Performance and Control of International Non-Profit Organizations

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Abstract

Purpose – The purpose of this study is to investigate the performance and control practices of an International Non-Profit Organization (INPO). This paper therefore aims to increase the awareness of the importance and relevance of INPOs.

Design/methodology/approach – The research adopts an exploratory approach in the form of a single case study. Document analysis, convergent interviews and observations are employed as data collection methods. Document analysis provides insight into the management perspective on performance and identifies how control is designed. Interviews were undertaken to identify the perspectives of staff and donors about performance and control practices. Observational data was used to corroborate the findings.

Findings – This research demonstrates that INPO performance needs to be determined for each INPO individually, due to the different perspectives of INPO stakeholders and performance dimensions, which are partially linked to the organization’s cause. In regards to management control, this study describes the appropriate combination of different formal and informal control mechanisms which is a strong indicator for increased INPO performance that can balance out the availability of suitable systems. The research revealed the optimum framework for the investigated INPO; however, future research needs to explore whether this combination is appropriate for other INPOs as well.

Originality/value – Due to the dependence on multiple stakeholder groups, this research proposes a multi-dimensional framework, derived from the extant literature. The study further addresses the topic performance by identifying different forms of control aimed at improving the performance of an INPO and their interrelationships. The ultimate value of this study is to assist INPOs with becoming more successful.

Keywords: International non-profit organizations; strategic management; performance management; control practices; non-government organizations; not-for-profit organizations; case study

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Introduction

Extreme poverty in developing countries continues to be a major global issue. In 2013 approximately 20% of the world’s population were living in extreme poverty (Global Issues, 2013). Although this ratio has halved over the past three decades, there are still over one billion people world-wide living on less than US$1.25 per day (World Bank, 2013). Non-Profit Organizations (NPOs) generally assume a central role in delivering welfare within a given country (Chenhall, Hall, & Smith, 2010). INPOs form a sub-group in the non-profit sector and have a major part in attempts to solve poverty (Jäger & Rothe, 2013; Teegen, Doh, & Vachani, 2004). INPOs are organisations with operating offices in developing countries and supporting offices in the developed world (Fenwick, 2005; Harris, 2011; Mannell, 2010). Hence, INPOs have an important role in the developing countries, as well as in the developed world.

Management of organizations operating in the non-profit sector varies from that in the for-profit sector. Whilst the literature on strategic management in the for-profit sector is vast (Mintzberg, Ahlstrand, & Lampel, 2011), there is very little research on strategic management in the non-profit sector (Tucker & Parker, 2013), particularly outside the United States (Courtney, 2013). Empirical research among INPOs is even scarcer (Harris, 2011), which is why this study is predominantly based on literature of NPOs. Among the non-profit literature, the applicability of private sector research for the non-profit sector is frequently discussed; however the positions of different authors vary (Helmig, Ingerfurth, & Pinz, 2013; Herman & Renz, 1999; LeRoux & Wright, 2010). The variations between the sectors are primarily found in terms of activities, governance structures and staffing approaches (Mirabella & Wish, 2000). Due to these differences, NPOs need to be managed differently from profit-making organizations.

Literature Review

A major aspect of NPO management is performance evaluation by considering different stakeholder perspectives. As NPO existence depends on various stakeholders (Packard, 2010), whose perspectives on performance frequently diverge (Kong, 2008; Stone, Bigelow, & Crittenden, 1999), NPO performance assessment may have to consider these different perspectives (Dar, 2014; Jäger & Rothe, 2013). However, there is no common measure for performance assessment of NPOs (Moxham, 2009). Due to the non-distribution constraint, which prohibits NPOs to issue earnings, the performance cannot be measured in terms of profit (Helmig et al., 2013). Researchers have undertaken several attempts to assess NPO performance; however without consensus (Cordery & Sinclair, 2013). Potential assessment criteria commonly mentioned are mission accomplishment (Newcomer, Baradei, & Garcia, 2013), customer satisfaction (LeRoux & Wright, 2010) and goal achievement (Taysir & Taysir, 2012). Recently, researchers have acknowledged that NPO performance needs to consider multiple dimensions (Cordery & Sinclair, 2013; Francisco & Alves, 2012). Evaluating performance by input, output, outcome and impact may be a suitable approach to NPO performance assessment (Mitchell, 2013). Therefore, this research aims to employ these categories to evaluate the performance of an INPO.

Since evaluating NPO performance according to a single measure does not capture the scope of these organizations, performance evaluation must employ a model that allows for broader accountability. A number of researchers suggest the use of logic models to evaluate the various dimensions of NPO performance (Mitchell, 2013; Newcomer et al., 2013; Packard, 2010; Sowa, Coleman Selden, & Sandfort, 2004). A logic model illustrates the objectives and expected results including specified indicators employed to measure and verify progress (Ebrahim, 2010). A case study carried out among NPO stakeholders from various executive bodies identified that these stakeholders are interested in the NPO’s mission, governance, operations, finance and public image, leading to the conclusion that
performance needs to be evaluated in terms of input, processes, output and outcome (Francisco & Alves, 2012). A review of literature focusing on NPO performance measurement, identified output, outcome and impact as the most significant measuring dimensions to assess and manage the quest for the non-financial mission (Cordery & Sinclair, 2013). Leaders of US based INPOs highlighted the importance of measuring the diverse performance dimensions according to input, output, outcome and impact (Mitchell, 2013). Accordingly, it appears to be appropriate to use this scheme as a model to evaluate NPO performance.

Assessing performance by input, output, outcome and impact (IOOI) accounts for the depths by which NPO effectiveness needs to be evaluated. While inputs and outputs are associated with short-term goals, outcomes and impact focus on the long-term effects (Mitchell, 2013). Inputs primarily refer to material and human resources necessary for operations, but can also include client characteristics that affect the effectiveness of the NPO activity (Packard, 2010). A case study of 31 community-based NPOs reports that almost 100% of these organizations collect input performance data, while all of them report on output (Carman, 2007). Outputs, consist of indicators such as number of clients (Helmig et al., 2013) or programs carried out (Cordery & Sinclair, 2013). NPOs frequently engage in this form of performance evaluation as outputs are easy to measure (Mitchell, 2013; Sawhill & Williamson, 2001) and are deemed significant for funders (Cordery & Sinclair, 2013). Performance evaluation by outcomes shifts the focus from the organization’s activity to the actual change and benefit of the client, such as quality of life (Packard, 2010), achieved through NPO output (Benjamin, 2013; Cordery & Sinclair, 2013). Leaders of American NPOs (Mitchell, 2013) agree with executive managers of Egyptian NPOs (Newcomer et al., 2013) that outcome is the most valuable measure for NPO effectiveness. Although outcome performance is generally qualitative in nature, NPOs attempt to quantify outcomes by reporting on before and after levels of NPO service reception (Benjamin, 2013; MacIndoe & Barman, 2013). While outcome assessment focuses on the change for the client, impact evaluation addresses the differences an NPO’s output and outcome have on the environment or overall issue (Moxham, 2009). Most NPOs are not held accountable for impacts, nor do they attempt to measure them (Mitchell, 2013), as impact assessment is resource intensive and could exceed the NPO’s budget (Moxham, 2009). According to these definitions, IOOI appears to be a framework that encompasses a wide array of performance measures, relevant for NPOs.

Due to the specific characteristics of NPOs, performance evaluation of NPOs is much more complex than in the for-profit sector (Packard, 2010). As NPOs are accountable to multiple constituents (Dar, 2014; Herman & Renz, 1997; Jäger & Rothe, 2013; Lecy, Schmitz, & Swedlund, 2012), these stakeholders assess performance in multiple, sometimes conflicting ways (Ebrahim, 2010; Tschirhart & Bielefeld, 2012), while NPO survival depends on their judgement (Packard, 2010). Researchers broadly agree that NPO performance cannot accurately be evaluated by a single measure (Lecy et al., 2012; Moxham, 2009). Despite the increase of literature on assessment of NPO effectiveness in recent years (Cordery & Sinclair, 2013; Moxham, 2009), basic parameters of NPO effectiveness have not been defined, either due to a lack of empirical research in this field (Lecy et al., 2012) or because effectiveness needs to be determined for each NPO individually (Herman & Renz, 2008). Though social sector research and non-academic agencies offer additional findings, academic management research lags behind in the field of NPO performance assessment (Ebrahim & Rangan, 2010).

This research is guided by a proposition based on the notion that NPO effectiveness can distinguish between qualitative and quantitative measures as a simple form of measurement (Cordery & Sinclair, 2013). With 100% of NPOs assessing performance by output (Carman, 2007), as required by donors (Newcomer et al., 2013), and the importance to utilize resources efficiently, NPO effectiveness is generally evaluated through quantitative
data (Cordery & Sinclair, 2013; Moxham, 2009). Although concerns about quantitative data analysis have been voiced, as the data provides an incomplete picture of organizational performance, it remains the primary method for collection of NPO performance data (Newcomer et al., 2013). Accordingly, the data collection and data analysis for this research is guided by the proposition “organizational performance is solely evaluated through quantitative data”.

Independent of the measures employed to assess NPO performance, certain actions are to be taken to steer the organization towards superior performance. In order to achieve the desired performance, a variety of control mechanisms are employed (Tucker & Thorne, 2013). Due to the lack of a bottom line (Herman & Renz, 1997), control may even be more important in the non-profit sector than in the private sector, in order to prove the organization’s legitimacy (Chenhall et al., 2010). Although the performance/control relationship, as well as control systems in general have received little attention in prior research, it has been found that informal control is superior to formal control in NPOs (Baraldi, 1998; Chenhall et al., 2010; Tucker & Thorne, 2013). This finding appears to be related to the distinct NPO culture, reported on by several NPO studies (Tucker & Parker, 2013), as informal control is closely related to an organization’s culture (Band & Scanlan, 1995; Collier, 2005; Langfield-Smith, 1997). Due to the scarcity of prior research on control systems utilized in NPOs, this study also explores how control can be employed in an INPO.

Reporting appears to be the most studied formal control system relevant to NPOs. The majority of NPOs and INPOs engage in reporting because it is required by funders (Dar, 2014; Moxham, 2009; Newcomer et al., 2013; Tucker & Parker, 2013). Research of NPOs conducted in Australia and Egypt embrace this practice as a necessity for obtaining funds (Newcomer et al., 2013; Tucker & Parker, 2013). Notwithstanding, an intensive case study of an Australian NPO found that reporting is viewed as a waste of time that could have better been spent on serving clients (Chenhall et al., 2010). This variance may be a result of the research design, as the studies of Tucker and Parker (2013) and Newcomer et al. (2013) solely focus on the perception of managers, while the intensive case study interviewed staff from all organizational levels (Chenhall et al., 2010). Although INPOs generally accept reporting, many of them struggle with specific reporting requirements imposed by funders, primarily because data analysis and English language skills are at far lower levels in those countries where INPOs operate, than in the countries where funders reside (Dar, 2014; Lindenberg, 2001; Newcomer et al., 2013). INPOs further criticise that the data they are required to collect and analyse is not useful for performance improvements (Dar, 2014; Newcomer et al., 2013). One INPO operating in India has therefore adopted a two accounts approach, collecting data for internal and for external use; however challenged by the availability of resources (Dar, 2014). Accordingly, NPOs need to balance reporting requirements and cost control.

Although budgeting is an important task for NPOs, not every NPO has been able to implement it successfully. To assist with planning of short-term and long-term strategic decision making, budgeting is an important control system for NPOs (Abernethy & Stoelwinder, 1991; Tschirhart & Bielefeld, 2012). In order to be effective, it needs to be employed interactively, involving discussions between managers from different levels (Kober, Ng, & Paul, 2007). This was evident in a study of a major religious organization in Australia, where budgetary planning provided a forum for discussion and reinforcement of the organization’s mission (Parker, 2002). However, a study of an Australian social welfare organization found that the interactive introduction of budgets is not always possible, as program managers are experts in their field, but not necessarily have sufficient understanding of cost control, thus unable to explain how budget cuts affect operations (Chenhall et al., 2010). Therefore, the introduction of budgets was perceived as a threat to effective service delivery and damaged internal bonding (Chenhall et al., 2010). Essential however is that costs and results are monitored in order to facilitate strategic change where
necessary (Kober et al., 2007). Whilst one study, claims that NPOs world-wide monitor performance (Newcomer et al., 2013), an empirical study of six British NPOs found that some NPO managers only think about monitoring and evaluation at the end of a project (Moxham, 2009). Although, NPOs address budgeting in different manners, the literature demonstrates that it is an essential topic for every NPO.

Further research is also needed for other formal control systems, such as rewards, promotion from within and participative control. Consensus and participative decision making are customary forms of NPO control (Chenhall et al., 2010), as acceptance from NPO staff – the executers of strategy – is essential for strategy implementation (Tucker & Parker, 2013). However, participation is not only expected as a recompense for low salaries, the setting of own performance goals also assists with establishing more realistic targets and can stir motivation and commitment and may therefore lead to improved performance (Courtney, 2013; Lindenberg, 2001). The utilization of rewards and promotion has even received less attention in NPO control research than participative control. A study applying social psychology to existing NPO studies concluded that subtle forms of incentives, such as promotion or praise frequently exist within NPOs (Speckbacher, 2013). Therefore, NPOs need to employ rewards sparingly to ensure that tangible rewards do not replace intangible incentives (Speckbacher, 2013). This finding is consistent with a motivational study of teachers and hospital staff, who place higher value on social rewards, such as encouragements or those that advance others, than on physical rewards (Schepers et al., 2005). Additionally, a study of NPOs in Bangladesh found that promotions or grievances are handled without conflict, while promotion is a rarity (Rahman & Sultana, 2012). These diverse findings from various countries and industries clearly demonstrate the gaps in the literature about rewards, promotion and participative decision making, calling for additional research in this field.

As previously stated, informal control assumes a more prominent role in NPOs as formal control. According to the for-profit literature informal control is closely related to an organization’s culture (Band & Scanlan, 1995; Collier, 2005; Langfield-Smith, 1997). The study of 32 Australian NPOs confirms this relationship for the non-profit sector, as nearly all managers interviewed, mentioned that the distinct NPO culture affects strategy formulation and implementation through unplanned and informal communications between staff and managers (Tucker & Parker, 2013). These informal communications may reflect appropriately set goals, which can enhance motivation (Tschirhart & Bielefeld, 2012) or lead to positive encounters, laying the foundation for the willingness to volunteer again in the future (Gazley, 2012). However, among NPO staff, intrinsic motivation is frequently observed to the extent of experiencing painful efforts for a client’s benefit at no or little pay (Speckbacher, 2003). A study of 44 Ugandan health care providers from diverse religious backgrounds found intrinsic motivation to be evident as an increase of funding directly benefited their beneficiaries and did not affect remuneration (Reinikka & Svensson, 2010). The authors compared their finding to a study of secular NPOs in Uganda, for which additional funds led to an increase of fundraising and promotional efforts, concluding that “working for God seems to matter!” (Reinikka & Svensson, 2010, p. 1161). According to these findings, informal communication, intrinsic motivation and an NPO’s values are significant aspects of organizational culture as they can impact on NPO performance.

Among NPOs, values are employed as a central control mechanism, serving various functions. Many NPOs have been established with the purpose to pursue particular values and beliefs, reflected in the organization’s mission (Knutsen & Brower, 2010). These values can be employed as a control mechanism to obtain resources, volunteers (Knutsen & Brower, 2010) and employees, if the organization’s values are closely related to those of potential staff and funders (Ridder & McCandless, 2010). Through value-driven recruitment and frequent reinforcement of an NPO’s human, social, and professional values, organizational values can act as a control mechanism by ensuring that employee values align...
with those of the organization, thus enhancing staff motivation and assisting with strategy 
implementation (Ridder & McCandless, 2010). However, strong identification with social 
organizational values may at times cause conflict when a beneficiary cannot be served due to 
a lack of funding (Chenhall et al., 2010). Such conflicts are a threat to the organizational 
identity and value-based culture (Chenhall et al., 2010). Therefore, it is suggested that NPOs 
create belief systems that not only align NPO staff’s values with the social interest of the 
organization’s cause, but simultaneously embrace economic concerns by establishing a long-
term perspective for the organization’s operations (Chenhall et al., 2010). Hence, 
organizational values can serve as a control mechanism when appropriately aligned with 
values of NPO staff and the organizational goals. According to the limited research available 
on control in NPOs, informal controls are the primary form of control in NPOs (Chenhall et 
al., 2010; Tucker & Parker, 2013). Therefore, the analysis of this research is guided by the 
second proposition “control regarding performance is foremost exercised as informal 
control”.

Methodology

The Research Design

Due to the scant academic literature on strategic management of INPOs (Kong, 
2008), this investigation adopts a qualitative, exploratory design. It embraces the realism 
paradigm, frequently utilized in management research (Johnson & Duberley, 2000). As the 
study intends to build theory in this under-researched field, a case study was selected as the 
research methodology (Eisenhardt, 1989), allowing for different data collection methods 
(Yin, 2013) and reflecting situational factors of which little prior knowledge exists (Cavana, 
Delahaye, & Sekaran, 2001). A common INPO is selected as the single case study in order to 
allow for analytical generalization according to replication logic (Yin, 2013). The criteria for 
the case selection are ‘serving a specific cause to alleviate poverty’, a ‘non-financial focus’ and 
‘relying on monetary donations’. Furthermore, the INPO needs to be well-established, 
existent for at least 10 years, and be a superior performer in its field, to be able to provide 
valuable data worth researching (Perry, 1998).

Within the case study methodology, the most commonly exercised methods are 
employed, which are, archival sources, interviews and observation (Eisenhardt, 1989). 
Organizational documentation is scrutinized in order to identify how performance is 
deemed and how control is intended by the organization’s management. Interviews form the 
most important part of this case study. The interviews are carried out by use of the 
convergent interviewing technique, due to its ability to organize the unstructured qualitative 
data (Riege & Nair, 2004) and identify the deep seated issues by focusing on major themes 
only (Jepsen & Rodwell, 2008). Interviews are undertaken with INPO staff, represented by 
employees and volunteers, to identify how organizational performance is viewed and how 
control is exercised. Firstly, respondents are asked about their own view on performance 
and secondly about the view of donors with whom they interact, either at work or among 
their personal networks. Additionally, data is collected through direct observation during 
field visits, when interesting situations are observed regarding performance and control 
(Yin, 2013). However, no extra time is devoted for observation, which is why the 
observational data is only used to support the findings from the other data collection 
methods.

The data analysis is guided by the research propositions, as well as the initial 
theoretical frameworks (Yin, 2013) for performance and control, which are developed from 
the extant literature with the purpose to build theory from this case study. The analysis is 
undertaken with the support of the NVivo 10 software package, assisting with the 
management of the abundance of qualitative data (Beekhuyzen, 2007). The analysis began 
with categorizing data according to codes, pre-defined from the literature (Saldana, 2013).
However, new codes were developed throughout the process as new issues emerged (DeCuir-Gunby, Marshall, & McCulloch, 2011). In order to allow for triangulation, the three data collection methods are analysed separately (Gibbert, Ruigrok, & Wicki, 2008). Finally, the emerging patterns are compared with the extant literature (Trochim, 1989). The criteria for validity and reliability are established and are outlined in Table 1 below.

Table 1:
Criteria for determining the quality of the research design

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>External validity</td>
<td>A common INPO has been selected according to specific criteria, allowing for analytical generalization of the findings to other INPOs</td>
</tr>
<tr>
<td>Internal validity</td>
<td>The findings are compared with the literature</td>
</tr>
<tr>
<td></td>
<td>Apparent contradictions are addressed</td>
</tr>
<tr>
<td></td>
<td>Triangulation of the three data sources</td>
</tr>
<tr>
<td>Construct validity</td>
<td>Multiple data collection methods are employed</td>
</tr>
<tr>
<td></td>
<td>Interviewees reviewed a draft of the report</td>
</tr>
<tr>
<td>Reliability</td>
<td>All data is stored in the case study database in NVivo</td>
</tr>
<tr>
<td></td>
<td>The research was conducted according to a case study protocol</td>
</tr>
</tbody>
</table>

Source: Adapted from Eisenhardt (1989); Gibbert et al. (2008) and Yin (2013)

Selection and Description of the Case

Although a number of INPOs matched the case selection criteria, the INPO known as Destiny Rescue is nominated for this case study as the organization has doubled the amount of beneficiaries it served for two years in a row. Destiny Rescue is involved in rescuing children and adolescents from sexual slavery, primarily in Asian countries. Its vision is to double the amount of rescues each year and ultimately eliminate sexual slavery, which is often the unfortunate outcome as a result of extreme poverty. Besides the rescuing efforts, the organization’s mission is to restore lives, protect the vulnerable, empower the poor and be a voice for those who cannot speak for themselves. Destiny Rescue is headquartered in Thailand, which simultaneously is one of their operating offices. Fund raising offices exist in Australia, New Zealand and the USA. Besides the requirement to raise and transfer funds, headquarters does not exercise any control over the fund raising centres.

This research project is conducted with the Destiny Rescue office in Australia. At the beginning of data collection, the branch comprised 29 employees and operates from various income streams. The company is experiencing continual growth in terms of the number of volunteers and employees. To begin the study, the whole organization was informed about the research project and a list with potential interviewees and their demographics was provided by the Executive Assistant. Over a period of four weeks, 15 in-depth, one-on-one interviews were undertaken involving three participants in five iterations. Each round aimed for greatest possible diversity within the round; however, unexpected events frequently led to last-minute changes in the interview schedule. Interview data was analysed after each round.

Results

Performance Evaluation

The evaluation of INPO performance requires an approach that is appropriate to the context. The established performance evaluation techniques adopted by ‘for profit’ organizations may not be appropriate for INPOs. Leaders of INPOs have identified the value of assessing inputs, outputs, outcomes and impacts (Mitchell, 2013). Inputs include the resources that are necessary for producing goods and services. An example are the monetary funds received from donors. Outputs include the actual goods and services that the INPOs
make available. Outcomes include the result that the goods and services have on their beneficiaries. Impacts include the effects that are attributable to the wider community as a result of the INPOs activities (White, 2009).

The analysis of Destiny Rescue’s documentation disclosed that the organization’s management primarily evaluates performance through finances necessary for operations (input), number of activities and events (output), donations (output), level of customer service (output) and donor and volunteer recruitment (output). Destiny Rescue staff employs the same measure for evaluating performance by input, however, only six out of 15 interviewees were found to assess performance by this category. Output, outcome and impact were found to be the more prominent assessment criteria among Destiny Rescue staff. 14 out of 15 respondents mentioned the output criterion ‘number of children rescued’ as an important performance measure. The same percentage of interviewees assesses Destiny Rescue’s performance by outcome, defined by success of aftercare for rescued children or the level of customer satisfaction, as a result of customer service. Furthermore, 13 out of 15 interviewees also evaluated performance by impact, referring to prevention and awareness in order to eliminate child sexual slavery.

According to Destiny Rescue staff, donors primarily assess an INPO by its cause. With the exception of two interviewees who had not been in contact with any donors, all interviewees reported that donors have been moved emotionally by the stories of abuse and changed lives (outcome) and the overall issue of sexual slavery (impact) and therefore the desire to make a difference is evident. Despite overall positive donor feedback, four interviewees reported complaints from donors due to a lack of communication and disappointment about the way in which the child sponsorship is organized. It therefore appears that customer service (outcome) becomes an additional performance criterion when actions lag behind expectations.

Overall, the data demonstrates that the input-output-outcome-impact model has the capacity to account for the performance criteria employed by management, staff and donors of Destiny Rescue. However, each of these stakeholder groups applies different measures within the model to assess the performance of the INPO. From the extant literature it had been proposed that NPO performance is solely evaluated by quantitative data. This proposition was corroborated by the management perspective, but not by the staff and donor perspectives. The findings from the three perspectives are summarized in Table 2 below.

**Table 2:** Summary of Performance Evaluation

<table>
<thead>
<tr>
<th>Data Type</th>
<th>Performance Measure</th>
<th>Management</th>
<th>Staff</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative</td>
<td>Input</td>
<td>●</td>
<td>○</td>
<td>—</td>
</tr>
<tr>
<td>Quantitative</td>
<td>Output</td>
<td>●</td>
<td>●</td>
<td>—</td>
</tr>
<tr>
<td>Qualitative</td>
<td>Outcome</td>
<td>—</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Qualitative</td>
<td>Impact</td>
<td>—</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

Legend:
● Primary Performance Measure
○ Secondary Performance Measure
— Not considered as Performance Measure

**Intended and Exercised Control**

In regards to the design of management control, the analysis of Destiny Rescue’s documentation revealed that ‘reporting’ and ‘participation’ are the primary sought after control systems. This conclusion is drawn from the findings of multiple statements that
encourage staff input and the requirement of every employee to prepare weekly reports. Weaker evidence is found for the control systems ‘promotion’, ‘monitoring’, ‘formal procedures’ and ‘budgets’, which are only documented once or for a specific setting, such as monitoring internet usage or following certain administrative procedures. Besides the formally designed control systems there is evidence that ‘organizational culture’, ‘training’ and ‘strategic alignment’ may assist with management control. Several documents highlight the importance of organizational culture, specifically referring to teamwork and Christian values. Furthermore, various professional and personal training opportunities are offered and every employee and every volunteer is required to undertake an annual accreditation test about the attributes and values of Destiny Rescue.

Interviews with Destiny Rescue staff revealed six preferred control systems employed at this INPO as identified by the interviewees. Due to the convergent interviewing technique’s aim to identify the primary issues, only topics mentioned by two or more respondents within one round were considered. Although the topic ‘empowerment’ fell into this category, the concept was excluded from the analysis, because it almost exclusively (5/8) referred to the freedom that volunteers have in designing fundraising campaigns for Destiny Rescue. Therefore, including this concept would have distorted the findings. The preferred control systems are provided in Table 3 below.

‘Organizational culture’ and ‘strategic alignment’ are identified as the primary control systems at Destiny Rescue. Every interviewee commented on these concepts in some way. Similar to the finding from the document analysis, organizational culture is represented by ‘teamwork’, ‘encouragement’ and ‘values’. Interviewees highlighted the significance of teamwork, frequent encouragement from managers as well as among staff, and values centred on helping others based on the Christian faith, with which organizational members clearly identify themselves. Some of these findings were additionally confirmed through observational data. Observed situations included the value of personal relationships with staff members, requiring newly recruited volunteers to memorize Destiny Rescue attributes and values, and the importance of staff members following up on an issue raised by a volunteer.

Table 3: Preferred control systems

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Round1</th>
<th>Round2</th>
<th>Round3</th>
<th>Round4</th>
<th>Round5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture as in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Team</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>• Encouragement</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>• Values</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>9</td>
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<tr>
<td>Strategic Alignment</td>
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<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Intrinsic Motivation</td>
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<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>13</td>
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<tr>
<td>Training</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Participative Control</td>
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<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Promotion from Within</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Empowerment</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Rewards</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Monitoring</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Reporting</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>
Furthermore, ‘strategic alignment’, ‘intrinsic motivation’, ‘training’, ‘participation’ and ‘promotion’ were recognized as important controls operating at Destiny Rescue. 13 out of 15 interviewees not only reported their passion about the work of Destiny Rescue, it was tangible, evidenced by the degree of their tone and language throughout the interview. 12 interviewees stated past or future training as helpful or important for their job. 10 respondents expressed either their expectation for participation in decision making or reported how management had followed through with a suggestion they had made. Nine interviewees mentioned that they had been promoted since they started working at Destiny Rescue.

Overall, the designed control systems that are documented in various company materials relatively closely match the employed controls as evidenced from the interviews and observations. A summary of the control systems are provided below in Table 4. The only inconsistencies between the three data collection methods were found in relation to ‘intrinsic motivation’ and ‘reporting’. The lack of coherence regarding ‘intrinsic motivation’ is likely due to the fact that ‘intrinsic motivation’ arises from within an individual and cannot be created externally and was therefore not mentioned in the organizational documentation. In regards to ‘reporting’, there has been strong evidence in the documentation as well as from two interviewees from different rounds, who stated that weekly reports are required. However, although this control system is in place, it does not seem to be a concern for Destiny Rescue staff. According to these results provided through the secondary and primary data, the proposition ‘control regarding performance is foremost exercised as informal control’ has been confirmed.

Table 4:
Summary of Designed and Employed Control Systems

<table>
<thead>
<tr>
<th>Type of Control</th>
<th>Control System</th>
<th>Designed (Control System)</th>
<th>Document Analysis</th>
<th>Interviews</th>
<th>Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal</td>
<td>Organizational Culture (Team, Values, Encouragement)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Informal</td>
<td>Intrinsic Motivation</td>
<td>—</td>
<td>●</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Informal</td>
<td>Strategic Alignment</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Informal</td>
<td>Training</td>
<td>●</td>
<td>●</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td>Participative Control</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td>Promotion from Within</td>
<td>○</td>
<td>○</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td>Reporting</td>
<td>●</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td>Other Formal Controls (Budgets, Monitoring, Formal Procedures, Dress Code)</td>
<td>○</td>
<td>—</td>
<td>○</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
● strong evidence
○ some evidence
— no evidence
Discussion

Performance Evaluation at Destiny Rescue

The study of performance evaluation at Destiny Rescue brought forth three insights. The first insight is that INPO performance evaluation needs to include the perspectives of multiple stakeholders. The results demonstrated that Destiny Rescue management, staff and donors assess INPO performance differently. As NPOs heavily rely on their stakeholders (Herman & Renz, 1997; Packard, 2010), their views of performance need to be considered, which is why INPO performance evaluation by criteria determined by donors (Newcomer et al., 2013) or by NPO leaders (Sawhill & Williamson, 2001; Tayşir & Tayşir, 2012) alone is insufficient. The results further illustrate that INPO performance assessment is a social construct (Herman & Renz, 1998, 1999; Packard, 2010), which requires a multidimensional approach (Lecy et al., 2012; Moxham, 2009; Packard, 2010) due to the various performance criteria used, even within a single stakeholder group. The study demonstrated that the input-output-outcome-impact framework meets this criterion, as it was able to accommodate the employed performance criteria.

The third insight is that performance is not only evaluated through quantitative data, but also through qualitative data. Previous studies had focused on performance criteria determined by INPO management and found that performance is generally evaluated through quantitative data (Cordery & Sinclair, 2013; Moxham, 2009). This finding was substantiated by the management perspective of Destiny Rescue. Furthermore, it was put forward that donors require quantitative performance data (Newcomer et al., 2013). At Destiny Rescue however, donors were found to primarily evaluate the performance through qualitative data. This discrepancy between the two studies is likely to be a result of the different donor groups that support the organizations. While Newcomer's (2013) study was based on funding agencies as donors, Destiny Rescue primarily receives funds from individual donors. Therefore, future studies will have to distinguish between the requirements of different donor groups. The proposition that performance is only evaluated by quantitative data was therefore only true for the management, but not for the staff and donor perspective.

Control Practices at Destiny Rescue

At Destiny Rescue, the input-output-outcome-impact performance concepts are subject to various control mechanisms. In alignment with the extant literature, the results have demonstrated that control is primarily exercised as informal control (Baraldi, 1998; Chenhall et al., 2010; Tucker & Parker, 2013). This study enriches the extant literature by explaining how formal controls are targeted at input performance, while informal controls can additionally influence output, outcome and impact, as depicted in Figure 1. Formal controls, represented by the light blue rounded rectangles, are directed at performance evaluation by input (budget, staff behaviour). Informal controls, represented by the dark blue rectangles, are directed at all four performance concepts.

Through organizational culture, characterized by organizational and individual values, staff presents an attitude that child sexual slavery must not exist (impact) and actions against the issue need to be carried out (output, outcome). This attitude strengthens intrinsic motivation and drives staff to work harder for the cause (outcome, impact). Strategic alignment enables individuals to give their tasks meaning and obtain an understanding of how their work makes a difference in the lives of rescued children (output, outcome) and the overall issue (impact). Consequently, informal control enables Destiny Rescue staff to shift their focus from the everyday tasks towards their passion. When staff is focused on output, outcome and impact, they not only act according to protocol (input), but aspire to improve the work of the organization, as reflected in the desire for participation. Hence informal control not only influences input, but output, outcome and impact alike.
This study proposes that the control systems need to be arranged astutely to have an impact on all four performance criteria. Previous studies suggest that intrinsic motivation has an essential role in NPOs, referring to generally high levels of motivation (Speckbacher, 2003), particularly among religious NPOs (Reinikka & Svensson, 2010) and that positive volunteering experiences lead to increased motivation (Gazley, 2012). At Destiny Rescue, control centres on intrinsic motivation, as depicted in Figure 2. Motivation of Destiny Rescue staff is reinforced through professional and personal training opportunities. A high level of motivation is represented by the desire for participative decision making. As staff contribution is highly encouraged, motivation is strengthened through the opportunity to participate. The organizational culture of Destiny Rescue is based on a positive work environment, common values and encouragement. These aspects of organizational culture foster intrinsic motivation among Destiny Rescue staff. Strategic alignment enables Destiny Rescue staff to associate their jobs with the organization’s cause, which the employees are passionate about, hence fostering intrinsic motivation. The practice of reporting employee success reinforces high levels of staff motivation by celebrating their achievements. The exemplary arrangement of controls at Destiny Rescue has therefore made a significant contribution to the body of knowledge in regards to strengthening intrinsic motivation.
In addition to the arrangement of controls, Destiny Rescue has created a belief system that addresses common managerial challenges of NPOs. The extant literature recognized NPO staff are resistant to business models and short-term performance goals (Chew & Osborne, 2009; Lindenberg, 2001). It has been suggested to design a belief system that aligns staff and organizational values to establish a long-term perspective and embraces economic concerns (Chenhall et al., 2010). Destiny Rescue has established such a system through the alignment of personal and organizational values and goals as depicted in Figure 3. Destiny Rescue’s goals are closely related to the organization’s values. As Destiny Rescue staff mostly identifies with these values, they also relate to the organizational goals, which are then broken down into individual tasks. The values of employees harmonize with organizational values, and as organizational goals reflect organizational values, the organizational goals become the employee’s personal goals. The effectiveness of this system became apparent through interviewees commenting on the Destiny Rescue’s vision and organizational growth, as well as on financial concerns.
The study of Destiny Rescue disclosed that in order to evaluate the performance of an INPO, certain performance criteria need to be established. As management, staff and donors assess INPO performance differently, yet frequently related to the organization’s cause; it is likely that stakeholders of other INPOs evaluate performance through different measures, which future research will have to unearth. According to this study, the input-output-outcome-impact framework is suitable to assist with establishing such measures by providing four dimensions according to which stakeholders evaluate the performance of an INPO. This study therefore confirms the suggestion that NPO performance needs to be determined for each NPO individually (Herman & Renz, 2008).

Following the design of performance measures, an appropriate combination of informal and formal control is necessary to achieve the desired performance. Overall, Destiny Rescue staff and donors are satisfied with the performance of the organization as it doubled its output two years in a row and is making progress in terms of outcome and impact. The present study therefore revealed an appropriate combination of controls that reinforces intrinsic motivation for Destiny Rescue staff. However, the increased levels of motivation could potentially increase the danger of burn-out which would be counter-productive to such well-designed control systems. Future research could investigate the concept of potential burn-out as well as the most effective combination of controls suitable for other INPOs.

This arrangement of controls at Destiny Rescue has such a positive effect on success that it potentially balances out the lack of suitable systems. Destiny Rescue interviewees mentioned that several of their systems are outdated and inappropriate for the growing workload. However, as outlined above, Destiny Rescue has achieved sound performance in spite of the antiquated systems, due to the appropriate arrangement of controls. One interviewee described this issue by contrasting the favourable organizational culture with the poor systems, by saying “I think we are a great team using Z grade (poorly designed)
systems”. According to this finding, the appropriate combination of control is more important than suitable systems.

In addition to the investigated concepts performance and control, this study identified a learning orientation as an additional success factor at Destiny Rescue. The results have demonstrated that Destiny Rescue promotes professional and personal development. Employees are enthusiastic about the cause, staff contribution and participation are encouraged and team building efforts are undertaken. These findings correlate with the literature that describes a successful NPO as a learning oriented organization defined by a commitment to learning, a shared vision, open-mindedness and intra-organizational knowledge sharing (Mahmoud & Yusif, 2012). According to this definition, Destiny Rescue is a learning oriented INPO, which contributes to the success of this organization. The aforementioned concepts for Destiny Rescue’s success are depicted in Figure 4 below.

**Figure 4:**
*Links between Performance, Control and INPO Success*
Conclusion

This paper suggests that an INPO can achieve superior performance by including different performance perspectives, aligning individual tasks with organizational goals and arranging control mechanisms to centre on intrinsic motivation. The different performance perspectives need to include the views of diverse stakeholder groups. Alignment of individual tasks and organizational goals is achieved through aligning personal values with organizational values. If the control mechanisms reporting, training, participation, strategic alignment and organizational culture are arranged appropriately, this configuration can lead to intrinsic motivation which leads to higher productivity of staff. Hence, this study has made a significant contribution to the body of knowledge regarding the performance of INPOs. Future studies could distinguish between the requirements of different donor groups and could explore whether the performance and control attributes are applicable to other INPOs.

References


