals (Kaplan, 2001). Also, if measures and roles represent the existing institutional logics, one would expect actors to experience limited tensions because of PM (Pache and Santos, 2010; 2013). Despite this being the case at Youth Futures, the data shows that responses to PM practices related to each logic were far from uniform. That is, most stakeholders regarded the overall purpose of PM to be about both understanding and addressing client needs, as well as having evidence of success in these endeavors to ensure further funding (see Table 3 for direct quotations). However, in reality, the individual PM

practices were found to elicit both positive – e.g., collaboration, alignment of efforts, expression of values - and adverse reactions, such as wasted resources, resistance, and negative behaviors. For example, when discussing the use of the same KPIs related to commercial logics (e.g., rent arrears, room turnarounds, and voids) with different managers, responses ranged from “*if I put KPIs on the agenda and start talking you can see peoples’ eyes glaze over straight away*” (Head of Operations) to “*to be honest I think a lot of the time [staff members] are feeling quite important and quite sort of rewarded because they’ve done a good job and because they know I’m measuring it*” (Head of Housing). As these quotes show, while the managers spoke of the same KPIs, they received vastly different responses from internal stakeholders. To some extent, this may be due to the inherent differences in focus and tasks among employees. However, looking at diversity of responses in relation to PM practices, we found that stakeholders’ reactions to PM were mainly the result of (dis)connections between their dominant logic (e.g., assumptions concerning legitimate performance goals) and the logic expressed by a certain practice, rather than disagreement over the activities needed for achievement of strategic goals. The influences are summarized as reinforcing, reconciling and inhibiting stakeholders’ understanding of legitimate performance goals (Figure 1). Such influences are quite distinct, elicit different responses from stakeholders, and may lead to either positive or negative effects on individual and/or organizational performance. For additional evidence supporting each theme please see Table 4 in the Appendix. We next explain the nature and effects of each potential influence of PM.

Reinforcing

The main measurement tool used at Youth Futures to track the progress of young people was the Outcome Star. This tool was used by support workers, who have a dominant social welfare logic, during the one-to-one sessions with beneficiaries to determine whether their wellbeing

was improving. When interviewing support workers, they described the Outcome Star as “very good at helping us... in terms of being able to demonstrate progression for young people. It’s very visual. It’s very popular with the young people themselves” (Head of Support Services).

Likewise, housing workers, whose dominant logic was commercial, used KPIs related to the commercial goal of maximizing rent revenue, e.g., rent collection, room turnarounds, and evictions. Resulting performance information was discussed in the Housing managers’ monthly meetings: “what we’ve done recently is to introduce the rent arrears and seeing people’s accounts and names and money missing, so we’re bringing data into that meeting. It is actually turning ... the meeting around to be more purposeful” (Housing Worker). These examples show that, when stakeholders are involved with PM practices that share their dominant logic, this is likely to produce a positive response. Therefore:

Proposition 1: *When a PM practice has the same dominant institutional logic as the stakeholder it interacts with, it will have a positive influence by reinforcing the stakeholder’s understanding of legitimate performance goals.*

Reconciling

The three different logics do not operate in silos (Amans *et al.*, 2015), and the same actor is likely to have to utilize different logics depending on role, need, and context. For example, a support worker needs to pay attention, at least to some extent, to the abilities of the young people they are working with to pay rent. Similarly, the operations manager will be primarily interested in the efficiency and effectiveness of operations, but also concerned with the number of successful ‘move-ons’. At Youth Futures, housing workers and support workers faced on-going conflicts in their individual quests to secure rent money (commercial logic),

provide support services (social welfare logic), and demonstrate the efficient use of public funding (public sector logic). At one housing meeting the discourse on the subject went as follows:

Housing Worker: “[Support workers] say ‘our job is not to collect rent, it is to get them on a course’. They need to understand that money is what keeps Youth Futures going.”

Head of Housing: “We need to remind them that if we fail our young people we might as well go home. If we don’t do rooms, voids, etc. there will be nothing to report, and there will be no money, there will be no one in the room to support.”

It is impossible within an NFP to completely segregate one logic from the other, and PM should also be able to influence stakeholders to act across institutional logics if it is to provide alignment (Micheli and Manzoni, 2010). One way in which Youth Futures allowed for discussions across stakeholders with competing interests was by holding a weekly case review meeting inside each project. The purpose of the meeting was to bring all the front-line staff together (project managers, support workers, and housing workers) to discuss the progress of the young people along the respective social welfare, commercial, and public sector goals. Such meetings appeared to be successful avenues for each ‘side’ to learn about and benefit from the performance of the other. According to a housing worker: *“Every two weeks we sit down ... and we’ll talk about that person. The practical stuff like rent, benefit claims, and then it gets handed over to the support teams to [discuss] the circumstances in their life. I’m finding that more and more helpful ‘cause I can then take actions away from that. The team can give me actions right in that document and I can go away and then just check it off like a tick list”*. The case review meetings enabled the housing worker to understand the importance of engaging with support workers to meet performance objectives, and this led him to use the performance measures reported by the support workers to complete his own responsibilities.

Another example of PM practice bridging stakeholders with differing dominant logics is within external partnerships with corporate donors. Youth Futures did not want to turn away offers of any type of capital, but could not engage either in activities that drain scarce resources (e.g., staff time) or did not fit with the mission to assist youth. As explained by the external coordinator: *“Some external providers or companies are quite motivated by numbers... they want to hit as many people as they can, so they want to [know:] can we provide an audience of thirteen people, or could we have a group of fifteen? But because of the nature of what we do and the vulnerabilities of the young people, we don’t measure that success by how many people they’ve seen. We do it by [looking at] impact.”*

To overcome these discrepancies in the definition of legitimate performance aims, Youth Futures began having face-to-face pre-meetings with corporations to discuss the intended outcomes and measures of success. The external coordinator continued: *“We tend to have a lot of meetings with [Corporate donors] now... I try to channel it [the donation] in a way that it can meet their kind of targets, but also obviously impacting the way that we want it to for us...because if it doesn’t, the young people lose out because they haven’t had a good experience.”* By agreeing a two-way planning process, they created a space where both parties could collaborate to reach a shared understanding of intended performance, even if originally potential donors were focused on maximizing numbers and the organization concerned with the welfare of beneficiaries. Youth Futures was therefore able to regularly partner with large firms to achieve mutually beneficial results, including apprenticeships and budgeting training from professional bankers.

These examples highlight that PM practices are capable of positively influencing stakeholders that have different institutional logics when they have elements of all such logics, thereby creating a space where performance can be understood and discussed from different perspectives. Therefore:

***Proposition 2:** When a PM practice encompasses elements of all of the institutional logics of the stakeholders it interacts with, it will have a positive influence on stakeholders by reconciling conflicting understandings of legitimate performance goals.*

Inhibiting

The above examples highlight how an organization with competing logics can apply PM to elicit positive responses and enhance collaboration between stakeholders with differing logics. However, negative examples also occurred. For instance, each year Youth Futures underwent a bidding process to receive government contracts. It was a labor-intensive series of activities that involved using performance measures dictated to the organization before the bidding process began. Several members of the management team spent 10 to 14 days in a room working on the bid in order to complete it on time. However, the externally imposed measures were redefined by the commissioning bodies on a yearly basis, and were rarely aligned with what the organization believed to be most beneficial to young people: “[Now] they're all looking at how many people we've got into work ... [however,] they're nowhere near ready for work, half of them; they're not even able to get up in the morning and function as a member of society, let alone hold a full-time job down!” (Head of Housing). The Head of Housing was emphasizing that, when young people enter Youth Futures, they need support to improve their wellbeing, and only then are they able to look for work or start education. Government's initiatives intended to fund activities to serve at-risk and disadvantaged young people, but the bidding process and related KPIs were designed mainly to meet the aims of the public-sector logic, which sought to ensure ‘priority area’ young people (an alternating composition of demographics, age ranges and ethnic diversity) were served each year and accurately recorded as having accessed services. As the operations manager said: “the worst

ones are the demands from the external funders ... we put things in place [to meet the demands] we had at the time... then within 12 months they're out of date, because they've changed their requirements and you've not got the information they need, and it's a bit of a roller coaster at times." At an extreme, the operations manager continued, these activities pulled staff away from their core responsibilities: *"if [support workers] are going to be [identifying and recording new data], they're spending obviously less time with the young person, which isn't what [commissioners] pay us to do"*.

Inhibition could also occur from internally developed measures, if they repeatedly interacted with stakeholders of an opposing logic, such as in monthly management meetings where stakeholders representative of all logics were involved, but information concerning one logic dominated. For example, commercial KPIs presented at general management meetings – where half the participants are support managers - greatly reduced most participants' engagement and motivation as they mainly focused on commercial activities. A Support manager explained her frustration with the meeting: *"I don't know whether the structure needs to change. ... I'm happy with the information I've got for maintenance, but you could send me that in an e-mail. Information that I got from finance: send me that in an e-mail... Decide what is the purpose of the meeting, who really needs to be there, what information could you not give in any other format... otherwise, why are we really having a meeting?"*

In all these cases, PM resulted in lack of information use, wasted resources, or demotivation. This leads us to the third type of PM influence on stakeholders:

Proposition 3: *When a PM practice does not have any element of the stakeholders' dominant institutional logic it interacts with, it will have a negative influence by inhibiting the stakeholders' ability to reconcile conflicting understandings of legitimate performance goals.*

Informal performance measurement practices

Alongside the influences of formalized PM practices, data analysis shows that less routinized mechanisms supporting the PM process – which we coded ‘informal PM practices’ – also had a noticeable influence on stakeholders. For instance, when speaking to a fundraising manager about how to best understand performance at Youth Futures, she mentioned the graduation ceremony where the young people who have ‘moved-on’ that year receive recognition: *“a perfect example. This is actually brilliant... it kind of pulls together all what we're talking about: you sit in this little ceremony and see these young people get up, talk about what they've achieved, how they've moved on. It's quite a teary evening to be honest.”* This ceremony was introduced not only to bring youth, families, employees and funders together to celebrate young people’s successful transitions, but also to emphasize and evidence the organization’s goal of creating economically independent youth. In this case, it is not the formal KPIs and meetings which are influencing stakeholders’ understandings of performance goals, but a situation which enhances their appreciation of the organization’s strategic achievements. This ceremony therefore succeeded in reinforcing understandings of legitimate goals for a variety of stakeholders. Informal meetings between employees and youth could also play an influencing role. Likewise, unplanned encounters at community events between employees and external partners acted as an informal support for reconciliation, enabling impromptu discussions on collaborations in front of potential partners, who then often asked for follow-up information. Informal PM practices could also trigger inhibition; for example, before a meeting support workers began discussing an upcoming public sector driven change in reporting duties, and then moved into a collective state of frustration and unwillingness. Importantly, these informal mechanisms are all related to the PM process, as they express information concerning specific goals. Moreover, informal PM practices did not have a

separate role; instead, they either strengthened or weakened the effects of formal PM practices in reinforcing, reconciling, or inhibiting stakeholders' understandings of legitimate performance goals, depending on how they arose and who was involved. Thus:

***Proposition 4a:** An informal PM practice will strengthen the reinforcing or reconciling effect of formal PM practices if it expresses performance goals stakeholders understand as legitimate.*

***Proposition 4b:** An informal PM practice will strengthen the inhibiting effect of formal PM practices if it expresses performance goals stakeholders understand as illegitimate.*

Discussion and conclusions

This research examines how performance measurement influences stakeholders in not-for-profit organizations (Moxham and Boaden, 2007). Our findings extend current perspectives of PM by illuminating the meanings stakeholders attach to PM practices and provide insight into managing not-for-profit operations by identifying how PM and institutional logics interact to create either positive or negative responses (Amans *et al.*, 2015; Moxham, 2014).

This research makes three main contributions to theory. Firstly, we have elaborated on the influential role of PM (Hall, 2008; Micheli and Mari, 2014) and, consistently with earlier studies, found that NFPs face challenges in guiding different stakeholder groups to achieve divergent, but equally important, performance aims (Ebrahim *et al.*, 2014). In our in-depth study of an NFP, we have shown that PM practices can be both formal (represented in KPIs, artifacts and reports) and informal (e.g., conversations and events, which express the main underlying assumptions for performance), and that PM practices may embody different logics. Stakeholders are formally connected to certain logics that provide particular understandings of

the organization (e.g. values, assumptions and beliefs for legitimate performance goals) (Thornton *et al.*, 2012). It is the interrelationships between portrayals and understandings of legitimate performance goals across PM practices and stakeholders that lead to either positive or negative influences on performance, as illustrated in Figure 2.

Insert Figure 2 about here

Secondly, we show how PM affects individuals differently by breaking down the interactions at a micro-level. PM initially interacts with stakeholders' understanding of legitimate performance goals and subsequently influences how they act towards the achievement of such goals. Influences can be of three types: (1) reinforcement of the understanding of legitimate performance goals, which results in stakeholders positively acting towards their main goal (e.g., Housing Workers monitoring and improving upon rent collection targets); (2) reconciliation of two separately legitimate performance goals, which leads different stakeholders to contribute together to performance (e.g., NFPs and corporations striving for and achieving the same, collectively defined, goals); and (3) inhibition of the understanding of legitimate performance goals, where PM does not assist stakeholders to act towards the achievement of performance goals (e.g., attending a meeting but neither listening nor contributing).

Reinforcement could explain how organizations might go about achieving the multi-level alignment necessary for successful PM (McAdam *et al.*, 2014), by connecting stakeholders' day-to-day practices to the PM system, which, in turn, should be aligned with the organization's strategy. In other words, when stakeholders perceive alignment between

their understanding of performance goals and the demands imposed by performance measures, they are more capable of acting towards the achievement of such goals. If, however, PM practices do neither reinforce nor reconcile understandings of performance, it is doubtful that they will lead to achieving strategic outcomes (McAdam *et al.*, 2014). Importantly, both formal and informal types of PM could reinforce logics, and lead to positive responses, as long as they share the same dominant logic as the stakeholders they interact with.

Reconciliation was generated when PM practices acted as a bridge between actors with different logics, enabling them to create a shared understanding of performance. This influence was most apparent in planning procedures and meetings, where stakeholders had the opportunity to openly discuss their respective performance aims and ask questions to the stakeholders of another logic. The role of PM as a means to reconcile logics is similar to what was found by Chenhall *et al.* (2013): accounting practices can enhance compromise across stakeholder groups with divergent views if they are designed to be both about ‘learning and uniqueness’ (e.g., by encompassing narratives, case studies, qualitative data) and about ‘consistency and competition’ (e.g., standardized metrics, financial KPIs, quantitative data). Our findings extend these results by highlighting how PM can act as a reconciler of competing views by formally positioning itself as encompassing two or more logics. At case review meetings, for example, both commercial and social welfare logics were on the agenda. These discussions enabled both groups to reconcile their usually divergent understandings of legitimate performance and work towards outcomes at the intersection of these aims.

When PM practices expressed an alternative institutional logic to the one of the stakeholder it interacted with, and simultaneously left no opportunity to reconcile understandings of performance goals, it emerged as a potential inhibitor. This was most frequent when external stakeholders introduced certain practices, e.g., Government agencies

and corporate partners which imposed measures or objectives related to commercial logics when their intention was to fund social welfare activities. However, in contrast to previous research (e.g., Millar and Hall, 2013), our study shows that this was not necessarily a case of either externally developed measures or of all PM practices expressing a commercial logic (Townley, 1997). As the Outcome Star demonstrates, externally developed measures could be very useful and provide meaningful information, whereas internal reporting of performance information could also alienate employees. Such inhibitive interrelationships between PM and stakeholders often led to demotivation, disengagement, and wasted resources.

Thirdly, this study shows that the PM process does not only consist of designing measures, and collecting and analyzing data, but also of managing the influence measures have on stakeholders' understanding of performance goals, which, in turn, can produce benefit (or harm) for the organization. The mixed results of Balanced Scorecard implementations (Hoque, 2014) may be partly explained by our findings. The Balanced Scorecard is intended to connect employees at every level of an organization to the overall strategy by designing measures that represent strategic goals for individuals and/or teams (Kaplan and Norton, 1996). It is not, however, a tool designed to assist individuals to find connections to their role, which could then enable the achievement of goals. That is, the Balanced Scorecard was mainly conceived to communicate organizational objectives to each stakeholder, rather than to interact with stakeholders' logics. This research shows that understanding and addressing different institutional logics at play within an organization is fundamental if PM systems are to provide organizational alignment (Melnyk *et al.*, 2004).

This study also has implications for managers and policy makers alike. PM systems should be designed and implemented on the basis of both their formal ability to represent organizational aims and objectives, and their influence on stakeholders (Micheli and Mari, 2014). For NFPs that are engaging with new partners on performance goals, or for funders

who require performance reports from their grantees, using PM to reconcile perspectives on intended performance ahead of launch could prove more effective for supporting the alignment and achievement of objectives in the long term than merely imposing a pre-determined set of measures (Groen *et al.*, 2012; Millar and Hall, 2013). Furthermore, by understanding and embedding the institutional logics of front-line workers into PM practices, managers of NFPs can better support the achievement of social welfare objectives.

Regarding the different roles of PM, external stakeholders such as funders and regulators should consider the institutional logics of measures before imposing them on organizations: are they aligned more with their own logics or with the ones of the receiving organizations and/or their customers or beneficiaries? If the former, how could logics be reconciled so as not to trigger mere compliance and, instead, foster use of information and, ultimately, improvement (Moxham and Boaden, 2007)? Within NFPs, ways to clarify and emphasize performance objectives aligned to stakeholders' logics such as arranged interactions with beneficiaries and images of successful clients should not be underestimated, also because they could mediate between the increasingly relevant 'commercial' dimensions of performance and the longstanding view of their primary 'social' aims (Battilana *et al.*, 2014).

This research is directly relevant to academics and practitioners seeking to understand or improve PM in NFPs. However, findings could also extend to other contexts where tensions among different stakeholder groups and between divergent organizational goals are present, such as sustainable supply chains or government services pressured to be more commercially oriented. This research is based on a single case study; therefore future research could aim at refining and testing our propositions in other NFPs and in other sectors. Studies should also focus on NFPs that prioritize environmental aims or economic gain in order to understand if the interrelationships between PM, institutional logics, and sources of positive or negative

influences are different. Finally, with PM being such a widely applied management practice, it will be important to further explore how other PM frameworks and practices influence stakeholders and effect organizational outcomes.

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Appendix

Insert Table 3 about here

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