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**Performance Measurement Systems in Non-profit Organisations as
Management Tool or an Option for Strategic Responses?**

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Performance Measurement Systems in Non-profit Organisations as Management Tool or an Option for Strategic Responses?

I. Introduction

Not only in the public sector but also in the non-profit sector we have seen an increase in institutional pressure to introduce performance measurement systems (Greiling 2009, Murray 2010). In the past two decades there has been a significant change from a 'trust me' to a 'show me'-culture within the non-profit sector. There is not only a pressure of "doing well while doing good" as Summers and Kanter (1987) stated more than two decades ago but also the pressure to document it. Quality prizes, quality audits, funder-imposed accountability obligations and increased reporting requirements are symptoms for this development. Non-profit organisations are increasingly forced to demonstrate how they perform and whether they are efficiently and effectively managed (LeRoux/Wright 2010). Performance measurement systems are advocated not only to promote accountability but also as a management accounting technique for decision-facilitating and decision-influencing purposes (e.g. Demski and Feltham 1976, Chong 2003, Hall 2010).

There is a growing body of research which discusses methods, benefits and challenges of performance measurement in the non-profit context (e.g. Greiling 2009, Moxham 2010, Murray 2010). With some time lag to the public sector body of research, measurement imperfections and challenges are discussed along with intended and unintended consequences of performance measurement systems (Vakkuri and Meklin 2006, Pollock et al. 2007, Lehn 2008, Samples and Austin 2008, Moxham 2010).

When it comes to the implementation of performance measurement at least two research gaps can be observed. Firstly, while we have a growing body of research which can be classified as conceptual or normative papers. As illustrated by the works of Kaplan (e.g. Kaplan 2001 and

2002), such publications focus on how to design and implement performance measurement systems for non-profits and what their major challenges are (see also Scherer and Alt 2002, Niven 2008, Greiling 2009, Murray 2010). In comparison, the body of research which reports empirical results about the utilization of performance measurement systems in the non-profit sector is much smaller. The only notable exception are studies on how management (accounting) practices effect the performance of the hospital sector in general and whether non-profit hospitals perform better or worse than for profit or public ones (Schlesinger and Gray 2009, Samuel et al. 2009). In the other areas of non profit management we find very few empirical studies which include case studies (e.g. Hall et al. 2003, Zimmermann and Stevens 2006, Greiling 2009, Campos et al. 2010, LeRoux and Wright 2010, Salamon et al. 2010). Secondly, in comparison with the of research on the public sector (Modell 2009), there is much less discussing of the options that non-profit organisations have to respond to institutional pressure to introduce performance measurement systems.

Given this situation, the paper addresses the following research questions:

- How do German non-profits in the social and healthcare sectors use performance measurement systems?
- How is the balanced scorecard implemented in German non-profit organizations?
- What are the reactions of German non-profit organizations to pressure to introduce performance measurement systems?

In order to address the first two research questions, the paper presents results of two empirical studies on the cutting edge of the implementation of performance measurement systems in the German non-profit sector. One study – a quantitative survey – evaluates the state of the art of performance measurement in health care and social non-profit organisations. Results are presented which address the purposes of performance measurement, the type of performance measurement system chosen, the indicators most frequently used and how the participating non-profits are operationalizing performance.

A second much smaller exploratory study looks at the implementation of the balanced scorecard as a popular strategic performance measurement system in 20 non-profit organisations. Again, non-profits in the German health and social care sectors were chosen, in order to find out how well advanced the balanced scorecards they had implemented really are. Not surprisingly, Kaplan regards the implementation of the balanced scorecard in non-profits at least as beneficial as in the private sector (Kaplan 1999, 2001 and 2002). According to Kaplan “society’s ‘third sector’ will become far more efficient in delivering benefits to society“ (Kaplan 2002: 6) with a balanced scorecard.

While the balanced scorecard by Kaplan and Norton is one of the most popular management tools and technologies-in-action (e.g. Andon et al. 2005, Bedford et al. 2008, Wu and Hung 2008) there is little empirical evidence about the utilization of the balanced scorecard in the non-profit sector. Although there is a body of research focuses on the implementation of the balanced scorecard in the health care sector in general (e.g. Zelman et al. 2003, Urrutia and Eriksen 2005, Kocakühlah and Austill 2007, Gurd and Gao 2008), research that goes beyond single case best practices in the nonprofit sector are rare. Empirical studies that compare real life experience made with the balanced scorecard across various industries within the non-profit sector are very scarce. Therefore, a part of the paper will be dedicated to presenting and discussing the experience of 20 German non-profit organisations, which have worked with the balanced scorecard. By providing comparative empirical results the paper aims to augment the empirical research in this field (Greiling 2010). Such a research is highly desirable but rather research-intensive and difficult to handle across the sectors. This issue was stressed by various authors (e.g. Speckbacher et al. 2003, Bedford et al. 2008, Grud and Gao 2008, Greiling 2010).

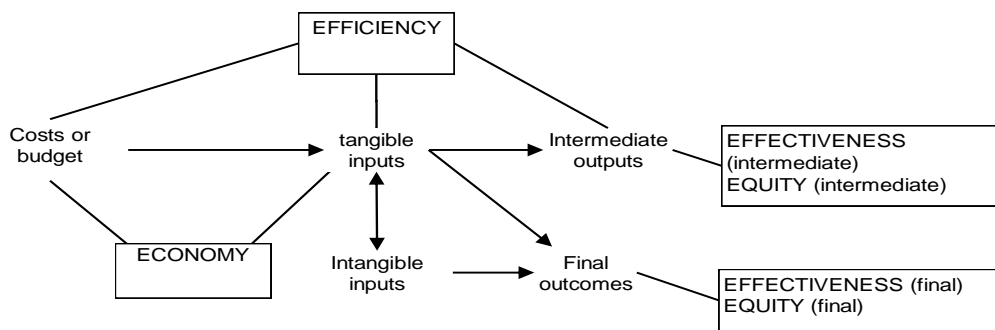
As empirical research (e.g. Hall et al. 2003, Zimmerman and Stevens (2006), Campos et al. (2010), Greiling 2010) demonstrate non-profit-organisations tend to have weak performance measurement systems and the implementation of the balanced scorecards is often problematic

due to failures in its adaptation to the distinct requirements of the non-profit sector. The focus of the paper is widened by using Christine Oliver's (1991) framework of strategic responses to institutional pressures (acquiescing, compromising, avoiding, defying and manipulating) in order to discuss general reactions of non-profit organisations toward the performance measurement obligations.

II. Literature review

As stated above performance measurement has been a salient topic for non-profit organizations. Not the least because New Public Management has brought along a stronger emphasis on an output- and outcome-orientation and a competitive tendering of non-profits for service contracts. Basel II and III put some additional pressure on the performance documentation in non-profits. For those non-profits which have a high resource dependency on funders New Public Management brought along an increase in non-voluntary external accountability reporting (Benjamin 2008, Ebrahim 2010). Additionally, many service non-profits nowadays signal their trustworthiness by taking part in quality auditing processes or applying for prizes in that field. The times are gone where non-profits are regarded per se as trustworthy and that this trustworthiness translated directly in a competitive advantage (Hansmann 1980, 2003).

Performance measurement in non-profit is more complex than in for-profit enterprises not at least due to multiple and sometimes contradictory stakeholder demands, complex missions and the fact that for legitimacy nonprofits also have to demonstrate their contribution to society. The latter complexity is illustrated by figure one. Not only is the output relevant but also the outcome and the contribution to equity.



Source: with adaption from Kendall and Knapp (2000): 115

Fig. 1: Production of the welfare model

When it comes to measuring the performance in non-profits one of the challenges has to do with the inability to determine efficiency and effectiveness merely by examination of their financial statements (Mook and Handy 2010). In the non-profit context possible contributions towards the welfare of a larger group or region (meso-level performance measurement) or the society at large (macro-level performance measurements) must also be taken into consideration. One of the few examples of an effort to address this measurement challenge is the civil society diamond, developed by CIVICUS (World Alliance for Citizen Participation) and the Centre for Civil Society at the London School of Economics (Anheier 2004). Basically this diamond aims at assessing the impact of civil society (Anheier 2004).

The civil society diamond entails the following dimensions: structure, values, legal/political space and impact. While the civil society diamond is focused on civil society organizations, the proposal by Greiling (2009) for a Non-profit Sector Accountability Index takes additionally the entrepreneurial non-profit into account.

On the programme level social effects or positive externalities are also addressed by proposal which measure the social return on investment, the cost benefit analysis or the expanded value added statement developed by Mook which focuses not only on the economic but the social impact as well (Cordes and Coventry 2010, Mook and Handy 2010).

This paper focuses on performance measurement at the level of a single non-profit organization and does not address the performance measurements on the meso and macro levels. Though, as pointed earlier, a comprehensive performance measurement scheme cannot ignore the possible effect of a given non-profit on those other levels as well.

The design of performance measurement systems for non-profits is an intricate process for several reasons. To start with this complexity is due to the reality that core operation procedures in the health and social care sectors are often dominated by individuals with different professional backgrounds. As pointed out by Blau and Scott (1962) these professionals pursue multiple goals which may be inconsistent with each other or even in conflict. For each of these goals there is a corresponding group of stakeholders that would challenge any effort to prioritize objectives if the one pertaining to their narrow interest is not likely to come on top (Abernethy et al. 2007, Greiling 2009). The desire to avoid or minimize possible friction between boards and management in non-profit organizations contributes to what Anheier (2005) calls “the law of non-profit complexity.” Intricate governance mechanisms complicate selection process of adequate performance measures and criteria for organizational success.

Performance measurement challenge in the non-profit organizations is exasperated because, unlike for profit ones, there is no single bottom line that can be used to ascertain level of performance. The measurement process is always resource-intensive and often convoluted due to the need to appease different stakeholders or because such agencies are expected to attain fussy objectives that are not clearly defined to keep everybody happy.

The observable performance in non-profits is usually achieved in a co-production process between the health or social care professionals, the client and his or her surroundings. Non-profits engage themselves in areas with positive externalities. What is regarded as good performance varies from stakeholder to stakeholder and is also dependent on the client’s potential (abilities and willingness). Therefore performance measurement in non-profits is

problematic not only due to ambiguity and noisiness but also because a) cause-and-effect relations are often unclear and b) the co-production technology which is common in non-profits dealing with health and social care is not amenable to a straightforward measurement. Performance measurement in non-profits calls for a combination of financial and non-financial performance measures. Conflicting views exist with respect to the integration of (monetary) incentives in a performance measurement system in non-profit organizations: Sometimes the organizational charters preclude the use of monetary incentives as a mechanism to support goal congruence (Abernethy 2007). Sometimes it is argued that the intrinsic motivation of non-profit employees will be crowded-out by monetary incentives, other authors stress the difficulties which one encounters by including non-financial performance measures in a performance measurement system (Ittner et al. 1997, Jacobides and Croson 2000, Frey et al. 2001).

There are only few empirical studies of German non-profits. Some studies, like Helmig (2000) or Wendel (2001) examined the hierarchy of organizational objectives in order to find out what non-profits regard as success (Seminar für Vereins- und Verbandforschung 1998, , , Deutsches Krankenhausbarometer 2007). However, only Greiling (2009) explicitly links the organizational objectives directly to performance measurement systems.

Specific aspects of performance measurement are also addressed by empirical studies on the state of the art of management accounting in German non-profits. The study by Weber and Hamprecht (1994), for example, investigated the rudimentary state of planning, budgeting and management control systems in 219 German non-profits. The study by the Seminar für Vereins- und Verbandforschung (1998) focused on the cutting edge of cost accounting and identified a need to improve management accounting. Particular high scored deficits in performance evaluation and in the planning and goal coordination process. Wendel's empirical study compiled descriptive material about the state of the art in cost accounting, benchmarking and the implementation of quality management systems (Wendel 2001). More

than 86 % of the answering 575 organizations in the health sector took part in a benchmarking process. Kienbaum Management Consultant (2003) studied a group of 75 organizations that provide care for the elderly and for persons with disability. The study reports that in these two sub-fields of social work there is a clear dominance of performance measurements that have to do with financial issues. These are followed by measurement of service quality and measurement of client/patient satisfaction.

Internationally few studies, such as Courtney et al. (2009) or Moxham (2010) have gone beyond the investigation of a single case. The multi-case study conducted by Moxham (2010) investigated the use of performance measurement in six British non-profit organisations. She found out that in these six organisations demonstration of accountability was manifested mainly by scrutiny of expenditures. The potential of performance measurement has for improving the organizational effectiveness was hardly mobilized. The design of the performance measurement was moulded to meet the specific requirements of institutional donors with little attentions to other aspects of performance measurement.

Quantitative studies which focus on non-German non-profits and are not limited to the balanced scorecard have been reported in the last few years include the works of Hall et al. (2003), Zimmerman and Stevens (2006), Campos et al. (2010), LeRoux and Wright (2010) and Salamon et al. (2010).

Hall et al. (2003) surveyed back in 2001 1,965 voluntary organizations and 322 funders across Canada by telephone interviews. The study focussed on evaluation practices (e.g. focus, drivers, methods, board involvement, responsibility for evaluations, usefulness of funder-mandated evaluations), challenges of evaluations, the assessment of evaluation information and as well as strength, barriers and ways to improve evaluations. As this enumeration shows the focus was on evaluation in general. Organizational evaluation was just one among other evaluation forms. The most frequently evaluation carried out were those on projects and programmes (Hall et al. 2003: 10). The top-ranking evaluation methods were volunteer and

staff meetings (Hall et al. 2003: 13). In design and scope the study by Hall et al. (2003) differs substantially from the findings presented below.

Zimmermann and Stevens (2006) investigated the use of performance measurement in 149 South Carolina nonprofit organisations, which came from various areas of the nonprofit sector. 29% categorized themselves as human services providers, 20% offered educational services and 11% operated in the field of health care. The rest came from a variety of fields such as public benefits, environment and animals, arts, culture and humanities. 85% of the organisations reported that they conducted evaluations of their programmes and services and 75% indicated that they use outcome indicators which were not further specified in the survey. 52.6% reported that the initial motivation for performance measurement was to meet grant or contract requirements and therefore that performance measurement was imposed on them from outside, 22% listed accountability and effectiveness as their primary motivation followed by 7% which hoped to get more external funding. Only 6% voted for improving services as their primary motivation. Three quarters of the 91 organisations which used performance measurement reported to have made internal changes in their operations as a result of performance measurement. The most changes were made at the programme level. Here 22 agencies reported changes. What that means in concreto was not specified. 90% of the performance measurement implementer would recommend it to others. An interesting side-result was that performance measurement is an instrument which is more frequently found in larger nonprofit organisations. The high use of outcome measures comes as a surprise, but Zimmermann and Stevens did not ask the nonprofits to specify what they regard as outcome measures. The possible use of performance measurement for internal purposes ranked as a low priority. With only 6% which want to use performance measurement for service improving the potential of performance measurement as an instrument to support organisational learning is very low. The initial motivations have a distinct bias in the direction of performance reporting.

Campos et al. (2010) examined the state of the art of performance evaluation in Brazilian non-profit organizations. The research concludes that an increased competition among non-profits for external resources and the necessity of Brazilian non-profits to enhance their credibility was the main force behind the effort to introduce performance evaluation. The focus of that research is on program or project evaluation and not on the measurement of the organizational performances. Campos et al. (2010) used the performance evaluation approaches of four big funders. The study examined whether performance was evaluated at all, who conducted the evaluation, the timing of the evaluation and the role of the evaluation during the project. Furthermore they investigated the role of the evaluation after the project, which stakeholder were involved in the evaluation process, how the evaluation results were disseminated and if an impact assessment was conducted. This enumeration shows that the focus differs from the below presented results. One of their conclusions was that so far in Brazil performance measurement is seen as an instrument responding to external obligations and not so much as a tool for improving internal processes nor as an instrument for communicating the value non-profits create (Campos et al. 2010).

Le Roux and Wright (2010) addresses a specific, but important aspect of performance measurement. The guiding question of their research was whether performance measurement improves strategic decision making in non-profit organizations. To gain an insight they conducted an empirical study in the United States in 2004, in which 314 non-profit social service organizations participated. With respect to performance measurement they investigated the links between six groups of performance measures, i.e. “(1) workload and output indicators, (2) unit cost and efficiency measures, (3) outcome and effectiveness measures, (4) client and customer satisfaction, (5) external audits and (6) industry standards and benchmarks” (LeRoux and Wright 2010: 578). The research established that unit cost and efficiency measures had the strongest impact, followed by outcome and effectiveness indicators and workload and output measures. External audits had the weakest statistical

significant impact. It came as a surprise, that client and customer satisfaction as well as industry standards and benchmarks had no influence. As consequence LeRoux and Wright call for more in-depth research to strengthen these findings (LeRoux and Wright 2010: 583).

Salamon et al. (2010) uses a large scale quantitative survey with 417 participating nonprofits of child and family services, elderly housing and services, community and economic development and the arts aspects to do what A key finding of the study is that 85% of the respondents reported measuring the effectiveness of portions of their programmes/services at least on an a and with respect to outcome measurement techniques only a minority used the kinds of techniques that assessment experts recommend such as random assignments comparisons and social rates of return estimates. The most frequently uses forms of performance measurement were programme output measures (81%) and client/customer/patron satisfaction surveys or focus groups (74%). Resource constraints in form of lack of staff time, high costs of good evaluation and lack of staff skills and expertise headed the hit list of barriers to measurement the effectiveness of programmes and services. Salamon et al. (2010) also ask what is needed to improve performance measurement in nonprofit organisations. Here the list was headed by tools able to measure qualitative outcomes and impacts (82%), followed by less time-consuming measurement tools (81%) and resources to support research and measurement (79%).

In comparison to the other empirical studies Salomon et al. (2010) present on the level of programme evaluations a somehow more positive picture and conclude that the mantra of performance measurement is firmly embedded in nonprofit organisations. On a general level their study shows a high implementation rate of performance measurement techniques on the programme level. Despite these positive findings they criticise that more sophisticated measurement tools are underutilized and finds deficits when it comes to more sophisticated forms of outcome assessment. Concerning the barriers they make it clear that one key

challenges is that multiple funders equals multiple interests and that funders expect a good evaluation but this does not go along with a willingness to pay for such an evaluation.

Similar to the discussion in the for-profit sector, the balanced scorecard is most likely the most intensively discussed performance measurement system in the non-profit sector in the past 15 years. Much has been written about the balanced scorecard as strategic management accounting instrument and its particular merits in the non-profit sector.

If we look at the proposal how to implement the balanced scorecard in the non-profit sector most of them go back to the late 1990s and the early years of this decade. According to Greiling (2009, 2010) two generations of normative proposals can be differentiated:

The first generation of normative proposals are tailored to the non-profit sector in general. Their focus is on a few essentials at the how-to-do-level. They often briefly describe specific benefits and differences of the non-profit-sector which necessitates that the “original” balanced scorecard needs to be modified. At the top of a non-profit balanced scorecard typically a mission perspective is placed or specific performance measures, e.g. with respect to volunteers or donors (e.g. Haine 1999, Kaplan and Norton 2001, Niven 2008). Already back in 1999 Kaplan stated that he found the transition of the original balanced scorecard to a non-profit balanced scorecard quite simple (Kaplan 1999: 3). The customer and financial perspectives may change a little but the basis has proven, according to Kaplan, quite robust in its translation from the private sector (Kaplan 1999: 2). Naturally these proposals do not report on real life challenges, managers of non-profit organisations are facing when implementing the balanced scorecard. Taking into account that non-profits are portrayed as organizations which have to integrate the logics of various stakeholder groups to a greater extent than for-profits (Anheier 2005), sometimes the customer perspective is split into different stakeholder groups, volunteers or donors.

The second generation of proposals are area-specific approaches (see Greiling 2010), focussing for instance on non-profit hospitals, facilities for the elderly, youth organisations or

sport clubs. The proposed performance indicators are industry-specific and the specific external and internal challenges non-profit organisation faces in the chosen area are addressed in more detail.

Both generations try to assure the reader that, in general, there are no reasons why the balanced scorecard cannot be implemented in the non-profit sector (Greiling 2010). There are numerous single case descriptions, which report in a positive way about actual balanced scorecard implementation in the non-profit world. The Mayo Clinic, the Special Olympics, Duke Children's Hospital, the Boston Lyric Opera, New Profit Inc. or United Way of South Eastern New England or the Cattaraugus County Rehabilitation Centre may serve as American examples (Kaplan and Norton 1996, Curtright et al. 2000, Kaplan 2001, Meliones 2002, Martello et al. 2008). The Boston Lyric Opera is an example where the application of the balanced scorecard has even made it as a case study into a standard text book on management control systems (Merchant and van der Stede 2007). The Diaconic Foundation of Neuendettelsau or dioceses of the Roman Catholic Church are among the German single case descriptions (Breyer and Horneber 2002, Mertes 2002). All these single case presentations fail to give evidence in a comparative way. Even if the authors include more than one case in their publication (e.g. Kaplan 2001) they do not compare benefits and challenges across different organisations. The single case presentations often include general challenges which the specific non-profit organisation form faces (e.g. unclear strategy, gaps in the existing strategy, lack of clear priorities, declining quality, loss of members, lack of financial resources) and how these challenges were subsequently successfully resolved with the balanced scorecard as a strategic management accounting instrument (Greiling 2010). A non-profit-context adapted technology-in-action is presented at the costs of a deeper, theory-driven reflection.

If we look beyond these two generations of normative proposals the body of research is getting much smaller. For the for-profit sector, a growing body of empirical studies does exist conducting quantitative or qualitative research (e.g. Malmi 2001, Bischof 2002, Speckbacher

et al. 2003, Bedford et al. 2008, Schaeffer and Matlachowsky 2008). It predominately focuses on very large organisations. The experience with the balanced scorecard in the for-profit sector is described as mixed (Ittner et al. 2003, Bedford et al. 2008, Schaeffer and Matlachowsky 2008, Ittner and Larcker 2009). Challenges reported include how to link the performance indicators to an incentive system or how to make it a strategic management system. The implementation is a time-consuming process and difficulties were encountered with respect to cause-and-effect relationships (Greiling 2010). Schaeffer and Matlachowsky (2008) report on cases where fully-fledged balanced scorecards were abolished due to a change in the top management or because the gathering and monitoring of the balanced scorecard indicators were seen as a no-value-adding burden. Due to the difference in size, number of employees and general strategic orientation, the findings from those studies cannot be transferred one-to-one from for-profit to non-profit organisations.

If we look at empirical papers which go beyond single case studies (for a literature review see Urrutia and Scott 2005, Gurd and Gao 2008, Kocakulah and Austill 2007, Greiling 2010) the body of research gets very small for health and social non-profits. While there is no research which focuses explicitly on the implementation of the balanced scorecard in the social sector, a few empirical studies do focus on the balanced scorecard in the health care sector (e.g. Chan and Ho 2000, Hermann et al. 2000, Aidenmark 2001, Kershaw and Kerschaw 2001, Pink et al. 2001, Voelker et al. 2001, Randor and Lowell 2003a and 2003b, Zelman et al. 2003). With respect to the non-profits in health care only very few examples of comparative studies (Inamdar and Kaplan 2002, Contrast Management Consulting 2002, Greiling 2009) could be identified. While the two last mentioned do not focus exclusively on the balanced scorecard, Inamdar and Kaplan (2002) interviewed nine managers of non-profit hospitals which were in an early stage of implementing the balanced scorecard. The introduction of the balanced scorecard took an average of two years and pay-off of this time-consuming endeavour was a measurable performance improvement (Inamdar and Kaplan 2002: 194). According to these

authors the cause-and-effect reasoning of the balanced scorecard often helped to identify gaps in existing strategies (Inamdar and Kaplan 2002: 183). Furthermore the scorecard development process forced these hospitals to clarify and gain consensus on the strategy and helped to increase the credibility of the hospital management with the board members. The interviewed also stated that the four perspectives of the balanced scorecard gave executives a framework for decision-making, helped to set priorities by identifying, rationalizing and aligning initiatives and was useful for linking strategy to resources allocation. Additionally the balanced scorecard helped to improve internal accountability and facilitated learning and improvement. The main benefits reported read like a text book written by Kaplan and Norton which is not surprising considering the authors of the study (Greiling 2010).

With respect to the challenges encountered the interviewees reported that they devoted extensive time to discussions and consensus building to embed the balanced scorecard in their organisations (Inamdar and Kaplan 2002: 185). The challenges mentioned most often were (Inamdar and Kaplan 2002: 185): “obtaining approval to implement the balanced scorecard, obtaining executive time and commitment, developing the value position from the customer perspective, deploying the balanced scorecard throughout the organisation, gaining commitment to implement, obtaining and interpreting timely data in a cost-effective manner, keeping the scorecard simple and using it for learning.”

Contrast Management Consulting (2002) reported in a small quantitative study (n = 82), that 70% of the participating non-profit organisations knew about the balanced scorecard, 2 % had already implemented a balanced scorecard and additionally 15 % planned to implement it. Therefore the basis of real implementers was small. The quantitative survey conducted by Greiling (2009) established that the balanced scorecard was the least used performance management instrument in the non-profit sector (Greiling 2009). Only 8.8 % of the 343 non-profit organisations had implemented the balanced scorecard.

III. Methodology

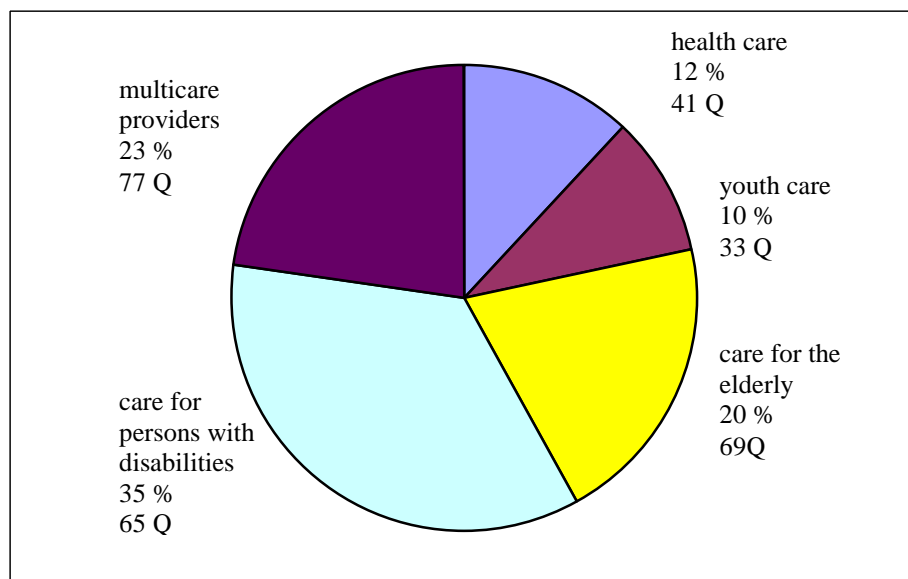
The paper is based on a mixed approach as one empirical study included meets the standards for quantitative research in management accounting (Anderson and Widener 2007) and the other empirical study meets the criteria for a qualitative research design (Ahrens and Chapman 2007). By applying Oliver's typology of strategic responses to institutional pressure the paper also includes conceptual elements which may serve as an input for further empirical research.

The quantitative empirical study is based on 343 questionnaires on the state of the art of performance measurement in German health care and social non-profit organisations. Those two industries were chosen for their relative size, measured by the number of people employed and the return on investment. According to a non-profit sector statistic (Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege 2006: 14) the average number of employees in German non-profits is 14.3 (in full-time equivalents). The organizations which returned the questionnaire employed on average 310. That the bigger non-profits participated is also obvious when one looks at the annual turnover. Their average annual turnover was EUR 35.74 million. If one compares this to the criteria how the Swiss GAAP FER 21 classify that a non-profit organisation is regard as a large company, then most of the participating non-profits meet the criteria.

In the German non-profit sector, organisations in the health and social care sector are traditionally regarded as frontrunners concerning modern management accounting instruments (Seminar für Vereins- und Verbandforschung 1998, Wendel 2001, Greiling 2010). That size matters is a result which can be also found in empirical research on the design of management control instruments in the for-profit sector (Chendall 2007, Langfield-Smith 2007).

According to Anheier and Salamon (2006) the non-profit workforce percentage is 5,9 % in Germany which is above average (4,4%) but is much lower than the percentage of the top ranking countries, namely the Netherlands (14,4 %), Belgium (10,9 %) and Ireland (10,4 %). According to the John Hopkins country study for Germany around 70 % of all persons employed by non-profits work in the two sectors chosen (Zimmer et al. 2000). Therefore the German non-profit sector combines a Western European tradition with a prominent role of social service providers with that of the United States, Japan, Australia and Israel where, according to Anheier and Salamon (2006: 97), health care organizations are the most prominent ones.

The quantitative study concentrated on residential non-profit care providers in below mentioned areas. The questionnaires returned are distributed as shown in table 1:



Source: author's compilation

Fig. 1: Distribution of the questionnaires (Q) across the fields of health and social care

For analysing the data gathered, descriptive statistics and statistical testing was applied. As all tests on normal distribution were significant (and therefore no normal distribution was confirmed), the Mann, Whitney und Wilcoxon tests were chosen and if appropriate also the Kruskal-Wallis-test. Additionally bi-variate statistical methods were employed. Due to the

distribution of the data the factor analysis produced unsatisfactory results which did not meet the necessary quality criteria.

It proved to be a challenge for the qualitative study to find German non-profit organisations which had implemented the balanced scorecard (Greiling 2010). But then a balanced scorecard working group from the German Society for Management Accounting in Social Service Organisations helped to find 20 interview partners in the areas of social services and healthcare. Altogether 24 persons agreed to being interviewed. Four interviews were not included in the presentation of results as the balanced scorecard implementation was only envisaged for the future. Further even, in these four cases the planning was in the very early stages and the management teams willingness to participate in the study was motivated by the expectation to get some unpaid consultancy.

Three quarters of the remaining 20 interviewees preferred a telephone interview which lasted between 30 to 45 minutes. In those cases where the interviewer and the interviewed met personally the interviews normally took an hour to an hour and a half. Some organisations provided additional internal, undisclosed information material.

Most of the interviewees were the chief executive (18 cases). The other two were the chief financial officers. The participating non-profit organisations had the following focus: one in the field of health care, three provided care for the elderly, four youth care, eight specialized on care for persons with disabilities and the remaining four operated in more than one area. Ten of the participation organisations interviewed had an annual turnover of more than EUR 10 million and five more than 1,000 full-time employees. There was a clear dominance of large non-profits with the notable exception of one which had less than 20 employees. In this particular case, the balanced scorecard was brought to the organisation's attention by the partner of a board member who was a top manager in the German automotive industry (Greiling 2010).

IV. Presentation of the results of the empirical studies

1. Performance Measurement

One multiple-choice question was directed to explore if performance measurement systems are at all relevant. Only 12 % of the participating institutions did not have a performance measurement system (Greiling 2009). The answers showed a strong tendency to a “do it yourself approach”, which is totally in line with the demand that performance measurement systems, if they operationalize an organization’s strategy, should be tailor-made. Table 1 provides an overview over the performance measurement systems employed:

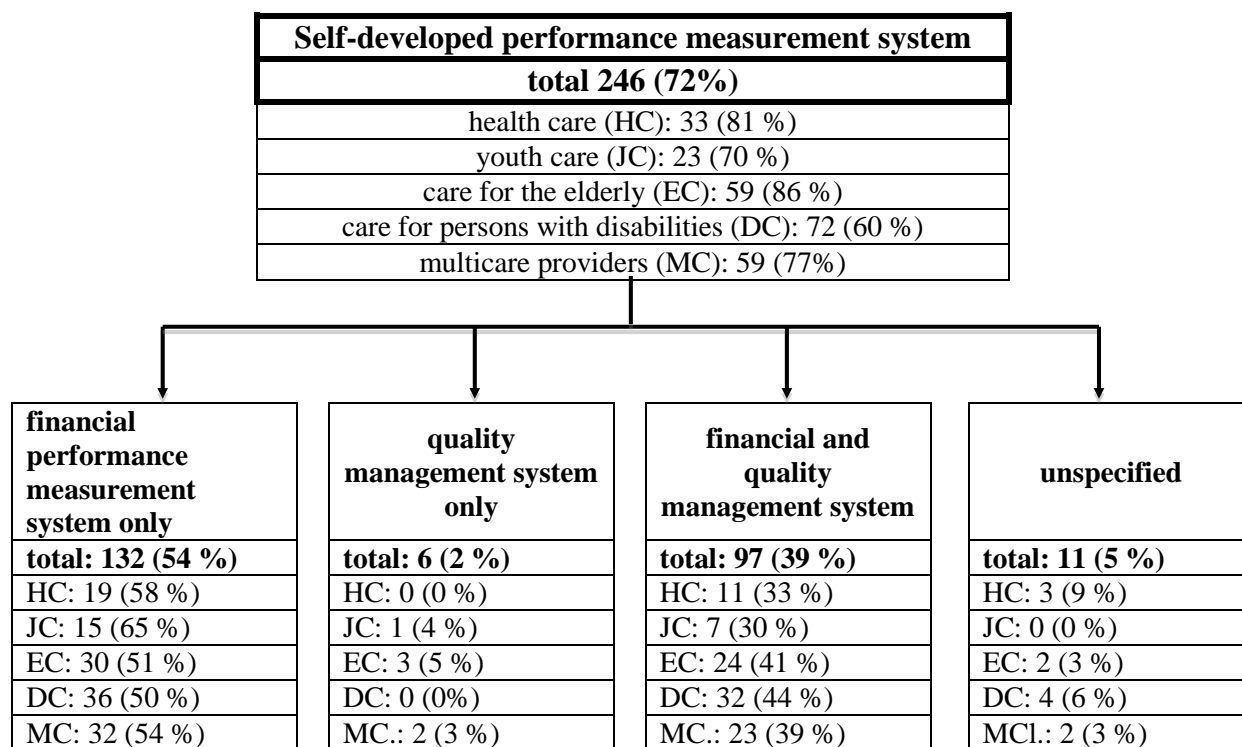
Type	numbers	%
No performance measurement and quality management system	39	12 %
Self-developed performance measurement system	246	72 %
Self-developed financial performance measurement system	229	67 %
DIN ISO 9000 ff.	126	37 %
Self-developed quality management system	103	30 %
Other performance measurement systems	50	15 %
Financial performance measurement system (e.g. ROI)	48	14 %
EFQM	41	12 %
Balanced Scorecard	30	9 %

Source: author’s compilation

Table 1: Implemented performance measurement system

That DIN ISO 9000 ff scored so high was caused by the fact that many organizations which provided care for persons with disability returned the questionnaire and that also this particular performance measurement framework was popular among the multicare non-profit providers. Other well known performance or quality management frameworks like EFQM or the ROI-performance measurement system did not score so high. In general it can be stated that the more complex a performance measurement system gets the less likely it is that it gets implemented. The balanced scorecard scored particular low. Only 50 non-profit providers implemented the balanced scorecard.

Figure 2 differentiates the findings according to the different types of providers.



Source: author's compilation

Fig 2: Distribution of the performance measurement systems across the sectors

The answers to the multiple-choice question that investigated the purposes of the performance measurement system came as a surprise. (Greiling 2009).

Purpose	Type	N
Cost and revenue control	diagnostic	262
Support of decision-making	steering	221
Control of goal achievement	diagnostic	203
Management reports	diagnostic	183
Identification of process errors	diagnostic	176
Departmental performance agreements { department, division }	steering	175
Development of the organizational strategy	steering	141
Interorganisational benchmarks	external accountability	140
Conformance to legal requirements conditions	external accountability	140
Basis for an organizational development process	steering	136
Enforcement of decisions	steering	136
Business model	steering	131
Communication of strategy	steering	101
Individual target agreements	steering	99
External voluntary reporting	external accountability	98

Requirement of {financing institutions, companies, backer}	external accountability	96
Accordance with statutory obligations	external accountability	73
Implementation of the organization's mission	steering	72
Supervision of personnel	diagnostic	68
Basis for an incentive system	steering	37

Source: author's compilation

Table 2: Purposes of the implemented performance measurement systems (n = 301)

The results show a strong dominance of diagnostic performance measurement systems which is in line with a classical use of performance measurement. The roots of diagnostic performance measurements systems in the for-profit sector go back more than a century and had a peak in the 1970s. Position one for the cost and revenue control can be interpreted as a very traditional use. The potential the more advanced performance measurement systems have for steering are not yet fully explored by the participating non-profits. The answers are in line with the question of the implemented performance measurement systems.

Taking into account that funders often require detailed accountability statements (e.g. Hall et al. 2003, LeRoux and Wright 2009, Moxham 2010, Murray 2010), the low scores for external accountability obligations came as a surprise. That performance measurement could be used to react to external accountability obligations in a proactive way was not high on the agenda. Considering that non-profits are not longer regarded quasi-automatically as trustworthy and are nowadays confronted with stakeholders which question the legitimacy this low ranking of external accountability obligations is risky in the current situation where legitimacy might be the next challenge for non-profits. In the last two decades New Public Management has put some pressure on non-profits to increase their efficiency and effectiveness. As a, to some extent, new form entrepreneurial non-profits have emerged (e.g. Mort and Weeranardena 2007, Zarah et al. 2009). Now signs are beginning to show that legitimacy might be the next challenge service non-profits will face. In that context Hirsch and Andrews (1984) distinguish value and performance challenges. According to these

authors „value challenges place the organization’s mission and legitimacy for existence at issue, regardless of how well it has fulfilled its agreed-upon goals or functions.“ In contrast “performance challenges occur when organizations are perceived by relevant actors as having failed to execute the purpose for which they are chartered and claim support” (Hirsch and Andrews 1984).

In view of the increasing competition and market orientation in the field of health and social services such a voluntary external reporting could also be used for strategic positioning and for demonstration the specific service quality of the non-profit providers.

Furthermore, the questionnaire also investigated which were the most frequently used performance measures for internal purposes. The results are presented in table 3:

	total	HC	JC	EC	CD	MC
Capacity utilization	72 %	83 %	70 %	83%	63 %	74 %
Absence days per employee	69 %	63 %	61 %	86 %	63 %	69 %
Labour costs per user	50 %	59 %	42 %	59 %	43 %	52 %
Material expenses per user	49 %	61 %	49 %	61%	38 %	48 %
Hours spend on personnel development	44 %	39 %	27 %	55 %	41 %	49 %
Average length of client’s stay	39 %	88 %	52 %	61 %	9 %	36 %
Turnover	33 %	44 %	42 %	35 %	21 %	40 %
Employee satisfaction	30 %	15 %	30 %	35 %	33 %	29 %
Productivity ratios	27 %	22 %	24 %	13 %	37 %	30 %
Processing costs	24 %	24 %	15 %	27 %	26 %	20 %
Waiting time of clients	8 %	15 %	6 %	13 %	3 %	8 %
Improvement proposals	8 %	5 %	6 %	10 %	6 %	12 %
New therapy methods	4%	7 %	6 %	1 %	3 %	4 %

Source: author’s compilation

Table 3: Internal performance measures

The next table presents the results according to different groups of performance measures (Greiling 2009).

Type of performance measures	N	%	one	Two to five	Six to ten	More than ten
Financial performance	216	64,1	5 %	30 %	16 %	13 %
Quantitative output performance	131	38,5	13 %	18 %	4 %	3 %
Personnel measures	181	56,2	17 %	28 %	5 %	6 %

Client satisfaction measures	110	32,4	16 %	11 %	2 %	3 %
Client status measures e.g. health status, therapy success rate	76	22,4	8 %	12 %	1 %	1 %
Process measures	59	17,4	5 %	11 %	1 %	1 %
Infrastructural measures	55	16,2	8 %	6 %	1 %	2 %
Market share measures	49	14,4	6 %	6 %	1 %	1 %
Innovation measures	34	10	5 %	4 %	0 %	0 %
Ecological and social performance measures	29	8,5	4 %	4 %	0 %	1 %

Source: author's compilation

Table 4: Performance measures in a groupwise perspective (n=340)

Table four clearly demonstrate that the more complicated the measurement process get the fewer performance measures are implemented. The findings also demonstrate that non-profit management are not getting swamped with too many performance measures which might create the danger of an information overload. Tables three and four also clearly demonstrate that the participating non-profits prefer operative and easy to compile performance measures. Strategic and process-oriented performance measures play a much lesser role. The low relevance of performance measures which monitor the social or ecological performance and the low relevance of market share-related performance measures are signals that the environment is not systematically taken into account.

In order to link performance measurement with the criteria of success in non-profits the participating non-profit managers were asked to rank organizational objectives. Table 5 presents the results.

objectives	n	arithmetic average	standard deviation	95% confidence interval of the arithmetic average	
				lower value	upper value
Cost recovery	335	4,77	0,53	4,71	4,83
Client satisfaction	337	4,74	0,5	4,69	4,79
High quality of care	334	4,68	0,57	4,62	4,74
Retaining qualified personnel	338	4,63	0,56	4,57	4,69
Survival rate	330	4,6	0,78	4,52	4,68
Capacity utilization	337	4,55	0,68	4,48	4,62
Healthy liquidity reserve	335	4,49	0,64	4,42	4,56

Good quality of processes	322	4,44	0,65	4,37	4,51
Public image	335	4,42	0,69	4,35	4,49
Employee satisfaction	337	4,41	0,64	4,34	4,48
Social responsibility	331	4,4	0,7	4,32	4,48
Employment Security	338	4,4	0,73	4,32	4,48
Competitiveness	335	4,37	0,84	4,28	4,46
Satisfaction of other stakeholders	330	4,33	0,77	4,25	4,41
Financial independence	329	4,29	0,84	4,20	4,38
Preservation of infrastructure	334	4,24	0,7	4,16	4,32
Corporate independence	325	4,18	0,91	4,08	4,28
Funders' perception of the nonprofit organisation	327	4,16	0,83	4,07	4,25
Good cooperation relationships	329	4,12	0,82	4,03	4,21
Client loyalty	326	4,05	0,93	3,95	4,15
High level of innovation	326	4,03	0,87	3,94	4,12
Cost-minimal processes	328	4,02	0,87	3,93	4,11
Volunteer satisfaction	295	3,94	1,07	3,82	4,06
Time-efficient processes	329	3,89	0,92	3,79	3,99
Financial surplus	327	3,72	1,02	3,61	3,83
Environmental protection	330	3,64	0,94	3,54	3,74
Increase in turnover	324	3,39	1,06	3,27	3,51
High market share	324	3,38	1,21	3,25	3,51
Growth	328	3,32	1,07	3,20	3,44
Ideological or religious beliefs	329	3,14	1,39	2,99	3,29

Source: author's compilation

Table 5: Relevance of organizational objectives

The answering manager regarded nine out of the 30 organisational objectives as very important, 22 out of 30 scored a arithmetic average of 4,0 or higher. This leads to a distribution which is skewed to the right. The results also indicate that non-profit managers regard (to) many objectives as relevant. The first position shares the objectives „cost recovery” and „client satisfaction”. As the confidence intervals overlap no clear ranking is possible. Within the German non-profit sector cost recovery was traditionally regarded as an

essential but secondary objective. The empirical results place the cost recovery at an equal footing with client satisfaction.

With the objectives of cost recovery, retaining qualified personnel, (organisational) survival and healthy liquidity reserve, organizational objectives which are necessary for the continuation of the enterprise score relatively high. It may be an effect of the increased competition in the German health and social care sector that the managers rank these objectives so high. Expansion objectives are ranked much lower.

As a real surprise came the low ranking of ideological or religious beliefs. The tension between mission and commercial objectives was solved by the majority of the participating managers in favour of the commercial objectives.

The idea of Estelle James (1983 and 1989, James and Rose-Ackerman 1986) that religious values (together with heterogeneity) are a central motive to explain the size and the structure of the non-profit sector and that religious motives play a crucial role on the behaviour of the non-profits is not reflected in the ranking by the majority of the participation organizations. The reference to values is also made in the German non-profit sector. There one finds references to the specific proprium of church-owned non-profit enterprises which has its roots in religious values. Also we found no indication that non-profit manager's are motivated to a large degree by ideology as recently proposed by

and Caughlin (2009). These two authors presented a model in which non-profit service provision has two dimensions, namely service and ideology (Brown and Caughlin 2009: 100).

Whether this is already an indicator for a mission drift is difficult to evaluate as clear performance indicators for detecting a mission drift have not yet been developed (Tuckman and Chang 2006: 635). The interpretation of the low ranking is further complicated that we have a high standard deviation. For 70 out of the 343 participating managers ideological and religious beliefs were very relevant. Therefore it can be argued that for a small group ideological or religious values are still important objectives

Table 6 presents the findings with respect to different groups of objectives.

Objective	arithmetic average	95% confidence interval of the arithmetic average	
		lower value	upper value
Objectives related to external stakeholders	4,36	4,32	4,39
Financial objectives	4,32	4,27	4,36
Potential objectives	4,29	4,24	4,31
Process objectives	4,23	4,18	4,27
market share objectives	3,87	3,82	3,92
Ethical objectives	3,72	3,65	3,80

Source: author's compilation

Table 6: confidence interval of groups of objectives

In order to investigate how the organizational objectives are linked to performance measures the participating non-profits were asked how relevant performance measures are for measuring success. 81% used performance measures for measuring organizational success. The non-profits which provide care for persons with disabilities scored the lowest (76.7%) and the non-profit health care providers with 87.5% the highest. A second question was aimed to get a clearer picture which performance measures are regarded as relevant by the non-profits for evaluating their organizational success.

Performance measures	N	arithmetic average	standard deviation	95% confidence interval	
				lower value	upper value
Degree of capacity utilization	319	4,5	0,7	4,42	4,58
Client satisfaction	316	4,43	0,78	4,34	4,52
Covering of expenses	318	4,42	0,81	4,33	4,51
Number of patients/clients	318	4,04	1,01	3,93	4,15
Liquidity ratios	314	4,02	0,96	3,91	4,13
Satisfaction of the client's relatives	318	3,96	0,93	3,86	4,06
Employee satisfaction	317	3,94	0,83	3,85	4,03
Profit	319	3,85	1,17	3,72	3,98
Sales revenues	317	3,77	0,99	3,66	3,88

Satisfaction of funders	318	3,75	0,98	3,64	3,86
Cash flow	307	3,69	1,17	3,56	3,82
Long-term outcome	306	3,61	1,06	3,49	3,73
Satisfaction of the cooperation partners	311	3,55	1,02	3,44	3,66
Volunteers' satisfaction	219	3,32	1,17	3,17	3,47
Return on sales	310	3,3	1,23	3,16	3,44
Short-term outcome (Output)	304	3,29	1,03	3,17	3,41
Severity of illness/case measures	302	3,25	1,36	3,1	3,4
Earning to equity ratio	309	2,96	1,27	2,82	3,1
Increase in market share	310	2,87	1,09	2,75	2,99
Social performance indicators	300	2,87	1,04	2,75	2,99
Ecological performance indicators	307	2,84	1,06	2,72	2,96
Market share	315	2,83	1,1	2,71	2,95

Source: author's compilation

Table 7: Importance of performance measures for evaluating organisational success

The results clearly indicate that there is a distinct tendency towards performance measures which can be easily retrieved from financial information system or which need to be compiled for statistical use. Compared to their ranking in the organizational objectivism, financial performance measures play a more important role in the actual measuring process.

Shortages exist with respect to more complicate client measures that go beyond measuring the satisfaction, and for measuring the societal impact. Also outcome measures are not implemented in an appropriate way. The monitoring of the service quality and the measuring of those aspects where the non-profits gain their legitimacy and which serve as a rational for tax-exemptions is underdeveloped. This is problematic because it may indicate that non-profits pay not appropriate attention to the areas where they can create a unique profile. A good service quality is today not enough to create a unique position for non-profit health and social care providers. The private competitors have also personnel with a strong commitment to professional standards and in some cases a better financial backing than some of the non-profit providers.

2. Balanced Scorecard

As introduced above, a qualitative study was additionally carried out, which focussed on the implementation of the balanced scorecard, as a very popular strategic management accounting instrument. Like in the study by Imandar and Kaplan (2002) most of the participants were in an early stage of the balanced scorecard implementation (for more detailed results see Greiling 2010). Four participants answered that they had developed first ideas in the management team; eight reported that their non-profit organisation had taken initial steps to introduce the balanced scorecard. One non-profit provider had started a pilot project, another had begun to implement a balanced scorecard in one of its divisions. Six interviewees had accomplished an organisation-wide roll-out of the balanced scorecard.

With respect to the elements of the balanced scorecard, all 20 interview partners confirmed that their scorecards included strategic objectives. In line with this was that the majority of the interview partners regarded the balanced scorecard as a very helpful instrument supporting a strategy-focussing process.

18 non-profits had started to identify at least for some balanced scorecard perspectives strategic performance measures and found the balanced scorecard helpful for building up a performance measurement system. Nevertheless most of the organisations were far away from a comprehensive indicator framework.

To translate the strategic objectives via performance measures into specific actions was partly implemented in 13 non-profits. The same number of organisations had also implemented target agreements, either on the individual performance of a middle manager or on the performance of a team. Performance agreements on the level of the employees were in an early stage. Bedford et al. (2008), who conducted a study on the implementation of the balanced scorecard in 92 Australian for-profit organisations argue that the missing roll out is

typical for organisations which use the balanced scorecard as a tool for providing information for managerial decision making, but not so much as a strategic management system.

Not unexpectedly the question if and how to link the balanced scorecard with an incentive systems created some controversy. Six interview partners, most of them coming from big non-profits which provide special care for persons with disabilities, were clearly in favour of financial incentives. Other interview partners clearly objected to the implementation of financial incentives and voiced that measurement imperfection might capsize the whole change process. Sometimes the fear was voiced that there might be negative effects on the intrinsic motivation of employees.

One interview partner remarked (translation provided by the author, see Greiling 2010):

“If I link our balanced scorecard with a financial incentive system, then I would endanger the organisational change process that was triggered by the balanced scorecard. For our organisation it is quite a success that we even started a process to come to a consensus as to what our strategy actually is, deciding not only on priorities, but also reaching a consensus of what not to do. Linking the balanced scorecard to an incentive system would lead to endless discussions regarding the controllability and validity of the chosen performance measures.”

As performance measurement in non-profits faces in many areas problems resulting from measurement imperfections, the more sceptical position can be supported by the principal agent theory. The multitasking problem as identified by Hollstroem and Milgrom (1991) and problems identifying appropriate weighing factors (Pfaff et al. 2000) complicate the situation. Limits of controllability principle which are voiced by Antle and Demski (1998) are most likely to occur in areas with clients as the co-producers. Sometimes it is also argued that to pay for performance is unethical in the non-profit sector (Oster 1995 and Herzlinger 1996).

In the interview the participants were ask what they regard as major obstacles they encounter when implementing the balanced scorecard. The top-three ranking ones were that pay regulations substantially limit the scope for financial incentives, followed by the answer that the measurement of non-financial measures, especially outcome measures, is resource-

intensive and difficulties in evaluation the performance of individual employees and teams (Greiling 2010).

Kaplan and Norton (2001) regard it as essential that cause-and-effect relationships are identified which are in line with the accompanying business model. Without such cause-and-effect relationships a balanced scorecard is nothing more than a collection of unrelated performance measures or a manager's checklist. Only five of the participation non-profits had developed some ideas about such cause-and-effect relationships. The problem of the missing cause-and-effect relationships is something which can be also observed in the for-profit sector, as an empirical study by Speckbacher et al. shows. To classify balanced scorecard according to their implementation stage Speckbacher et al. distinguish three types of balanced scorecards (Speckbacher et al. 2003: 363):

- Type I balanced scorecard: a specific multidimensional framework for strategic performance measurement that combines financial and non-financial measures.
- Type II balanced scorecard: a type I balanced scorecard that additionally describes strategy by using cause-and-effect relationships.
- Type III balanced scorecard: a type II balanced scorecard that also implements strategy by defining objectives, action plans, results and connecting incentives.

According to the terminology of Speckbacher et al. (2003) only a minority of the non-profits has a type II balanced scorecard and none a type III balanced scorecard. At best, the majority was in the stage of a type I balanced scorecard.

The compiled answers to the questions about the balanced scorecard perspectives are presented in table 8. As one non-profit was still in the process of identifying the perspectives, only 19 interviews could be included.

Perspectives	Frequency
Outcome perspective	1
Financial perspective	18
Customer/client/patient perspective	17
Mission (perspective)	3
Internal business process perspective	15
Learning and growth perspective	15

Employee perspective	10
Membership perspective	1
Output Perspective	1

Source: author's compilation

Tab. 8: Perspectives of the balanced scorecards (n = 19)

In contrast to Kaplan and Norton (2001) suggestion that non-profits should place an overarching (societal) objective on top of the scorecard that represents their long-term objective, the findings show that the majority of the interviewees did not. This low ranking of a mission or outcome perspective came as a surprise. The result is not in line with the normative proposals for adopting the balanced scorecard in the non-profit context. Two interview partners voiced strong opposition against including a mission perspective and one stated: "I am not a saint".

Twelve non-profits had four or less perspectives; one organisation six and the rest had five perspectives which show that the majority of the participating non-profits kept their scorecard simple.

Like in the quantitative study, the interviewees were asked which performance measures they use for measuring operational success. The results showed again that financial measures play an important role, followed by subjective satisfaction measures. Performance measures like liquidity, cash flow or covering the expenses ranked high. Such measures are important for monitoring the short term financial situation, but lack a medium to long term strategic orientation. Long term outcome measures and short term outcome measure did not make it into the top ten performance measures chosen by the non-profit managers.

The interviews were also used to ask the interviewees which essential performance measures are missing in their performance measurement system. Twelve interview partners saw deficits with respect to client satisfaction indicators, eleven identified a need for improving their measurement system with respect to ecological and social indicators.

V. Discussion of the results

Approaching the findings of these two empirical studies from a broader perspectives it becomes obvious that the performance measurement systems employed are not well advanced. The findings of the quantitative study clearly indicated that a utilization of performance measurement system which goes beyond a diagnostic and operative horizon is not well implemented. Unlike in the private sector the participating organisations were not swamped with too many performances measures. In the actual measurement process financial and other easy to compile performance measures were the most frequently used. Deficits exist with respect to measuring process quality and aspects of output/outcome quality which go beyond patient/client satisfaction indicators. The performance measures chosen do not make it possible to monitor all aspects of service quality. Societal aspects, long term outcome or environmental aspects play a negligible role. The potential to use a performance measurement system as a instrument for strategy implementation and advancing the realisation of medium to long term objectives is not adequately used.

With respect to the implementation of the balanced scorecard (Greiling 2010) it can be stated that on a technical level the majority of non-profit organisations had taken some steps in the direction of a balanced scorecard. The organisations are far away from what Kaplan and Norton call the real balanced scorecard because the cause-and-effect linkage is not well advanced, nor the organisation wide roll-out. Another question is whether the measures included are really strategy-focussed. The findings concerning the implemented performance indicators raise serious doubts due to the dominance of short term financial measures (Greiling 2010).

A surprise was that only four interviewees followed the literature suggestions of including a mission or outcome perspective. There are several interpretations possible (Greiling 2010): Firstly, it is easier to implement at first the classical textbook perspective before progressing

to the mission or outcome perspective. In such a case a non-profit sector appropriate balanced scorecard would be a matter of time.

Secondly, there is a mission drift. The social and non-profits organisations are operating as professional service providers in a competitive field, where the private sector logic has become dominant under New Public Management. Therefore the omission of a mission or outcome perspective is a sign that non-profits are becoming more and more similar to their private counterparts. Ashworth et al. call such a process (2000) convergence, i.e. that all organizations in a field resemble each other more closely over time. New Public Management encourages a market-oriented role model in order to purge the area from traditional non-profit inefficiencies. That the private sector model plays a dominate role is in line with a finding by Lakes (1999), who argued, on the basis of an empirical study, that social non-profit organisations increasingly see their private competitors as a role model.

Another explanation can be argued by using institutional theory (e. g. Scott 1987, Zucker 1987, DiMaggio and Powell 1991) in a more classical sense. The majority of the non-profit organisations interviewed use the balanced scorecard because it is regarded as a modern management tool, helping to create legitimacy (Greiling 2010). The balanced scorecard design is then an example of mimetic isomorphism (DiMaggio and Powell 1987) and is used in a loosely-coupled or decoupled way (Scott and Meyer 1991, Lawton et al. 2000, Greiling 2010). With Scherm and Pietsch (2005) one can argue that the balanced scorecard may serve a double function: Firstly, it helps to signal to the funders that the management of a non-profit organisation is up-to-date with modern management tools. Secondly, it may also add to the legitimacy of the key funders because they can communicate to their own key stakeholders that they have supported organisations which subscribe to an efficient and effective management practices. As a caveat it has to be mentioned that with a sample of only 20 non-profit organisations it is not a clear-cut decision which explanations carry most weight.

That the whole potential of performance measurement as an accountability tool, as strategy implementation instrument or an instrument for driving organizational innovation is not tapped by the nonprofits is also in line with the empirical studies which were conducted by other authors. Moxham (2010) for example criticizes that the opportunity performance measurement offers for driving organizational change is not used, LeRoux and Wright (2010) criticize that performance measurement could be used more for strategic decision-making. Hall et al. (2003) identify weaknesses when it comes to a more proactive approach towards accountability. In the design of the measurement processes and the purposes of performance measurement the nonprofits under investigations somehow lack behind the proposed potential which is advocated for performance measurement in nonprofits by the above highlighted normative proposals how to design and implement performance measurement in the nonprofit context.

If we rule out the explanation that all these authors' faced the problem that they had atypical samples and only those nonprofit replied which use performance measurement in a decoupled way, then other reasons must be prevalent. In the following section the conceptual framework Oliver (1991) is used to discuss various strategic response options nonprofits have when externally or internally pressured to implement a performance measurement system.

VI. Oliver's framework as a typology for strategic options

Oliver's (1991) framework is chosen because she was the first who developed a typology how organizations can respond to external pressure in more than one way. Here conceptual framework is built on an institutional as well as a resource dependency perspective, and therefore allows including more active approaches towards performance measurement than an exclusive concentration on the institutional perspective would suggest. The resource dependency perspective makes it possible to include as motives the highly relevant aspect of

resource mobilisations for nonprofits, political or calculative interests, efforts to control external criteria as well as the option of non-compliance (Oliver 1991: 147).

In line with the above presented three options of performance measurement (external accountability, internal steering and internal diagnostic use) various reactions are identified for nonprofits which they can choose as a strategy towards performance measurement. As decoupling plays a role with respect to the implementation of performance measurement in organizations which are not driven by the profit motive (e.g. Modell 2009 for the public sector), also predictions are made how likely such a behaviour will be. As we have seen above that nonprofits might not adjust the performance measurement systems to the specific institutional orientation of the nonprofit sector that will also be variable to be considered with respect to the accountability motive. Another finding was that one finds somehow partially implemented performance measurement systems. Therefore it is appropriate to take this also into account if a fully developed performance measurement system or only a rudimentary one.

Strategies	Tactics	Examples	Nonprofit's role
Acquiesce	Habit	Following invisible, taken for granted norms	Rule observer
	Imitate	Mimicking institutional models	
	Comply	Obeying rules and accepting norms	
Compromise	Balance	Balancing the expectations of multiple stakeholders	Grudging complier
	Pacify	Placating and accommodating institutional elements	
	Bargain	Negotiation with institutional stakeholders	
Avoid	Conceal	Disguising nonconformity	Underminer
	Buffer	Loosing institutional attachments	
	Escape	Changing goals, activities or domains	
Defy	Dismiss	Ignoring explicit norms and values	Active opposer
	Challenge	Loosening institutional attachments	
	Attack	Assaulting the source of institutional pressure	
Manipulate	Co-opt	Importing influential constituents	Strategic player
	Influence	Shaping values and criteria	
	Control	Dominating institutional constituents and processes	

Source: Oliver (1991: 152 with own additions (last column))

Tab. 9: Strategic responses towards performance measurement

The identified roles for nonprofits are, of course, ideal-types which can always be criticized for that organisational behaviour is in reality much more complex. The rule observer confirms with external pressures for performance measurement. Most likely such a nonprofit will see performance measurement as an externally imposed burden which is of no or very little use for internal improvement processes. Therefore decoupling is most likely and if at all, the information gathered will be used for internal operative monitoring processes. The purpose to use a performance measurement system for implementing the nonprofit's strategy can be ruled out, as the external accountability obligations are not tailored to the nonprofits specific critical success factors nor to the nonprofit's strategy. With respect to the performance measures one would expect to some extent indicators which monitor the appropriate use of financial resources. These performance measures may be augmented by not too complicated output indicators and indicators which characterize a nonprofit organisation with respect to basic organisations input factors (e.g. qualification of the personnel employed, amount of personnel, technical infrastructure). Whether we find outcome indicators depends on the relevance the funders attach to them. Quite certain the indicators are not designed as a communication tool for demonstrating the specific social value of the reporting nonprofit organisation. More likely the focus will be in that extent a much more selective one by concentration on measures the funders will need for their reporting obligations. Process indicators are less likely as they are more in line with internal managerial information requirements; also performance measures with a focus on innovative processes are not likely to play an important role. Performance indicators which measure the ecological or society performance in a non-decoupled way can also be not expected. The three sub-options Oliver identifies within the acquiesce-strategy can be translated in the anticipatory rule observer, the isomorphistic rule observer and the passive-reacting rule observer.

In the second option the respective nonprofit starts at least to question some of the externally opposed accountability obligations. We still find a high compliance rate with externally

imposed standards but the respective nonprofit starts some sort of stakeholder dialogue. This can range from an (internal) prioritising the various stakeholder pressures with a high compliance on those the organisation is most dependent to an active policy of negotiating which performance measures to be included in the external reporting system. The focus of the performance measurement system is still much on external accountability and that the indicator reported will also be of some use for internal improvement processes is a not-to-be expected side process. The value for strategic positioning is low. Depending on the indicators reported decoupling will still be high. That the performance measurement will help to improve organisational internal process will also be not in the focus of such a performance measurement system, nor could one expect a set of indicators which demonstrates the societal impact of a nonprofit organisation in an extensive way. The three sub-options identified by Oliver move along a line how active the real stakeholder dialogue is. In the option of negotiating one would expect that the nonprofit will actively start questioning the externally imposed accountability obligations with respect to scope and content.

If we move towards the third role, that of an underminer, we still can expect decoupling. Unlike in the case of the “grudging complier” the nonprofit’s strategy towards the external pressure changes in the form that the nonprofit organisations looks for alternative options, for example in form of decreasing the dependency on a certain group of funders by increasing the resources where the nonprofit feels that lesser or no strings are attached with. The likelihood that the performance measurement is tailored to the nonprofit’s needs is still not high. Therefore a diagnostic use of performance measurement is more likely. There might be as a parallel system a performance measurement system which supports the process of looking for alternatives or which is used for internal purposes. The reports compiled by the nonprofits for external funders will meet in most cases minimum information quality standards. The nonprofit is not volunteering any information to the funders which might help the recipient of the accountability information to get a clear picture. A policy of information overload and a

reporting tactic “to feed them garbage and keep them in the dark” would also be in line with the role of an underminer. If the recipient of the reports wants to change the reporting content or format there might be a passive non-compliance and the adjustment process to changing reporting obligations is slow going.

In the case of the active opposition the resistance against externally imposed performance measurement systems becomes less subversive. Nonprofits chose the tactics of open resistance. The opposition is clearly voiced. Accountability obligations are branded as excessive and as a violation to the clients’ privacy. The legitimacy of the accountability obligation will be challenged openly and it will be questioned if the externally imposed performance measure will be of any use in evaluation how well a nonprofit carries out its mission or provide some guidance for improving output and outcome quality. Such a policy is more likely if we have on the side of the nonprofits big players and the funder is to some extent dependent. Another scenario would be that nonprofits in a region or the national associations of nonprofits operating in a certain sector voice this opposition in order to use their joint power for attempting to create some countervailing power to the external pressure. If the management or the board of such a nonprofit organisation regards performance measurement as a helpful instrument they will build up a parallel system in order to monitor the mission’s accomplishments, to steer strategy implementation, to supervise operative performance or to demonstrate to the outside what their contribution to society is. These multi-purposes call for various performance measurement systems as accountability reporting, strategic and operative performance monitoring are distinct purposes which are unlikely to be accomplished in one system. While accountability reporting has something to do with the facade presented to the outside, the two latter purposes call for a more unveiled picture.

In the last role, the tactics chosen by nonprofit, is again changed. As strategic players nonprofits try to actively influence the design of the performance measurement system which is imposed on them. As an example might serve that nonprofit organisations in a certain

sector design their own quality management systems, develop rules for the accompanying accreditation process and advocate the advantages of self-regulation mechanisms as systems which get more down to the roots. From the perspective of the external accountability imposer we have a situation of a (perfect) capture. Nonprofits in a certain field create their own accountability standards. The external constituents are used by the nonprofits to increase the legitimacy of performance measurement system. In that option the performance measurement system will most likely focus less on scrutiny aspects but create transparency in those areas which are regarded by the nonprofit management as useful for demonstrating their potential to relevant stakeholders. If information for managerial decision making is included then the performance measurement system will most likely focus on easy to meet indicators. The specific critical success factors will most likely not be included. As in the option as active opposer, it may be possible that a nonprofit organisation will build up a parallel system for their internal needs.

So far the five roles discussed have focussed to a great extent on the design of externally imposed accountability obligations. This is due to the fact that the framework of Oliver which is based on two reference theories which deal with the relationship of a nonprofit to the external requirement does not give any clear guidance for the internal use of performance measurement systems. Accountability obligations are most likely more in line with diagnostic performance measures and therefore a strategic design towards a nonprofit's specific strategy is not very likely. To what extent the imposed performance measurement systems are sector-specific depends on the actors' interests. If the external constituents are primarily interested in monitoring the financial accountability or if the main interest focuses on managerial aspects or monitoring input and process quality, then it is unlikely that the performance measurement system will be geared towards measuring a nonprofit's contribution toward society at large. The increasing pressure in the health and social care sector towards a greater market orientation and the accompanying growing influence of professional standards also have their

share in reducing the importance attached by the nonprofit management in monitoring the societal impact. A professional management will most likely be more interested in demonstration to their board how well it fulfils its managerial function. The role how much a performance measurement system is geared towards strategy implementations depends additionally on the attitude of the dominant political coalition towards the strategy process. The above presented options by Oliver could also be used to discuss basic attitudes in the strategy process.

So far the paper has addressed more implicitly than explicitly which context or moderating factors influence the choice of the strategic options. The following paragraphs just highlight a few of them without being complete. A guiding assumption is that it is not so easy to change the basic attitude a nonprofit organisation has towards performance measurement because it is resource intensive process and a change of the option chosen also is resource-intensive.

If we look at factors influencing the choice of a nonprofit various factors emerge. The following factors discussed are most likely incomplete and focus also on basic expectations with respect to the general design of the performance measurement system in order to cover some aspects which are not addressed by the framework of Oliver with respect to the internal motivation to introduce a performance measurement system.

In line with the resource dependency theory one could argue that it depends on the dependency of a nonprofit of the funders, the amount institutional funding has in income generating, and the number of funders if a nonprofit complies more or less with the funder's accountability expectations. Therefore the following prepositions are made:

P1: The higher the amount of income a nonprofit organisation generates form funders the higher the compliance with external pressures from funders will be.

P2: The lower the chance of a nonprofit organisation is to substitute income from funders by other income sources, the higher the compliance to external pressures will be.

P3: The higher the dependency will be from one particular funder the more a nonprofit will comply with the specific accountability expectations voiced by this specific funder.

In line with the institutional theory one could argue that the likeliness of a decoupling increases if the performance measurement is externally imposed. Therefore proposition 4 proposes:

P4: A decoupling is more likely if the performance measurement system is externally imposed. The more the performance measurement is tailor-made to internal needs the lesser the likeliness of a decoupling is.

If we look at the results of both empirical studies by Greiling then it becomes obvious that the degree of external pressure can only partly explain why a performance measurement system is not well advanced. Although the majority of performance measurement systems were self-developed they were nevertheless well advanced. With respect to a more strategic or diagnostic orientation of the performance measurement implemented one could argue, in line with the contingency theory, that it plays a role if the nonprofit operate in a field with a low or high intensity of competition. The higher the competitive pressure the less will be the interest by a single nonprofit to take part in strategic benchmarking process. Therefore proposition 5 and 6 reads as follows

P5: The higher the competitive pressure the more importance is attached to the purpose of performance measurement as strategy implementation instrument.

P6: The higher the competitive pressure the lesser a nonprofit organisation will be interested in a strategic benchmarking process.

Proposition 6 also assumes that in a competitive environment nonprofits will pursue a closed shop mentality against their competitors and their inclinations what works as success factor is low. For the role of the active opposer this would mean that an area-wide cooperation of nonprofits is less likely. Each nonprofit provider will try to gain an individual advantage. A joint action would entail the danger of free-riding nonprofits.

Contingency theory also allows to take the factor size and production technology into account. In line with the research on management control systems one would expect that bigger nonprofits have more formalized performance measurement systems as the role of external reporting is augmented by coordination internal coordination needs. The aspect whether a nonprofit organisation operates in a field with a high client involvement and therefore a lower degree of influence on the output and outcome might also influence the design. Therefore the following prepositions are made:

P7: The bigger the size of the implementing nonprofit organisation, the lesser the performance measurement system can be focussed exclusively on external reporting obligations. Therefore the strategic response chosen with respect to external accountability obligations covers only one purpose of the performance measurement system.

P8: The lower the autonomy of the production process, or the greater the direct client involvement the lesser the performance measurement system relies on objective performance measures.

Furthermore one could argue that in a more stable environment a more diagnostic application of performance measurement prevails and in a more dynamic environment a more organic design. This brings us to preposition 9:

P9: The more stable a nonprofit's environment is perceived by the key decision makers the more they can rely on a diagnostic performance measurement system. A more organic and interactive design is necessary in an instable organisational environment.

The last few prepositions have been concerned with the design of the performance measurement in general. If we look at the strategic choices which the framework by Oliver gives, then the power a nonprofit organisation has will most likely play a role if a nonprofit can chose the option of defying or manipulation.

P10: The greater a nonprofit's power base is the more likely it is that the role of an active oppose or a strategic player is chosen.

P11: The role of rule observer or grudging complier is more likely in nonprofits with a small power base.

P12: The role of an underminer is likely if there is a strong internal opposition against the externally imposed performance measurement system but the power base is not strong enough to attack openly.

In line with contingency theory it could be also argued that size and the degree of professionalization may play a role. Therefore one could assume:

P13: The bigger the size of a nonprofit organisation is, the more likely it that the role of an active opposer or a strategic player is chosen.

P14: The greater the influence of professionals is on service productions the more like it is that the role of an active opposer or a strategic layer chosen.

Preposition 14 assumes that externally imposed performance standards, if they are not developed in a peer-review manner, will most likely clash with professional standards. In the health and social care services we have, irrespective of ownership, a strong influence by various professions which brings us to the last preposition.

P15: The lesser we have a clear dominance of one professional group in the production process the more likely it is that the role of a rule observer, a grudging complier or an underminer is chosen.

Prepositions 15 might also contribute to explain that we have in the health care service with a clear dominance of the medical profession a stronger opposition than some areas of social services where we have a longer tradition of multi-professional teams with no clear dominance of psychologists, nurses or social workers.

If we take into account the findings by Salamon et al. (2010) about the lack of sophistication in programme evaluation then the lack of financial resources may also contribute to the less advanced performance measurement systems. If the funders are not willing to pay for good evaluation on the programme level then nonprofits might run into even more trouble in finding resources for measuring the accomplishments of the organisational mission. Such an measurement need to be financed out of the core budget of an organisations which is not earmarked for specific programmes. Therefore one could test the following prepositions:

P16: The tighter the (perceived or real) financial situation of a nonprofit organisation is the less resources they can spend on sophisticated performance measurement systems.

P17: The less sophisticated the performance measurement systems on the programme level are, the less sophisticated will be the organization-wide performance measurement systems.

VII. Conclusions and directions for further research

The paper has given some empirical inside in the state of the art of performance measurement in health care and social service nonprofit providers. A particular focus was on first hand empirical results in the German nonprofit sector. The findings were presented and discussed against the background of the few empirical studies which were performed in other countries. So far the empirical base is very small and there is a need improving our empirical knowledge.

Not only in the above presented two studies by Greiling showed that the state of the art of performance measurement is not well advanced despite the notion that the importance of performance reporting has internationally increased under New Public Management. This observation was the trigger to use Christine Oliver's framework to discuss on a meta-level strategic option's nonprofit have with respect to externally imposed performance measurement systems. Five roles, namely that of rule observers, grudging compliers, underminers, active opposers and strategic players, were identified and prepositions, based on institutional and contingency theory as well as the literature on strategic management in connection with the design of management control systems were presented.

Although the paper offers an empirical insight in a field where we have very few empirical studies and combines this with a discussion on a meta-level which is so far not well advanced in the field of performance measurement several limitations are obvious. Firstly the first-hand empirical results concentrate on German health and social care providers. Not only under

cultural aspects it might be interesting to widen our empirical knowledge in a international comparative perspective. Secondly we find in health and social services a strong influence by professionals. Therefore it could be interesting to conduct a similar study in areas where we have a dominance of volunteers. Thirdly the empirical studies performed in this field did not elaborate on the fact how the financial accounting system influences the internal performance measurement system.

With respect to the theoretical backgrounds chosen, an interesting finding was that institutional theory could only partially contribute in explaining the poor design of the performance measurement systems of the nonprofit organisations under investigation. This aspect was partly addressed in the prepositions but needs to be investigated further on a more theory-driven basis.

Last but not least findings by Modell (2009) for the public sector show that decoupling and instrumental use of performance measurement might go hand in hand. This aspect of a double functionality might be also something which might be worthwhile to investigate further in the nonprofit context.

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