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DEPARTMENT OF ACCOUNTING AND FINANCE

Performance Management of Foreign NGOs operating in Addis Ababa, Ethiopia.

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Advisor: Degefe Durresa, (PhD)

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Statement of Declaration

This thesis is the original work of mine and has not been accepted for the award of any other degree or diploma in any institutions and to the best of my knowledge and belief, this research contains no material previously published or written by another person, except where due reference has been made in the reference section of the thesis.

Declared by:

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Date: January 2018

Place of submission: Addis Ababa University College of Business and Economics Department of accounting and finance, Master of Science in accounting and finance.

Performance Management in Foreign NGOs: Assessment of Performance Management Practices of NGOs Operating in Addis Ababa, Ethiopia

A thesis submitted to the Department of Accounting and Finance Collage of Business and Economics, Addis Ababa University in partial fulfillment of the requirements for the Degree of Master of Science in Accounting and Finance.

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Statement of Certification

This is to certify Yidnekachew Tefera has carried out his research work on the topic entitled Assessment of Performance Management Practices of NGOs Operating in Addis Ababa, Ethiopia. The work is original in nature and is suitable for submission for the award of the Degree of Master of Science in Accounting and Finance.

Advisor: Degefe Duressa (PhD):________________________________

Abstract

The purpose of this research is to explore the existing practices of foreign NGOs performance management and its effectiveness in view of evidence from Addis Ababa city. The study utilized qualitative and quantitative (mixed) research design. Convenience sampling technique was used to reach to study sample of 40 respondents in the city and 31 responses has been processed. These included country directors, finance directors, program director and grant/financial manger. Indeed, these individuals have a significant contribution in the performance management activities of their organization. The data were collected using structured questionnaires. These instruments were administered physically to the selected respondents of sample organizations. Existing literature on study was reviewed to generate available information with regards to effective performance management and control frame work of foreign NGOs. The main finding of this research is inefficient and inconsistent application of performance management and control by foreign NGOs. It is therefore recommended that, performance management actors of foreign NGOs should have update and refresher training on new performance management and control frame works in a certain time interval. In addition, foreign NGOs are required to maintain a system to monitor and evaluate the entire performance management activities of the organization according to the recommended best practices.

Keywords: *Performance Management, Performance Management and Control Frame Work, Foreign NGOs.*

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Acronyms and Abbreviations

BoFED	Bureau of Finance and Economic Development
CHSA	Charity and Society Agency
CSOs	Charities and Societies Organizations
ERP	Enterprise Resource Planning
EU	European Union
HR	Human Resource
IS	Information System
IT	Information Technology
KSFs	Key Successes Factors
MCSs	Management Control Systems
NGOs	Non-Governmental Organizations
PM	Performance Management
PMS	Performance Management System
SPSS	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1. Back ground of the study

Performance management (PM) is a complex concept that has received much attention in management accounting literature with much discussion devoted to performance measurement aspect. Regardless of recent growth and importance of Nongovernmental organizations (NGOs) as part of the voluntary sector, particularly in developing countries, like sub-Saharan countries (Salamon et al 2004), research focusing on performance management practices in these organizations lags behind (Yap and Ferreira, 2011).

Performance management is of growing importance to NGOs in developing countries due to funding insecurity, multiple stakeholder' requirements, and demands for effectiveness and accountability (Olujide, 2005). NGOs are diversely defined in literature, however the researcher adopt Salamon et al (2004) structural operational definition, which suggest that the NGO sector comprises of entities that are organizations, self-governing, private, voluntary, non-profit distributing and operate for public benefit. Although much discussion of past literature has been devoted to performance measurement in NGOs, performance management appears to be gaining relevance (Taylor et al, 2009; Yap and Ferreira, 2011). It is argued that performance management requires coordination of key practices and activities undertaken within a management system supported by a specific performance measurement framework (Broadbent and Laughlin 2009; Rouse and Putterill 2003). In this paper, performance management practices refer to NGOs formal and informal customs related to specification of aims, methods, procedures and controls within a particular system that generates information for management use (Leeuw, and van den Berg 2011).

Foreign Non-Government Organizations (NGOs) in any country are often seen by the wider society as a response to political, social and economic factors. According to Houghton (2008), NGOs are increasingly being recognized by governments as important partners in nation building, national development and valuable forces in promoting the qualitative and quantitative development of democracy. Chelogoy et al. (2007), also noted that NGOs in European Union (EU) should be voluntary organizations or groupings of individuals or organizations that are autonomous and not-for-profit sharing.

In sub-Sahara countries like Ethiopia, poverty and living standard is the key reason for the commencement of different projects idea for all local and foreign non-governmental organizations (NGOs). Non-governmental organizations started operating in Ethiopia mainly after the 1974 famine, but they had a much larger presence in Ethiopia after the 1984 drought (Federal Negarit Gazeta, 2009). The involvement of modern NGOs in the areas of economic and social life of the country started back in the early 20th century, especially with the emergence of European missionaries that were engaged in the task of transforming both the economic and social lives of the people via building educational and health institutions (CRDA and DPPC, 2005). However, their vigorous involvement in the development efforts started immediately after the outbreak of the drought and its attendant famine of 1973/74.

During the mid-1970s there were not more than twenty or twenty five NGOs operating in the country mostly in relief and rehabilitation (Deslaegn R, 2008). Decade later came the devastating famine of the 1984/85 which gave further increase to the growth of NGOs operation in number and scale, particularly in the areas of emergence. At the end of the 1980s, there were more than sixty five to seventy Charity and Society Organizations (CSOs)/NGOs in the country.

In the post-1991 there was a dramatic growth of the CSOs/NGOs in Ethiopia and their role and areas of engagement changed through time. The developments are directly linked to the post 1991 policy environment and the advent of modern CSOs/NGOs. The FDRE Constitution which came into force in 1995 guarantees a wide range of human rights and freedoms, including the right to freedom of expression and of assembly. In the past two decades, there was a dramatic growth of CSOs/NGOs in Ethiopia. For instance, in the 1998 there were 240 national and international CSOs/NGOs officially registered with the government (Mengehs, 2007). In the year 2000 the number had more than doubled to reach about 600 of which more than one thirds were International NGOs. In 2007 the total number of registered and actively engaged CSOs/NGOs reached 2305. However, at the time of writing this research the numbers of CSOs/NGOs that are registered at the federal level have declined to 1790 (CHSA 2016).

Currently according to CHSA web site (2016), there are six different types of NGOs in Ethiopia, these are Ethiopian Charities and Ethiopian Societies shall mean those Charities or Societies that are formed under the laws of Ethiopia, all of whose members are Ethiopians, generate income from Ethiopia, and wholly controlled by Ethiopians. However, they may be deemed as Ethiopian Charities or Ethiopian Societies if they use not more than 10% of their funds which is received from foreign sources. Ethiopian Residents Charities and Ethiopian Residents Societies shall mean those Charities or Societies that are formed under the laws of Ethiopia and which consist of members who all dwell in Ethiopia and who receive more than 10% of their funds from foreign country sources. Foreign Charities shall mean those Charities that are formed under the laws of foreign countries or which consist of members who are foreign nationals or are controlled by foreign nationals or receive funds from foreign country sources. Mass-Based Societies shall include professional associations, women's associations, youth associations, and other similar Ethiopian societies.

In the last several years, there has been an increasing role of NGOs in the economy in both developed and developing economies. In 2003, the global NGO sector was a $1.3 trillion industry, with estimated annual growth of 10%. Systematic review of management accounting literature reveals limited PM research in the NGO sector, despite continuous calls for research in NGOs, and the importance of performance management to the sector (Wadongo and Abdel-Kader, 2011).

Therefore, the aim of this study is to explore performance management (PM) practices relevant to NGOs performance in Ethiopia. As such, this study attempts to provide empirical evidence of PM practices in Ethiopian NGOs with a performance management and control framework proposed by Ferreira and Otley, 2009 that includes three performance management phases; Performance Planning, Performance Measurement and Performance Measurement Context.

1.2. Statement of the Problem

According to Eric and Faisal (2007), NGOs are one group of players who are active in the efforts of international development and increasing the welfare of poor people in poor countries. NGOs work both independently and alongside bilateral aid agencies from developed countries, private-sector infrastructure operators, self-help associations, and local governments.

NGOs have a long history of service to people of Ethiopia in general and their involvement in the economic and social life of the country began in the early 20th century. They entered in to the country during the severe drought that induced famine of 1973/74 (BoFED, 2013/14). The number of local and foreign NGOs has increased through time and currently 315 foreign NGOs are operating in Addis Ababa in different programs and intervention areas (CHSA, 2016).

Recent BoFED (2014/15) data shows that, the total amount of budget agreed between NGOs and registered by Addis Ababa City Administration for the period 2010 - 2015 was birr 9,626,618,552 and the total number of direct beneficiaries was about 10,581,520. According to BoFED (2014/15), the number of beneficiaries will be overlapped due to the same thematic area for different project. As result the number of beneficiaries became much more than the city population.

Despite the above growth, there is little agreement on the definition and boundaries of NGO performance management. Systematic review of management accounting literature reveals limited Performance Management research in the NGO sector, despite continuous calls for research in NGOs, and the importance of performance management to the sector (Wadongo and Abdel-Kader, 2011).

According to Kibre’s (2016) studies, findings revealed that there are challenges associated with the practice at each level of the performance process such as planning, executing, and evaluation of performance management at Save the Children International. The findings also show that the actual practice has deviated from the standard set aside and were not followed and executed for the intended purpose.

Although previous studies by Le Roux and Wright (2010) have identified benefits and challenges of performance measurement among NGOs, benefits and challenges of Performance Measurement practices among the NGOs in developing countries have not been comprehensively explored. The need of understanding Performance Measurement Practices in other cultural and organizational contexts is well documented (Pollit, 2005; Thomson, 2010). However, regardless of the enormous contribution of NGOs in developing countries particularly in Sub-Saharan Africa, studies focusing on Performance Measurement practices and NGO performance in this context are far still lacking.

The above indicated studies and literatures reveled that there is a gap in exercising performance measurement and the practice were not comprehensively explored in our country. Moreover, the majority of prior studies on performance management in our country have concentrated mostly on performances of human resources managements of an organization. However, referring the existing gap, this study seeks to explore organization performance management (PM) practices of foreign NGOs operating in Addis Ababa, Ethiopia referring with Ferreira and Otley (2009) performance management and controlling frame work.

1.3. Research Questions

The central research question that this study answers is, “What are the existing performance management practices and measurements of foreign NGOs operating in Addis Ababa.

The study also addressed the following specific research questions:

1. How effectively are the foreign NGOs performance management practices improve strategic decision makings?
2. Does foreign NGOs performance management practices contributes to the achievement of organizational objectives?

1.4. Research Objectives

1.4.1. General Objectives

The general objective of this research is to assess existing practices of foreign NGOs performance management and its effectiveness in view of evidence from Addis Ababa city.

1.4.2. Specific Objectives

The specific objectives of the study are:

1. To explore the effectiveness and practices of foreign NGOs performance management in decision making.
2. To explore the contribution of foreign NGOs performance management in achieving objectives.

1.5. Significance of the Study

Virtually all projects aim to address respective beneficiaries through the grant they secure from donors with stated program and project output, outcomes and impacts. However, in many instances this may perhaps not effective where this research tries to show key areas where attentions demanded in performance managements of foreign NGOs. Further, through its detailed analysis and recommendation on foreign NGOs performance management donors and senior management teams may employ viable, efficient, and effective performance management practice for all programs and projects, which would help to make wise strategic decisions and realize anticipated projects goal.

1.6. Scope of the Study

According to Charities and Societies Agency web site, currently 1790 NGOs have been reregistered under the new Charities and Societies Law. Of these, 370 foreign charities are working in Ethiopian in different program areas (CHSA, 2016). The study is emphases on assessing performance management practices of foreign NGOs and confined with examining the practice of those charities which only have head offices in Addis Ababa.

1.7. Limitations of the Study

The study was conducted on foreign NGOs located at Addis Ababa and this might not be a proven ground to generalize on findings and recommendations about all NGOs practice found in Ethiopia. The study has its own limitation to reach to all cities of Ethiopia. Therefore it might be necessary to conduct a research including such groups to find a clear conclusion about the real performance management practices of foreign NGOs operating in Ethiopia.

1.8. Organization of the Study

This study is organized into five chapters. The First Chapter deals with introduction that includes background of the study, statement of problem, general objective, specific objective, significance of the study, scope of the study and limitations. The Second Chapter presents the related literature and empirical reviews. The Third Chapter deals with materials and methods of the study. The Fourth Chapter deals with data interpretation and analysis. Lastly, the Fifth Chapter presents the study conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

This Chapter revises literatures which are related to the subject matter of the study. From related literatures and other sources, important ideas related to performance management are incorporated in the study. Under this chapter performance management, purpose of performance management, performance management process, effective performance management system, empirical studies on performance management and performance management system of NGOs are discussed and presented in detail.

2.1. Performance Management

In NGOs literature, many authors offered a number of definitions of measuring performance. For instance, Poister (2003) mentioned that performance measurement is a method of identifying, controlling and utilizing different objective measures of the organization's performance and its programs on regular basis. Furthermore, Lindblad (2006) considered performance measurement as the utilization of objectives, indicators and information to assess NGOs interventions and services. Ferreira and Otley (2009) treated it as a mechanism of assessing people, teams and the overall organization. Miller (2007) viewed performance measurement as a program assessment method that evaluates efficiency and effectiveness of a program and its impact. Carman (2007) claimed that performance measurement is a systematic evaluation of a program's outputs, inputs and impacts. Still, there has been always little consensus over how to define and measure performance in NGOs since these organizations have unclear goals and uncertain relationship between programs' activities and outcomes (Kanter and Summers, 1987).

Performance of NGOs has been defined by Kanter and Summers (1987) as the demonstrated ability to acquire the necessary resources for organizational survival. Nevertheless, acquiring the necessary resources for survival is not the only dimension of measuring NGOs performance. Kareithi and Lund (2012) argued that the primary mission of these NGOs is focused on goals desired by their targeted beneficiaries and their communities, so the performance of these organizations should be assessed by their effectiveness and efficiency to achieve mutually identified social goals. One important part of NGOs performance measurement, that has been a concern for a long period, is to understand the appropriate indicators that should be taken into account when measuring and evaluating NGOs performance (Herman and Renz, 2004; Gill et al., 2005). The research on NGOs performance measurement examined two main issues: internal indicators and external indicators. According to Argyris (1964) and Bennis (1966), the internal indicators of measuring NGOs performance are related to "Organizational Health". These indicators concern the financial performance of NGOs including access to funding, budgeting efficiency, expenses and costs (Ritchie and Kolodinsky 2003; Gill et al., 2005). On the opposite, the external indicators address the link between the NGO and the environment. For instance, Yuchtman and Seashore (1967) proposed a system resource framework which defines NGOs performance as the capability to derive benefits from the surroundings toward the best acquisition of the financial needs and requirements for their survival. Their framework is based on the idea of NGOs ability to sustain a good connection with the environment (Boschken, 1994).

In general, NGOs can assess their performance through creating performance indicators and then gathering information related to these indicators. Carman (2007) saw that the most utilized performance indicators by NGOs incorporate efficiency, effectiveness, fundraising, costs, audits and beneficiaries' satisfaction. Teelken (2008) used four performance indicators to evaluate NGOs operations: efficiency, effectiveness, economy and efficacy. Similarly, Fine and Snyder (1999) stressed that performance measurement in NGOs includes identifying and assessing indicators which mainly address efficiency and effectiveness. Ammons (1996) introduced two more indicators that are productivity and workload. Benjamin and Misra (2006) mentioned that measuring performance in NGOs should look at inputs, outputs, outcomes and impact.

2.2. Purpose of Performance Management

In the performance measurement and management literature of NGOs, the significance and advantages of utilizing performance measurement and management to different organizational management structures, techniques and processes have been broadly proved (Teelken, 2008). The literature reveals theoretical frameworks and empirical investigations that exhibit the necessity of performance measurement and management to strategy at all levels, organizational transparency, organizational objectivity, organizational learning, efficiency, performance enhancement and effectiveness. Measuring and managing performance in NGOs is not only a tool of planning that assists these organizations to assess their impact, outcomes and outputs. It can be likewise regarded as a strong instrument for inward feedback and learning. It thus seems to be the main way to effectively process and handle information within NGOs and to disseminate it to the concerned stakeholders such as targeted communities, partners, donors and other public local governments. The concept of performance measurement and management in NGOs is extremely vital since it concentrates these organizations in the use of the performance information in their decision making framework. This implies that managing and accessing the performance is considered to be a pre-requisite for NGOs strategic planners to improve their functions. Moreover, it is closely associated with the budgetary system inside NGOs since these organizations are considered to be fundraising-oriented. A further reason of the necessity of performance measurement and management in NGOs is the need for transparency and accountability toward different stakeholders. This is due to the fact that there is a sort of pressure from stakeholders on NGOs to demonstrate how they perform their operations.

2.3. NGOs Performance and Effectiveness

Performance and effectiveness topic within the NGO sector has remained elusive over the years. Although NGO effectiveness as a measure of NGO performance within the sector has attracted scholarly attention for decades (Mausolff and Spence 2008; Lecy et al 2009), there is little agreement on how to define and measure what constitutes NGO performance. In essence, NGO performance represents the outcome of NGOs activities. An examination of NGO literature reveals emphasis on effectiveness as a key measure of NGO performance (Lecy et al 2009; Beamon and Balcik, 2008) with some researchers equating effectiveness to performance. Some researchers view organizational effectiveness as the extent to which the NGO accomplishes its mission (Benjamin and Misra 2006) and meets its objectives and goals (Kronkisky, 2007). Beamon and Balcik (2008) define effectiveness as extent to which client's needs are met and efficiency as how effectiveness achieved is related to resources used. In this study, effectiveness is considered as one of the dimensions of NGO performance.

According to Lecy et al (2009) and Kronkisky (2007), past research has focused on goal attainment, systems resources, reputation and multi-dimensional measurement approaches of NGO performance. Goal attainment as one of the earlier approach emphasized that NGO performance can only be measured by progress towards achieving goals. However, it was criticized as NGOs lack single and specific goals (Lecy et al 2009). To address the limitations of goal attainment, systems resource approach was proposed emphasizing organizational survival (Kronkisky, 2007). Organization performance was measured by the non-profits' ability to influence and utilize its environment to gain scarce and valuable resources (mostly financial resources) to achieve goals (Ritchie and Kolodinsky 2003). The approach was critiqued for its focus on objective financial variables such as expenditure and revenue to measure performance. Reputational approach relies on the subjective measures of perception of multiple key stakeholders to measure NGO performance (Lecy et al 2009). It is based on the belief that organizational legitimacy will enable the NGO operate in a particular complex sector. Those rejecting the approach cite stakeholder's lack of consensus on NGO performance (Herman and Renz, 2004). Multidimensional models of NGO performance were put forward to address the limitations of the previous approaches (Kendall and Knapp 2000; Kaplan 2001) some including different organizational levels and unit of analysis (Sowa et al. 2004) and incorporating aspects of goals attainment, system resources, and reputational dimensions (Lecy et al, 2009). Despite the potential benefits of multidimensional models, research has shown that they are difficult to implement in practice particularly in NGOs (Moxham, 2009; Carman, 2007) due to complexity, information overload, lack of resources and experience in such systems by NGOs (Le Reux and Wright, 2010). NGOs success in one dimension does not imply that the NGO is effective overall (Herman and Renz 2004; Lecy et al 2009).

Lecy et al (2009) summarizes research in four multidimensional domains of NGO performance as 'organizational management', 'program design and implementation', 'responsiveness to environment' and 'partnerships and networks' incorporating goal attainment, resource systems and reputational measurement approaches. Organizational management domain focuses on activities, processes, and outcomes of NGOs own governance and core management systems such organizational learning, innovation, accounting, fundraising, governance, and board effectiveness. Program Design and implementation domain focuses on design, implementation and outcomes of the specific projects and programs including measuring projects effectiveness and efficiency, inputs, processes, capacity, processes, outputs, outcomes and impacts. Responsiveness to environment domain refers to an NGO's ability to mobilize resources, resist political influence and other negative external influences, to ensure future survival and sustainability. Finally, the partnerships and networks domain represent the success of NGOs partnerships processes and outcomes involving private and public organizations, peers, government and international partners in either horizontal or vertical forms across economic sectors.

2.4. Performance management practices in NGOs

There seems to be a gap between performance management theory and actual practice as highlighted by several researchers and practitioners. Pollit (2005) claims shortage of comparative empirical research into the 'actual practice' of performance management beyond the 'surface rhetoric of performance measurement' On January 25 2007, Mark Vickers a senior analyst with i4cp commenting on a survey conducted by the Institute for Corporate Productivity (i4cp), and HR.com, said:

> "...there is no single PM practice that can transform an ineffective system into a good one. Performance management systems are just that systems. They require the coordination of multiple key practices. The more of these practices that are in place, the more likely a performance management system is to be seen as effective." (Available www.i4cp.cpm)

Similar sentiments are expressed in non-profit literature. For instance, LeRoux and Wright (2010) point out that 'in theory, managers develop and implement performance measurement systems to document performance and support decision making... however, there is a distinct lack of research specifically examining whether and to what extent performance information is used by nonprofit mangers to make strategic decisions''. Similarly, Campbell (2002) findings reveal accountability, program integration and citizen empowerment from outcome assessment are rarely achieved in practice contrary to theoretical expectations. Radnor and McGuire, (2004) concluded that ‘performance measurement in public sector is closer to fiction than to fact’’ due to the parallel systems which makes performance measurement becoming “form filling” or “box ticking” exercise. Although 20 performance measurement frameworks for NGOs have emerged in the last 10 years (Wadongo and Abdel-Kader, 2011) only a handful of them are actually used in the NGOs. This raises the validity of implementing private sector frameworks without alternations or a number of frameworks within the same NGO (Speckbacher, 2003). Moxham (2009) criticized performance measurement frameworks in the UK nonprofits for not being relevant, integrated, balanced, strategic, and improvement oriented as they were driven by stakeholder accountability, they were resource intensive, focused on short-term results and inherent limitations of current systems. Similarly Taylor et al (2009) recommended that performance measurement systems in the sector should be balanced coupled with strategy and address multiple stakeholders’ needs.

Based on the performance management phases discussed by other researchers (Santos et al 2008; Leeuw and van den Berg 2011; Mackie, 2008; Broadbent and Laughlin 2009; Alexander et al 2010), the performance management and control in NGOs can be summarized in three interrelated phases: ‘performance planning’, ‘performance measurement’ and ‘performance context’. Performance planning practices includes how the organization goes about defining and communicating mission, vision, objectives, goals, key success factors, strategies and plans. Performance measurement practices involve identification and definition of key performance domains and indicators, performance targets, measurement methods and rewards and incentives. Finally, performance context comprise of practices related contextual factors such as information feedback systems, performance information use, PM system dynamism, and PM system strength and coherence. Therefore, to validate Moxham and Taylor concerns, it is important to examine performance management practices in Ethiopian NGOs in three phases of performance management (performance planning, performance measurement, and performance context) using a comprehensive performance management and control framework.

2.5. Performance Management and Control Framework

Ferreira and Otley (2009) drawing on Simons' (1995) concept of 'levers of control' extended the Otley (1999) framework to a more comprehensive performance management and control framework that provides a broad basis of studying performance management practices not only in profit making organizations but also NGOs. Therefore the current study adopted Ferreira and Otley (2009) 'Performance Management and Control Framework' to explore performance management practices in NGOs in Ethiopia. Ferreira and Otley expand the initial Otley (1999) five questions (referred in this paper as issues) to twelve eight of which relate functional concerns (determinants and results) of PMS design with a further four capturing the underlying contextual and cultural factors explicitly referred to in Ferreira and Otley (2005) but removed in the final Ferreira and Otley (2009) model. The 12 questions/points relate to the three phases of performance management (Verbeeten 2008; Mackie 2008; Leeuw, and van den Berg 2011) as follows:

i. Vision and mission

Performance management begins with purposes and objectives. It has been long established that a fundamental requirement for control is the existence of objectives, which are the used to evaluate performance (Otley and Berry, 1980). Organizations have to meet multiple and sometimes competing objectives (Chenhall, 2003), and these are typically set out by senior managers to meet key stakeholders expectations (Otley, 2008). The corollary of having to satisfy multiple objectives is that performance becomes a multi-dimensional concept for which no single overriding measure is adequate (Otley, 2008).

The broad orientation and the overall direction that organizations wish to pursue are sometimes expressed by vision and mission statements. The mission outlines the "overriding purpose of the organization in line with the values or expectations of stakeholders", while the vision sets out the "desired future state: the aspiration of the organization" (Johnson et al., 2005). So, clearly, vision and mission are more observable than objectives in that they have clear manifestations, but they have importance only insofar as they are communicated and acted upon. Vision is part of the process of setting the direction for the organization (El-Namaki, 1992), while a mission statement aims to "identify the requirements to attract and maintain shareholders, employees, and customers and to do so in ways that are socially acceptable" (Chenhall, 2003). The vision and mission are part of beliefs systems (Simons, 1995) and they embody core values core and purposes (Collins and Porras, 1996). Vision and mission statements are landmarks that guide the process of deciding what to change and what to preserve in strategies and activities in the face of changing environments (Collins and Porras, 1996). It is, of course, possible that it is observed that an organization does not have a clearly outlined or consistent vision and mission; such observation is itself relevant to understand how its PMSs may actually operate in practice. Further, although the organization may be clear about its mission and vision, this may not be articulated in explicit mission statements, but may be communicated in less formal ways.

Thus, the focus of this idea is to elicit information on how organizational values and purposes are established and communicated as a means of influencing the behavior of organizational participants. It also suggests the need to observe the impact that such processes have on the behavior of managers at all levels. This point replaces consideration of objectives in Otley (1999) framework as these can be diffuse and dependent on individual points of view. It is also likely that there will be inconsistencies and tensions in how these values are prioritized and perceived in different parts of the organization.

ii. Key success factors

The key success factors (KSFs) are those activities, attributes, competencies, and capabilities that are seen as critical pre-requisites for the success of an organization in its industry at a certain point of time (Sousa de Vasconcellos e Sá and Hambrick, 1989; Thompson and Strickland, 2003). They need to be achieved if the organization is to progress towards achieving its vision (Rockart, 1979) and their identification and monitoring is essential for the fulfillment of strategic goals (Rangone, 1997). KSFs are those that are perceived to be important by the managers concerned, rather than necessarily representing any objective or external point of view. Managers, however, have been cautioned to "resist the temptation to include factors that have only minor importance" in that an extensive list of KSFs defeats the purpose of focusing management attention on the items which are "truly critical to long term competitive success"

(Thompson and Strickland, 2003). KSFs are a codification of the vision and mission in more concrete terms and in a more compressed timeframe, recognizing that control measures need to be reported on a routine basis. For instance, managers may regard growth of revenue in foreign markets as a KSF for a vision of becoming a global market leader, or the transferring of production to countries with lower operating costs (e.g. China, India) for a vision of leading the industry in low cost. KSFs represent major factors on different timescales that would indicate whether the vision and mission is being successfully pursued.

iii. Organization structure

The classic view of organizations suggests that they are formed to carry out activities that could be carried out by markets to increase efficiency through the reduction of transaction costs (Coase, 1937). Organization structures are then formed as means of establishing formally the specification of individual roles and tasks to be carried out (Chenhall, 2003) and in doing so, they entrust and empower individuals to act within their sphere of responsibility. There are multiple forms of organization structure and they involve choices regarding decentralization/centralization of authority, differentiation/standardization, and the level of formalization of rules and procedures, as well as configuration (Johnson et al., 2005). Configuration "consists of the structures, processes and relationships through which the organization operates" (Johnson et al., 2005). Structures include the functional, the multidivisional, the holding company, the matrix, the transnational, the team-based, and the project based. Processes include supervision, planning, and market processes, while relationships refer to internal relationships and external relationships outsourcing, strategic alliances, networks, and virtual organizations (Johnson et al., 2005). Organization structure determines the responsibilities and accountabilities of organizational participants; it equally defines the activities that individuals with specific roles should not pay attention to. It is then not surprising that these "arrangements influence the efficiency of work, the motivation of individuals; information flows and control systems and can help shape the future of the organization" (Chenhall, 2003).

Hence, organizational structure is clearly a fundamental control element, and one which has become subject to change and amendment. It is, at a minimum, a constraint on PMSs design and use, and in the longer-term a necessary issue that requires specific consideration as organizations grow and develop. Many control processes operate horizontally rather than vertically, although these typically use non-financial measures. However, the extant control literature seems to concentrate on vertical controls rather than those which follow business processes or value chains. Also, organizations are sometimes part of wider networks or alliances that impact upon their control arrangements, and these need to be considered explicitly. Finally controls are sometimes built into the physical structure or organizational architecture (e.g. production systems; kan-ban inventory controls) which might get overlooked by conventional approaches to the study of MCSs. Organization structure decisions are linked to KSFs as well as to strategic decisions. The identification of KSFs requires organizations to assess the suitability of the existing structures. For instance, a KSF like "to have the ability to respond quickly to market conditions" may require the organization to embrace decentralization or to form team-based structures (structures), to reengineer processes (processes), or to form strategic alliances (relationships), all of which are examples of configuration changes as defined previously (Johnson et al., 2005). There is also a relationship between organization structure and strategy, but this appears to be bi-directional. Some research suggests that structure needs to be matched to strategy (Chandler, 1962; Chenhall, 2003; Thompson and Strickland, 2003) e.g. diversification strategies requiring divisional structures while other research suggests that structure precedes strategy to the extent that it limits the scope and the authority of managers to develop strategies (Donaldson, 1987).

iv. Strategies and plans

Strategy is the direction the organization chooses to pursue over the long term as the means of achieving organizational objectives (Johnson et al., 2005; Thompson and Strickland, 2003). The strategy literature argues that the organization needs to develop the strengths that match its KSFs (Ansoff, 1965; Porter, 1980; Sousa de Vasconcellos e Sá and Hambrick, 1989) to achieve the desired outcomes it sets for itself. A key element of this entails translating strategic goals into operating goals to attain alignment (Chenhall, 2003; Kaplan and Norton, 1996). Research also suggests that a match between the environment, strategy, and internal structures (such as MCS) is associated with higher performance (Govindarajan, 1988; Govindarajan and Gupta, 1985).

Various strategy typologies have been proposed over the years. These include Miles and Snow's (1978) defender, analyzer, prospector and reactor strategies, Porter's (1980) cost leadership and differentiation strategies, Miller and Friesen's (1982) conservative and entrepreneurial strategy, and Govindarajan and Gupta's (1985) build, hold, harvest strategies, which were based on the eight types i.e. aggressive build, gradual build, selective build, aggressive maintain, selective maintain, competitive harasser, prove viability and divest proposed by MacMillan (1982). All these typologies represent a useful way of looking at a particular organization's strategy and a way to reflect on how they are translated into the PMSs. The observation of the strategic typology the organization has selected can give insights into the way it sees itself. But the framework deliberately does not specify any particular strategic typology as a preferred basis for analysis, not least because some of these typologies are not suitable for use in not-for profit organizations. The literature review conducted by Langfield Smith (2007) provides a sound basis from which to begin untangling the relationships between strategy and PMSs.

The focus of this idea is on the actions that management has identified as being necessary for the successful development of the organization. Thus, the emphasis is on the actions that are thought likely to achieve outcomes (i.e. relationship between means and ends). It is possible that we could observe that an organization has clear goals and objectives perhaps expressed through mission and vision statements and has identified the appropriate KSFs, but has not thought through what actions will be necessary to achieve such goals (i.e. a strategic planning failure). Alternatively, it may have explicitly decided that it will not operate through a detailed planning process, but adopt a more flexible, adaptive approach to respond to environmental uncertainties. That is, forecasting is believed to be so unreliable, that it is thought better not to plan, but to have the capacity to respond quickly to events as they unfold (e.g. as in agile manufacturing). The literature on beyond budgeting clearly makes the point that planning has lost much of its relevance in today's highly competitive and changing environments (Hope and Fraser, 2003a,; Player, 2003). Finally, we have included the process of devising and communicating strategies and plans in this area of the PMSs framework. This process can be as important as the outcome of the strategic planning and thus it warrants explicit consideration. Lack of direction is one of the key control problems observed in practice (Merchant and Van der Stede, 2007) and failure to communicate strategies and plans to organizational members may result in a lack of understanding of how individual actions contribute to the overall strategy.

The question also elicits the nature of strategic management process by asking how strategies and plans are generated and communicated to managers and employees. The process can follow the traditional top-down approach where top managers undertake the strategic thinking, decision-making, planning, and then communicate it to the wider organization or it can follow a bottom-up approach where there is involvement of all levels of management in the strategic process. Empowerment has become more important with the rise of the 'lean', 'delayered', horizontal organizations, in place of hierarchical and vertical organizations (Otley, 1994). Although there are strong advocates for the top-down approach to strategic change (Kotter, 1995), research shows that top managers find it difficult to control how such change is understood by middle managers and that, as a consequence, they ought to place greater emphasis on the adaptation of emergent strategies (Balogun and Johnson, 2004). It appears clear that a wider involvement of lower echelons of management in the strategic management process is likely to result in greater understanding the strategic intent, acceptance of the path to be undertaken and, importantly, provide for broader organizational alignment.

v. Key performance measures

Key performance measures are the financial or nonfinancial measures (metrics) used at different levels in organizations to evaluate success in achieving their objectives, KSFs, strategies and plans, and thus satisfying the expectations of different stakeholders. They are explicitly identified in the PMSs framework to reflect both the importance that is attached to performance measures in most contemporary organizations and the influence that such measures have on individual behavior. This idea is relates to Simons' (1995) critical performance variables; that is, those measures that are directly linked with the success of the organization. However, the idea also encompasses Simons' (1995) 'interactive' use of control systems to the extent that it refers to those measures on which senior managers focus their attention and use to drive subordinate behavior.

This point is explicit about whether performance measures are derived from objectives, KSFs, and strategies and plans to the extent that identification of suitable performance measures is part of the strategic implementation process (Johnson et al., 2005) and indicative of the alignment between operations and strategy. This idea of alignment is consistent with Chenhall (2005), who refers to the links between operations and strategy and goals as one of the features of integrative strategic performance measurement systems. Furthermore, Ittner and Larcker maintain that "the choice of performance measures is a function of the organization's competitive environment, strategy, and organizational design" (2001). There is evidence that alignment between performance measures and strategy affect performance; in particular, the pairing of quality-based manufacturing strategies with the extensive use of subjective non-financial performance measures was found to have a positive performance effect (Van der Stede et al., 2006).

Care needs to be taken both to observe the measures that are actually in use and also areas where measures are absent or limited in scope. It is a truism that what is measured tends to drive out what is not measured and so omissions may be as influential as measures in use. Further, the number of such 'key' measures is also of relevance, as managers' limited attention span means that the use of many performance measures reduces their impact. For instance, the proponents of the balanced scorecard address this issue by recommending a maximum of 25 performance measures in total (Kaplan and Norton, 1996). The articulation of measures between organizational levels is also of interest, especially as non-financial performance measures may well have to be different at different organizational levels. Similarly, the explicit development of causal relationships between measures in some form of causal model (such as 'strategy maps' (Kaplan and Norton, 2000, 2004)) also provides evidence of how an organization views its performance measures.

vi. Target setting

Target setting is a critical aspect of performance management (Ittner and Larcker, 2001; Otley, 1999; Stringer, 2007). It should then be no surprise that the issue of setting targets and using them for evaluating and rewarding performance has been the subject of discussion in the literature and is likely to continue to receive attention in years to come (Covaleski et al., 2003). However, Stringer (2007) notes that field research has failed to provide an in-depth analysis of these issues, particularly in regard to the relationship between target setting and other aspects of the PMS.

This point, which has been left unchanged from the original Otley's (1999) framework, reflects the universal tension between what is desired and what is thought to be feasible in determining targets for all aspects of organizational performance. The process of target setting (e.g. imposition, consultation, participation) may be as important as the outcome (Emmanuel et al., 1990). The literature on budgetary control provides a good guide to the major issues involved (Libby, 2001; Shields and Shields, 1998), and it is also applicable to a wider set of non-financial targets, as evidenced in balanced scorecard implementations. Research has found that target levels have effects on performance, with moderately difficult goals enhancing group performance (Fisher et al., 2003), with evidence that, in practice, targets tend to be 80 to 90 per cent achievable and this is regarded as desirable (Merchant and Manzoni, 1989). Aggressive target setting in situations where there is need for cooperation between units is not associated with higher performance (Chan, 1998), as managers become less willing to make concessions and take longer to reach agreements (Smith et al., 1982). However, the embedding of continuous improvement into targets appears increasingly inescapable, as companies face competitive and globalized markets (Chenhall, 2003). Also, the use of benchmarking (Elnathan et al., 1996; Spendolini, 1992), particularly the use of external benchmarks, appears to provide a greater degree of legitimacy for targets, as shown by their use in the health sector (Northcott and Llewellyn, 2003), and has been strongly advocated by the beyond budgeting movement (Hope and Fraser, 2003b).

vii. Performance evaluation

The area of performance evaluation represents a critical nexus in control activities. Managers tend to be most affected by areas that senior managers signal as important, with success in these areas potentially determining status and progression in the organization. Thus both formal performance evaluation activities and informal indications of what is felt to be important are both covered in this portion. It is particularly important to distinguish between performance evaluation routines (often orchestrated by the human resources function) and those actually operated by senior managers. Again, this is an area where subordinates' perceptions of what is believed to be the situation are even more important than the formal situation, with research showing that trust between the parties plays a major role (Gibbs et al., 2004). It is important to note that this idea is not concerned exclusively with individual performance evaluations, even though they are likely to be the most observable. It also includes the evaluation of the performance of various groups of individuals (e.g. teams, departments, and divisions) and, more generally, the organization as a whole. Research shows that performance evaluations of business units that use balanced scorecards place greater emphasis on common measures than on unique measures (Banker et al., 2004; Lipe and Salterio, 2000) and that they are influenced by strategically linked measures only to the extent that business unit strategies are communicated in detail to evaluators (Banker et al., 2004). Research has also found that managers who are evaluated on the basis of company profits achieve higher joint outcomes when following a team orientation than an individualistic orientation (Schulz and Pruitt, 1978). There is also research that shows that cooperation and integrative problem solving among executives occurs more frequently when performance evaluations focus on corporate profits rather than on divisional profits (Ackelsberg and Yukl, 1979).

Performance evaluations can be objective, subjective, or fall in-between these two extremes. Under subjective performance evaluations, the specific weightings placed on the various dimensions of performance are unknown to the evaluee and determined subjectively by the evaluator. However, the evaluator may make these weightings more explicit by flagging which aspects are more important. The use of subjective evaluations has the important advantage of enabling evaluators to correct for identifiable flaws in performance measurement (Gibbs et al., 2004), but they also come at the cost of expensive managerial time and perceptions of bias. The use of subjective performance evaluations in conjunction with the balanced scorecard has attracted criticism for permitting favoritism and for creating uncertainty about evaluation criteria (Ittner et al., 2003). Other research on the use of subjective evaluations has found them to be positively related to the level of spending on training, the severity of the consequences of missing targets, the extent of interdependency between subunits, and increased pay satisfaction and productivity (Gibbs et al., 2004). In contrast, under objective performance evaluation there is no scope for ambiguity in the weightings; assessment is based only on the actual results and, typically, they do not allow for adjustments to the agreed standards of performance nor to their weightings. Therefore, objective, formulaic performance evaluations are likely to be acceptable in situations where the input output relationship is clear, the performance is controllable or, when it is accepted as part of institutionalized practice. Further, the whole area of 'gaming' behavior (Argyris, 1952; Hofstede, 1968) and the degree to which it is stimulated by different patterns of use of performance measures is covered by this question.

viii. Reward systems

Rewards are typically the outcome of performance evaluations and as such reward systems are the next logical aspect to consider in the analysis of PMSs. Rewards are considered broadly here and may range from expressions of approval and recognition by senior management (or lack of criticism), through financial rewards (bonuses and salary increases) to long-term progression and promotion. This idea is carried over from Otley's (1999) framework, but now making explicit the fact that rewards can include both financial and non-financial elements. It also opens up the issue of the distinction between positive (i.e. rewarded) and negative (i.e. penalized) control activities, which were hinted at in Simons' (1995) distinction between beliefs and boundary systems (i.e. those things that should be done versus those things which should be avoided). The area of non-financial rewards is worthy of further elaboration as it may often include quite subtle attitudes and behaviors of superiors. Thus informal praise or criticism and general attitudes about a subordinate's progress within the organization can significantly influence the subordinates' behavior and thus the workings of the PMSs. Issues of equity, fairness and inclusiveness (Hope and Fraser, 2003b) between different managers also loom large in many organizations. The issues covered by this point relate strongly to the processes and structures of accountability (Merchant and Otley, 2007) and corporate governance more generally, that are now the subject of widespread interest in the literature. The relationship between rewards, motivation and performance is complex, perhaps more so than it appears at first sight. It has been long recognized that reward systems are used to motivate individuals to align their own goals with those of the organization (Hopwood, 1972) and that desired behaviors that are not rewarded tend to be neglected (Kerr, 1975). Some research, however, suggests that extrinsic motivation (i.e. rewards) undermines intrinsic motivation (Deci et al., 1999), but this has been disputed by other studies (Jenkins et al., 1998). Financial incentives do not necessarily translate into performance as shown by Jenkins et al. (1998), who suggests a positive relationship between financial incentives and performance quantity (e.g. number of tasks completed), but not with performance quality (e.g. supervisor ratings). Additional evidence in support of a positive relationship was provided by Bonner et al. (2000), but this was only observed in half of the studies they reviewed. They also found that this positive effect decreased as tasks became more complex and that the relationship differed across types of incentive schemes. The effect of monetary incentives on performance occurs when individuals possess the necessary skills, but the increased effort generated by the monetary incentives does not flow through to performance when they do not have such skills (Bonner and Sprinkle, 2002).

Group reward practices have attracted increased attention from both academia and practice in recent years. Such rewards are based on collective achievement and come under many guises, including profit-sharing schemes, team-based incentive schemes, and gain-sharing plans. The use of group rewards faces a number of challenges, including the potential for free riders, for individuals to see themselves as detached from the group and for a lack of equity. Furthermore, there is the difficulty of relating individual performance and group performance. Notwithstanding these challenges, group rewards can create an ownership culture and research suggests that they are often effective (Merchant and Van der Stede, 2007; Rosen et al., 2005). In fact, group rewards have been strongly endorsed by some researchers due to the difficulty of identifying the marginal contribution of individuals to overall performance, and when organizations are viewed as "a complex network of interdependent relationships" (Hope and Fraser, 2003b).

ix. Information flows, systems and networks

Information flows, systems and networks are essential enabling mechanisms to any performance management system (Otley, 1999); they are the binding agent that keeps the whole system together. They act like the nervous system in the human body, transmitting information from the extremities to the centre and from the centre to the extremities. The idea notes the difference between feedback information that is, information used to enable the undertaking of corrective and/or adaptive courses of action and feed-forward information that is, information used to enable the organization to learn from its experience, to generate new ideas and to recreate strategies and plans. In other words, it distinguishes between information flows aimed at the correction of past shortcomings from those which attempt to anticipate future events and respond in advance of their occurrence. The ides represents an extended version of the final point in Otley's (1999) framework.

Systems are used to organize accounting and other control information. They are part of the information system (IS) and information technology (IT) infrastructure that pervade contemporary organizations. Enterprise Resource Planning (ERP) systems, for example, are not accounting systems in the strict sense of the word, but they are interdependent with accounting and other control processes (Chapman, 2005). They provide a platform for accounting and control information to flow, but they may also create impediments to the design and implementation of control systems (Granlund and Mouritsen, 2003). It also needs to be recognized that the well-developed and reliable systems that are generally in place to provide financial information do not necessarily exist in such robust form for non-financial information. The quality of the non-financial information needs to be assessed, particularly in regard to its vulnerability to manipulation and misreporting. The relationship between accounting and IT is one of interdependence and mutuality, with accounting needing IT for both reporting and performance management purposes, and IT needing accounting to justify its existence (Dechow et al., 2007).

How performance and control information is structured is another key issue to be considered. In many organizations, performance management processes revolve around budgeting systems, however, increasingly organizations are moving towards broader PMSs, such as balanced scorecards. Other operating systems, such as production, quality control, logistics systems, and customer-relationship systems may be part of the overall package of systems in use. There are also a number of additional issues to be considered that are related to the characteristics of the information flows in the PMSs. These includes issues such as information scope (i.e. narrow scope or broad scope), timeliness (i.e. frequency and speed of reporting), aggregation (i.e. by period and by functional areas), and integration (i.e. inter-relationships and interactions between subunits) (Chenhall and Morris, 1986). They also include issues such as the level of detail, relevance, selectivity, and orientation (Amigoni, 1978).

Networks represent another layer in the IT/IS infrastructure. Many organizations have organized their systems in networks that are made available to various parties within the organization. However, information networks go beyond formal mechanisms. Informal networks of individuals can also play a key role in the dissemination of information within the organization. This is something that will be shaped by and shape the prevailing organizational culture.

x. PMSs use

The use made of information and controls is a cornerstone of the PMSs. Case study evidence suggests that the use of control information can be more significant than the formal design of the control system (Ferreira, 2002). It is rather surprising that this was omitted from Otley's (1999) framework, given the work he conducted on the effects of different uses of control information and also by other studies in the area (Govidarajan, 1984; Hopwood, 1972; Otley, 1978). Nevertheless, the concept of 'use' has not been well developed in the literature. Apart from Hopwood's (1972) categories now often discussed in terms of 'rigid' and 'flexible' use perhaps the only substantial contribution is that made by Simons (1995) in terms of his four LOC, and his concept of interactive use. Even this has been inadequately measured in subsequent studies for, as Bisbe et al. (2007) argue, interactive control as defined by Simons can be seen as a composite of five different sub-areas intensive use by senior managers, intensive use by operating managers, pervasiveness of face-to-face challenge and debate, focus on strategic uncertainties and a non-invasive, facilitating and supportive involvement each of which need to exist for control to be described as interactive. We argue that Simons conflates the intensive use of information by managers with the identification of an inadequate strategy. Both of these are key issues, but it seems confusing to link them together in the overall concept of 'interactive use'. There is considerable scope for the development and operationalization of the concept of use, and for research to ascertain the effects of different types of use of control systems are key components of organizational learning processes. However, it is the use of strategic validity controls that primarily serves the important role of identifying the failure of intended strategies and the rise of emergent strategies (Mintzberg, 1978).

Broadbent and Laughlin (2007)7 have built upon the idea of 'transactional' and 'relational' uses of PMSs, and this provides an additional dimension of 'use' at an organizational level of analysis. Transactional use of a PMS "has a high level of specification of ends to achieve (e.g. through performance measures, targets etc.) as well often a clear specification of the means needed to achieve these defined ends", whereas relational use of a PMS "can be less specific about the ends to achieve and the means to achieve them if this is the view of the stakeholders designers but could be very precise if they so chose" (2007). Transactional and relational uses are the extremes of a continuum that represent ideal constructions which do not necessarily translate neatly into practice, but they are analytically distinct to the extent that they represent the domains of cultural elements of instrumental rationality and of communicative rationality (Broadbent and Laughlin, 2007). Broadbent and Laughlin maintain that "context affects the PMS functional questions and the financial transfers, yet culture expressed through communicative and instrumental rationalities, has an even more direct and ultimately more significant effect on the PMS design" (2007). From the perspective of our framework, Broadbent and Laughlin's work is valuable as it emphasizes an organizational level of analysis of the concept of 'use' to complement the typically individual level of analysis found in earlier work. That is, relational and transactional usage typifies the overall 'use' made of a range of control mechanisms across a whole organization, or by one organization in its dealings with others.

xi. PMSs change

Change and its dynamics have been included into the extended framework. Environments change, organizations change, and so PMSs also need to change in order to sustain their relevance and usefulness. The idea of change in the PMSs applies to both the design infrastructure that underpins the PMSs (e.g. the management control techniques and the key performance measures used) and also to the way performance management information is used (e.g. the aspects which are emphasized and those which are not). However, the issue is not the process of change itself, but rather the extent and type of change that has taken place in the PMSs design and use as a response to or in anticipation of changes in the organization and its environment. In other words, the idea draws the attention to the antecedents (i.e. the causes) and consequences (i.e. the outcomes) of change in the PMSs, leaving issues of process aside. For instance, the observer may ask why performance measures were introduced or removed from the PMSs and examine the economic and/or behavioral implications of those decisions, rather than dwelling on the detail of change processes. There is also the common situation where organizations are working towards the implementation of a change to rectify a known problem, but the timescale of change is often extended due to the (computer and other) systems changes which are required.

This is an area of major importance as the rate of change increases. The incorporation of change dynamics into the analysis of PMSs design adds to our understanding of how different PMSs components interrelate with each other. In particular, it draws attention to the issue of lags in PMSs design which can result in an extant system appearing incoherent. These PMSs change issues clearly link to the wider area of management accounting change more generally (Baines and Langfield-Smith, 2003; Burns and Scapens, 2000; Burns and Vaivio, 2001; Busco et al., 2007; Dambrin et al., 2007; Lukka, 2007; Scapens and Jazayeri, 2003).

xii. Strength and Coherence

The strength and coherence of the links within a PMS is crucial to understanding its operation and therefore an area that needs to be considered in the extended framework. Like any other system, a PMS is greater than the sum of its parts and there is a need for alignment and coordination between the different components for the whole to deliver efficient and effective outcomes. Although the individual components of the PMSs may be apparently well-designed, evidence suggests that when they do not fit well together (either in design or use) control failures can occur (Ferreira, 2002). The theoretical development provided in the preceding idea of the PMSs framework makes clear the key links between its components and, thus provides a good starting point for questioning, critical analysis and assessment of the balance, harmony, consistency and coherence of the links in the whole PMSs package. However, it is important to stress that there are no deterministic rules here; the components of PMSs combine with each other and their interactions have effects on organizational outcomes (Abernethy and Brownell, 1999).

Chenhall (2003) provides hints as to what to look for when examining the strength and coherence of the PMSs. He suggests that judgments should be made about the extent to which the control system "consider(s) multiple stakeholders; measure(s) efficiency, effectiveness and equity; capture(s) financial and non-financial outcomes; provide(s) vertical links between strategy and operations and horizontal links across the value chain; provide(s) information on how the organization relates to its external environment and its ability to adapt". A key issue to be considered here is the extent to which key performance measures link back to strategies (Van der Stede et al., 2006), and how strategies link back to key success factors and to the over-arching objectives of the organization. In studying PMSs' operation at different hierarchical levels there is also the potential to observe mismatches, perhaps caused by changes being made at one level that have yet to be carried through to other levels.

2.6. Strength and Weakness of PMCF

Ferreira and Otley (2009) PMCF has a number of strength worth noting. It is unique because it puts forward core issues that can be considered in design, implementation and evaluation of PMS rather than prescribing an ideal model. It is a flexible as it can be tailored to fit different organizations such as nongovernmental organizations. The model recognizes different hierarchy levels of the organization as the ideas are asked at different organizational levels. This is particularly useful in NGOs where managers tend to distinguish the NGO as entity different from the independent programs implemented. It has been argued the framework can be used easily to analyze control systems and facilitate data collection (Silva and Ferreira, 2010; Broadbent and Laughlin, 2009; Yap and Ferreira, 2011). Finally, it offers a real opportunity for the development of a comprehensive performance management framework for NGOs.

The weakness of the framework is that although it recognizes aspects of context and culture issues, distances itself from contingency theory and other environmental factors while including organizational structure in the framework. Ferreira and Otley (2005) clearly point out that it has been '…shown that variables relating to external environment, strategy, culture, organizational structure, size, technology and ownership structure have an impact on the control system'. Nevertheless, later they fail to consider some of the contextual factors such as technology, internal capability, perceived environmental uncertainty and resource constraints, which are important to NGOs. Broadbent and Laughlin (2009) addressing four contextual and cultural issues that Ferreira and Otley (2009) later distanced themselves from, point out that the four questions fail to capture the organizational context complexity (particularly in NGOs) and influence on functional issues. Although the framework offers opportunity to explore performance management practices in NGOs, it has not been extensively used for research in non-profit organizations (Silva and Ferreira 2010) particularly NGOs (Yap and Ferreira, 2011). Finally, the model has been previously applied to few qualitative studies utilizing triangulation of data collection methods and data sources in multiple organizations. Therefore, this study builds on the previous studies, and demonstrates the applicability of the framework to performance management research in foreign NGO sector of Ethiopia utilizing questionnaires. Thus, future studies can generate valuable insights into performance management practices in NGOs and this is an avenue for future research.

2.7. Empirical Review

This section reviews literature on what others have established on Performance Management Practices of NGOs. According to Magdy and Wadongo (2011), regardless of recent growth and importance of Nongovernmental organizations (NGOs) as part of the voluntary sector, research focusing on performance management practices in these organizations lags behind and therefore, the aim of their study is to explore performance PM practices relevant to NGOs performance in Kenya utilizing a performance management and control framework (proposed by Ferreira and Otley, 2009). The study revealed that there is a gap between performance management theory and actual practice of NGOs and the study also demonstrated that the performance management and control framework of Ferreira and Otley (2009) is an important tool for researchers to use to explore PM practices among several NGOs. In addition to this Alexandra (2005) after exploring and analyzing the relevant information on The Development and Implementation of Performance Management System of non-governmental organization (NGO), it became apparent that the performance management system has no direct bearing on the ability of the organization to achieve its stated commitment to Funders.

According to the research studied by Melat (2014), even though Ethiopian Management Institutes/EMI has some good qualities in clearly defining the mission, vision and values and developing strategy map but a lot have to be made in making performance management system to be more useful for the organization. Kibre (2016) had a study in assessments of performance management practices of human resource in Save the Children International and evidences show that the actual practice is deviated from the standard set aside, the standards were not followed and executed for the intended purpose and the whole practice was to fulfill the requirements of submitting the completed performance format to the HR department. Most studies in our county have tried to see performance management practices of human resource of NGOs, government and privet organizations. However studies to explore performance management system of NGOs considering stated organizational goal and target using recommended frame work were not conducted. Therefore, this study tries to explore performance management (PM) practices relevant to NGOs performance and attempts to provide empirical evidence of PM practices in Ethiopian NGOs with a performance management and control framework proposed by Ferreira and Otley, 2009 that includes three performance management phases; Performance Planning, Performance Measurement and Performance Measurement Context.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the methodology that was used in the collection of data and describes the research design, data collection methods, sampling techniques, data analysis and interpretation.

According to Kothari (2003), the process of research is a systematic method that includes the following: (a) defining the research problem. (b) Formulating the hypothesis/research questions from the research problem. (c) Designing the appropriate research process. (d) Collecting facts or data to help answer the research questions. (e) Analyzing the data. (f) Reaching certain conclusions from the analyzed data hence answering research questions. Processes (c) and (d) constitute what is termed as Research Method for it enables the researcher to get the data necessary to answer the research questions and hence solve the research problem. Research Methodology on the other hand is inclusive of the research methods and encompasses the overall approach to the research process from definition to selection of the appropriate research method and analysis of data and drawing conclusions from the analysis hence would entail all the above steps.

3.2. Research Design

A research design is defined as the blue print and a detailed plan of how a research study is to be conducted (Neuman, 2014). Several researchers had employed descriptive technique and the researcher has also used this technique in this research, because the research questions and the objectives stated were applicable for this type of study. Descriptive research portrays an accurate profile of people's events or situations (Robson, 2002). The major purpose of descriptive research is to provide information on characteristics of a population or phenomenon. Accuracy is particularly important in descriptive research. A descriptive study tries to discover answers to who, what, when, where and sometimes how questions (Cooper & Schindler, 2003). Hence, the researcher implemented qualitative approach to explore performance management (PM) practices of foreign NGOs in Ethiopia particularly at Addis Ababa.

3.3. Research Population

A population can be defined as the complete set of subjects that can be studied: people, objects, animals, plants, organizations from which a sample may be obtained (Shao, 1999). Researcher usually cannot make direct observations of every individual in the population that is studying. Instead, researchers collect data from a subset of individuals (a sample) and use those data to make inferences about the entire population. As per the website of the Charities and Societies agency, as of August 04, 2016 there were 1,790 (one thousand seven hundred ninety) of charities and societies in Ethiopia (CHSA, 2016). They are categorized in to foreign charities, Ethiopian societies, Ethiopian resident societies, Ethiopian resident charities, Ethiopian charities, Consortiums, and adoption foreign charities. These organizations are spread all over the country and are varying from small to international ones. They range from organizations run by small teams of volunteers to mega organizations with hundreds of fully paid staff of diverse professions and sophisticated systems and processes. These organizations are diverse in respect of their activities such as welfare, environmental protection, human rights, development, relief, education, health, empowerment, and so on. Of all these NGOs, 373 (three hundred seventy three) charities are classified as foreign charity organization operate in Ethiopia and 330 (three hundred thirty) of them has a head office in Addis Ababa where identified as a subject population of the study.

3.4. Sampling Technics and Sample Size

There are two types of sampling method; Probability sampling and Non probability sampling. Probability sampling provides a statistical basis for saying that a sample is representative of the study or target population. In probability sampling, every member of the target population has a known, nonzero probability of being induced in the sample. Probability sampling implies the use of random selection, which eliminates subjectivity in choosing a sample. It is a "fair" way of getting a sample (Fink, 2003).

Non-probability sampling is sampling in which participants are chosen based on the researcher's judgment regarding the characteristics of the target population and the needs of the survey. In non-probability sampling, some members of the eligible target population have a chance of being chosen and others do not. Owing to chance, the survey's findings may not be applicable to the target group at all (Fink, 2003). The non-probability sampling technique includes convenience sampling, purposive sampling, snowball sampling and quota sampling (Berg, 2001).

This study has employed convenience sampling technique to select samples of the study under consideration. Convenience sampling as one of sampling techniques (non-probability sampling techniques) is used by researchers regardless of its limitations. This technique is employed due to the accessibility and proximity of the subjects to the researcher. On top of that, data collection for this study using other methods such as probability sampling, stratified sampling and purposive sampling (non-probability sampling) was not possible due to unwillingness of most of the selected organizations to participate in the research.

The main limitation (weakness) of this technique is that the results arrived at using convenience sampling may end up in biased results. However, Convenience sampling is a generally accepted qualitative procedure and as long as its limitations are recognized in the paper, reviewers do not tend to be significantly concerned about it (Humphrey & Lee, 2004).

Under certain circumstances this strategy is an excellent means of obtaining preliminary information about some research question quickly and inexpensively (Berg, 2001). One of the criterions pointed out to employ convenience sampling is if the population is homogeneous (Helle & Ulhøi, 2007). In this regard, the population of this study is homogeneous for the entire subject considered is foreign charities in Ethiopia.

Njoki, used Convenience sampling to draw a sample of 20 NGOs from a cumulative definite population size of 6,075 for a thesis submitted to University of Nairobi titled –the effect of the budgeting process on budget variance in non-governmental organizations in Kenya (Njoki, 2012).

In addition Pamela Ruth Berry has used convenience method of sampling for a thesis under a title of financial planning and control systems: essential tools to increase the survival rate of micro and small manufacturing enterprises in the Tshwane metropolitan area‖ submitted to University of South Africa (Berry P. R., 2011).

As per CHAS web site, in Ethiopia there are 373 foreign NGOs working in a different programs and intervention area, out of which 330 have head office at Addis Ababa and the researcher has selected 40 (forty) foreign NGOs which is 12% of study population. These organizations are implementing different developmental and emergency projects through regional sub offices that benefit large number of beneficiaries'. Regarding determination of the sample size, 15 INGOs were selected judgmentally which is 4.32% of the total population well above similar surveys. To mention, Admasu Mera 2011 used 0.67228% and (Kuln, 2004 =0.022%, Diaz and Delgado, 1995 = 0.026%, Pope, 1995 = 0.008%, cited in (Mera, 2011).

Individuals from Grant/Finance or Program management Positions of each sample foreign NGOs were selected and accordingly a total of 40 staffs were targeted to participate as respondents and 31 fulfilled responses have been processed.

3.5. Source of Data

A primary source of data has been chosen because there is the need to obtain information at first hand from the respondents from foreign NGOs operating in Addis Ababa. In order to fulfill the objectives of the study, data were gathered mainly from primary sources and the respondents of this study were NGOs senior management team, like Country Directors, Grant/Finance Managers or Program Managers who have the authority and responsibility to manage the performance management activities of the organizations.

3.6. Collection Method

This research used questionnaires as a method of collecting data and the questionnaires were developed based on the literature review. A series of questions that are easy and convenient to answer but can describe the intended practices or behaviors were formulated into a questionnaire. Shao (1999) defines a questionnaire as a formal set of questions or statements designed to gather information from respondents that accomplish research objectives. In this respect, the questionnaire answered by foreign NGOs senior management staffs which provide information about performance management (PM) practices of the organization.

Structured questionnaires are used by this research as a main source of data collection instrument. Structured questionnaire is convenient, easy, and take less time to answers because options are available to the respondents from which they tick options that best describe their practices, opinions or attitudes. In connection to this, the questions were close ended. This is due to the fact that close ended questions will provide structured responses and there by enable to analyze in a better way than open ended question responses.

3.7. Reliability and Validity of Data

The research reliability is concerned with the question of whether the results of a study are repeatable. Reliability evaluates the degree in which same findings might be obtained if a research is developed once again (Silverman, 1997). Therefore, in this research, in which the analysis is qualitative and subjective, particular care was taken to have results that are more reliable. As result, the data collection process was planned and structured in advance. Moreover, correction and certification of questionnaires is conducted after pre-test with selected NGOs was carried to minimize any doubt and possible blurred aspects.

Validity is concerned with the integrity of conclusions that are generated by a research (Silverman, 1997). The main concern here is also the subjective judgment on collecting data and its analysis. As result, this study looked to contribute with stimulating ideas that might further be initiated by new studies. Therefore, it is not meant to be generalized.

3.8. Mode of Analysis

Qualitative data were analyzed by using content analysis, narratives, and case analysis. Following the completion of the data collection, the collected data was encoded and entered into Statistical Package for Social Science/SPSS/ 20 Version for quantitative analysis. These quantitative analyses were mainly descriptive statistics such as percentages and frequencies. In addition, data were presented in the form of tables, graphs, and charts.

3.9. Ethical Considerations

The willingness of individuals to disclose the necessary information played significant role for the successful completion of this research. For this reason, while conducting this research the researcher tried to make sure that treating both the respondents and the information they provide with honesty and respect. These are some vital ethical principles that the researcher strictly complied: (a) Do Not Harm - safeguarding an individual participating in the study against doing anything that harm. (b) Privacy and Anonymity - any respondents participating in this study guaranteed. (c) Confidentiality - any information provided by an individual participating in this study is treated in a confidential manner.

CHAPTER 4

DATA ANALYSIS AND DISCUSSION

4.1. Introduction

This chapter presents the analysis of study findings from the analysis of close-ended questions were developed from Performance management and Control Framework (Ferreira and Otley, 2009) and previous literature. On each of the analytical questions that the survey sought to answer, the findings are presented under the following themes namely: respondent's profile and their performance management practices emerging sub categories from questionnaires were also included within the above major themes.

4.2. Response Rate Analysis

Out of 40 issued questionnaires, 31 fully completed questionnaires were returned, i.e. 78% response rate, whereas 9 questionnaires were not returned due to a high work load and tight schedule of respondents. It can be inferred that the response rate was good. According to Mugenda and Mugenda (2003) a response rate of 70% and over is excellent for analysis and reporting on the opinion of the entire population.

Table 4.1: Response Rate

Response	Frequency	Percentage %
Returned questionnaires	31	78
Unreturned questionnaires	9	22
Total	**40**	**100**

Source: Field Data, (2017)

4.3. Profile of Respondents

Thirty-one respondents were returned their questionnaires to the researcher and as shown on Table 4.2 below respondent's position composition country director were consists of 6%, 35% for project finance director, 26% for program director, and 32% for grant/finance manager & of other finance section heads.

As shown on Table 4.2 below, the educational level of the respondents about 39% of the respondents were degree holders, 51% with second degree and the remaining 10% of the respondents have third degree. About 77% of the respondents were worked in their current organization for about greater than two years that would backstop their experience. The remaining 23% of the respondents were worked for less than two years. The result shown that 84% of the respondents have more than two years' experiences in their current organization.

Table 4.2: Respondents Profile

Category of Employment	**Frequency**	**Percentage**
Country Director	2	6%
Finance Director	11	36%
Program Director	8	26%
Grant/finance Manager & other heads	10	32%
Higher Level of Education	**Frequency**	**Percentage**
First Degree	12	39%
Master Degree	16	51%
PhD	3	10%
Period worked in the Organization	**Frequency**	**Percentage**
0 – 2 years	7	23%
3 – 4 years	11	35%
5 – 6 years	8	26%
Over 7 years	5	16%
Period worked in the Current Position	**Frequency**	**Percentage**
0 – 2 years	5	16%
3 – 5 years	12	39%
6 – 8 years	9	29%
Over 9 years	5	16%

Source: Field Data, (2017)

4.4. Performance Management Practices

According to Ferreira and Otley (2009), performance management practices listed above in the literature part are broadly categorized in to three sections; first, Performance Planning Practices which includes Vision and Mission, Key success factor, Organizational structure and Strategic plan. Second, Performance Measurement Practice consists of Key Performance Measures and Targets, Performance Evaluation, and Reward and Penalty. Finally, Performance Context Practice contains Feedback and Monitoring System, Performance Information Use, Performance Management System Dynamism, and Strength and Coherence of PMs.

This analytical question sought to determine the level of foreign NGOs performance management practices in the main City. The levels were categorized into twelve basic ideas of performance management frame work. According to Ferreira and Otley (2009), this performance frame work aims to reflect a shift from the traditional compartmentalised approaches to control in organizations to a broader perspective of the role of control in the managing organizational performance. It also aims to give a managerial emphasis, by integrating various dimensions of managerial activity with the control system and provide a high level guide for trustees and senior managers, to help them make sure that their organization is using effective performance management system and that staff are working appropriately. A number of questions were asked that sought to study this performance management frame work and the findings are discussed next.

4.4.1. Performance Planning Practices

Table 4.3: Performance Planning Practices – Vision and Mission

Vision and Mission	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%
Vision and Mission	0	0%	0	0%	0	0%	6	19%	25	81%	31	100%
Knowledge	0	0%	0	0%	6	19%	18	58%	7	23%	31	100%
Mechanisms and processes to convey	0	0%	3	10%	16	52%	8	26%	4	13%	31	100%

Source: Primary Data 2017

Table 4.3 illustrates the response to the question that sought to determine the practices of foreign NGOs performance management frame work, vision and mission. As shown above on Table 4.3, all of the respondents agreed that these NGOs have organizational mission and vision statements more than average, and from these 81% of respondents have knowledge about the organization Mission and Vision. The remaining 19% of the respondents have claim less than average. About 52% of respondents agreed on average that organization used mechanisms, processes and network to convey the organization over-arching purpose and objective to its employees and partners, 39% agreed more than average and 10% disagree with this. As a first step towards performance measurement, several researchers agree that NGOs need to clearly identify their mission and purpose including their role in the society, and benefits to their community. This understanding will assist in development of useful performance measurements (Buckmaster, 1999). Similar thinking had earlier been argued by Drucker (1989) who concluded, "...non-profits do not base their strategy on money, nor do they make it centre of their plans … The non-profits start with the performance of their mission". Therefore, rational systems like the performance management frameworks need to integrate these unique and intrinsic intentions and be seen to be contributing to their achievement rather than acting as impediments. In this context, this research finds that all foreign NGOs operating in Addis Ababa city were applying vision and mission statement that leads them to achieve their objectives.

Table 4.4: Performance Planning Practices – Key Success Factor

Key Success Factors	**Strongly Disagree**		**Disagree**		**Average**		**Agree**		**Strongly Agree**		**Total**	
	FQ	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**
Identifies Key factors	0	0%	10	32%	17	55%	4	13%	0	0%	31	100%
Knowledge	0	0%	11	35%	18	58%	2	6%	0	0%	31	100%

Source: Primary Data 2017

Table 4.4 proves the responses to the question that sought to know organization identifies key factors that are believed to be central to the organization overall future success and appropriately convey to the staff. Of which 55% indicated that these organizations identify key factors that are believed to be critical to the organization overall future success on average and only 13% agreed. On the other hand, 32% of the respondents cited their organization have not identify critical success factor of the organization. Likewise, 58% of respondents averagely agreed that they have knowledge about key success factors of the organization and 6% were more than average. However, 35% of which has no idea about key success factor of the organization. According to Yap and Ferreira, (2011) NGOs need to identify key success factors that give them competitive advantage in achievement of their mission and vision. They also have clear strategic planning process, although unique strategic activities and plans across the sector as discussed by Ferreira and Otley (2009). In addition, they need to be achieved if the organization is to progress towards achieving its vision (Rockart, 1979) and their identification, monitoring and communication to their staffs is essential for the fulfillment of strategic goals (Rangone, 1997). During the course of this study, the results shown that foreign NGOs in Addis Ababa has given less attention to identify and communicate key success factor of the organization to all staff.

Table 4.5: Performance Planning Practices – Organizational Structure

Organization Structure	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**
Responsibility and Accountability	0	0%	0	0%	0	0%	22	71%	9	29%	31	100%
Entrusts and Empowers	0	0%	0	0%	5	16%	16	52%	10	32%	31	100%

Source: Primary Data 2017

Table 4.5 demonstrates the responses to the question that sought to see organizational structure determines the responsibility and accountability of organizational participants which entrusts and empowers individuals to act within their sphere of responsibility that have a great deal on decision making. All of the respondents designated that these foreign NGOs determines the responsibility and accountability of organizational participants and that is more than an average.

According to Chenhall (2003), arrangements of organizational structure influence the efficiency of work, the motivation of individuals; information flows and control systems and can help shape the future of the organization. In this context, this research finds that there is a structural arrangement in foreign NGOs that helps to make informed decision and shape future of the organization.

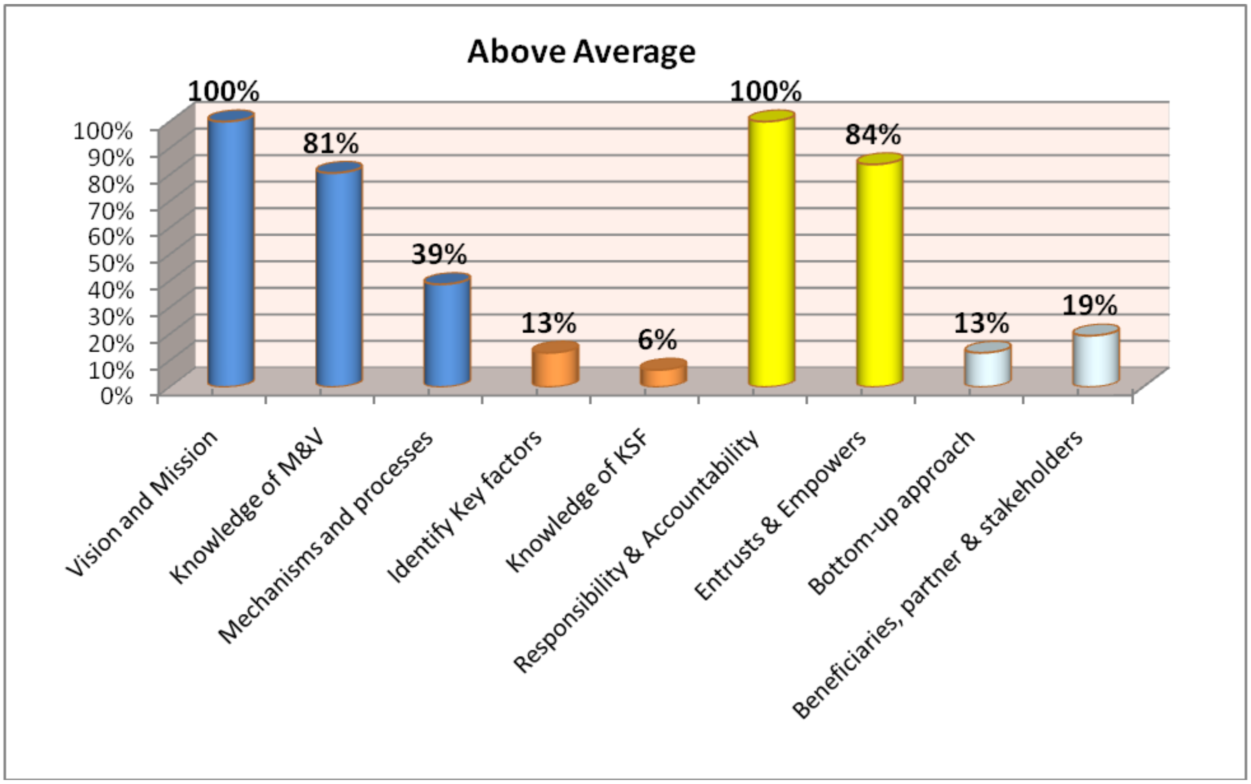
Table 4.6: Performance Planning Practices – Strategic Plan

Strategic Plan	**Strongly Disagree**		**Disagree**		**Average**		**Agree**		**Strongly Agree**		**Total**	
	FQ	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**
Bottom-up approach	8	26%	14	45%	5	16%	4	13%	0	0%	31	100%
Involves beneficiaries, partner and stakeholders.	5	16%	12	39%	8	26%	6	19%	0	0%	31	100%

Source: Primary Data 2017

Table 4.6 shows that, only 13% of respondents granted that the strategic plan process of these foreign NGOs is bottom-up approach where there is involvement of all level of management in the strategic process. 16% are average and the remaining 71% of the respondents are below average cited that there is top-down approach where top managers under take the strategic thinking, decision making, planning and communicate it to the wider organization. In addition, 81% of respondents that is average and below average agreed that Strategic planning process does not involve beneficiaries, other partner organization and stake holders. Although there are strong advocates for the top-down approach to strategic change (Kotter, 1995), research shows that top managers find it difficult to control how such change is understood by middle managers and that, as a consequence, they ought to place greater emphasis on the adaptation of emergent strategies (Balogun and Johnson, 2004). It appears clear that a wider involvement of lower echelons of management in the strategic management process is likely to result in greater understanding the strategic intent, acceptance of the path to be undertaken and, importantly, provide for broader organizational alignment. During the research course, the research finds that most of foreign NGOs are practicing top-down approach to develop strategic plan and give less attention to participate beneficiaries, partners and stake holders.

Figure 4.1 Response Summary: Performance Planning Practices



Source: Primary Data 2017

Figure 4.1 shows that 61% of respondents were debated that though foreign NGOs have a clear vision and mission statement that shows their purpose, they are not using mechanisms, processes and network to convey the organization over-arching purpose and objective to its employees and partners. Likewise, identification and knowledge dissemination about key success factors of the organization is so poor and 87% of respondents are less than average. In addition, 87% of respondents agreed that where top managers under take the strategic thinking, decision making, planning and communicate it to the wider organization and similarly 81% of respondents cited that organizations were not involve beneficiaries, other partner organization and stake holders at strategic planning process.

4.4.2. Performance Measurement Practice

Table 4.7: Performance Measurement Practices – Key Performance Measures and Targets

Key Performance Measures and Targets	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%
PM frame works	0	0%	0	0%	2	6%	11	35%	18	58%	31	100%
PM are Output based and quantitative	0	0%	0	0%	1	3%	14	45%	16	52%	31	100%
PM are financial measures	0	0%	2	6%	8	26%	14	45%	7	23%	31	100%
PM are qualitative measures	3	10%	12	39%	10	32%	4	13%	2	6%	31	100%
Required level of performance	0	0%	3	10%	7	23%	13	42%	8	26%	31	100%

Source: Primary Data 2017

As represented on Table 4.7 above, of 93% of the respondents cited their foreign NGOs used performance measurements frame works that is above an average. Similarly 97% and 68% of the respondents respectively agreed that performance measure or indicators of their organizations are output based & quantitative and financial types. On the other hand, 49% of respondents argued that their performance measure or indicators of the organization are not focus on qualitative measures and from which only 19% are above an average. The process of target setting (e.g. imposition, consultation, participation) may be as important as the outcome (Emmanuel et al., 1990). Research has found that target levels have effects on performance, with moderately difficult goals enhancing group performance (Fisher et al., 2003), with evidence that, in practice, targets tend to be 80 to 90 per cent achievable and this is regarded as desirable (Merchant and Manzoni, 1989). Hence, as per the table 4.7, respondents showed that their organization has a level of performance need to achieve for each of its key performance measures and that is 68% above average and 23% on average. In this regards, this research is found there are application of performance management framework, measurements are based on output, quantity and financial measures and also organizations have set standard target level required to achieve. However, performance measurement in terms of quality has given minimal attention than other measures and this will leads to ineffectiveness performance and unable to provide long lasting solution to the target group.

Table 4.8: Performance Measurement Practices – Performance Evaluation

Performance Evaluation	**Strongly Disagree**		**Disagree**		**Average**		**Agree**		**Strongly Agree**		**Total**	
	FQ	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**
Individual Performance	0	0%	0	0%	0	0%	8	26%	23	74%	31	100%
Group Performance	3	10%	14	45%	12	39%	2	6%	0	0%	31	100%
Organizational Performance	0	0%	0	0%	12	39%	16	52%	3	10%	31	100%
Objective Evaluation	0	0%	0	0%	7	23%	9	29%	15	48%	31	100%
Subjective Evaluation	0	0%	0	0%	5	16%	5	16%	21	68%	31	100%
Mixed Evaluation	0	0%	0	0%	5	16%	7	23%	19	61%	31	100%

Source: Primary Data 2017

As shown on the above table 4.8, 100% and 62% of the respondents respectively agreed that foreign NGOs practice and follows individual and organizational performance evaluation these are above an average. On the other hand, 55% of the respondents do not agree that these organizations practice and follow group performance that is below an average. Likewise, 77%, 84% and 84% of respondents respectively accepted that their organizations used objective, subjective and mixed techniques of evaluation. According to Schulz and Pruitt (1978), managers who are evaluated on the basis of company profits achieve higher joint outcomes when following a team orientation and evaluation than an individualistic orientation. This research were found that foreign NGOs evaluate individual and organizational performance using objective, subjective and mixed evaluation techniques, however group or departmental evaluation were executing with reduce attention.

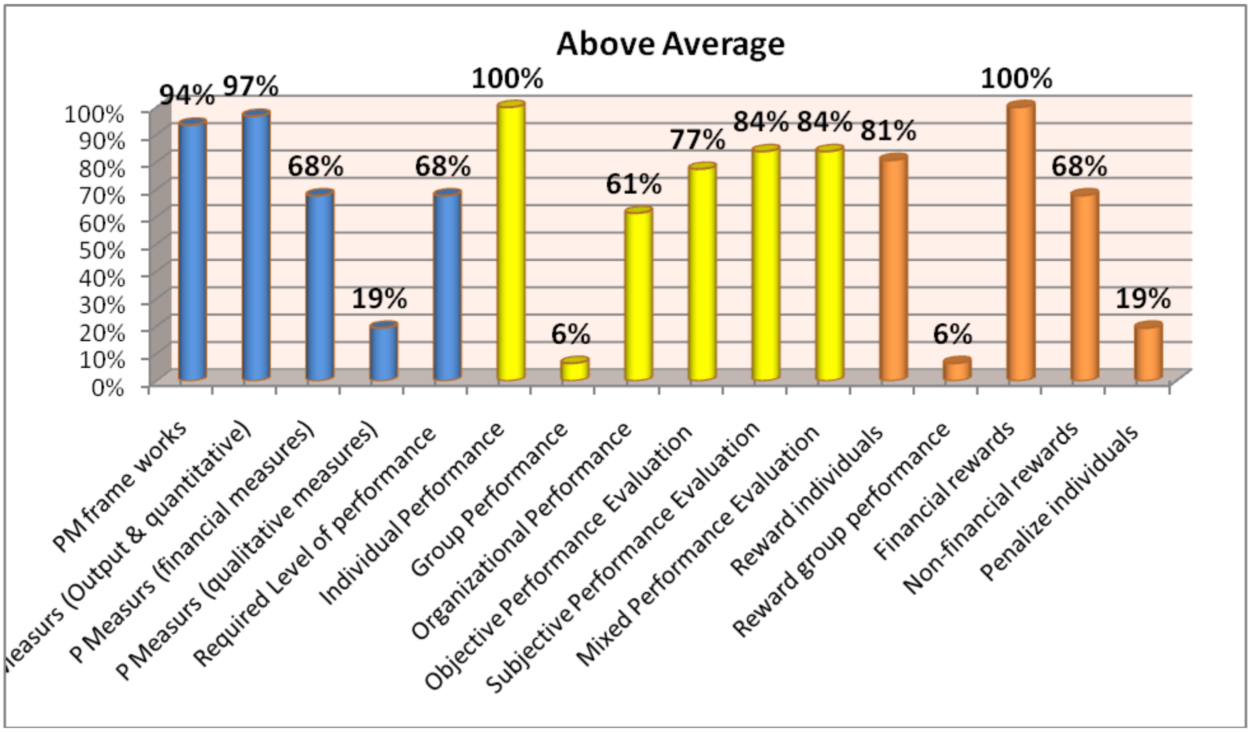
Table 4.9: Performance Measurement Practices – Reward and Penalty

Reward and Penalty	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%
Reward individuals	0	0%	0	0%	6	19%	15	48%	10	33%	31	100%
Rewarding based on group performance	6	19%	15	49%	8	26%	2	6%	0	0%	31	100%
Financial rewards	0	0%	0	0%	0	0%	12	39%	19	61%	31	100%
Non-financial rewards	0	0%	7	22%	3	10%	13	42%	8	26%	31	100%
Penalize individuals	0	0%	15	48%	10	32%	6	19%	0	0%	31	100%

Source: Primary Data 2017

The table 4.9 shows, 81% of the respondents are replayed these foreign NGOs rewarded individuals based on performance that is above an average. On the other hand, 68% of respondents are argued their organizations have no package to reward group or departments based on group or departmental performances that is below average. The remaining 32% of the respondents are showed their organizations have group reward and that is 26% and 6% on and above average respectively. All and 68% of respondents have respectively agreed that their rewarding package included a financial and non financial reward that is above average. In contrary, 48% of respondents cited that there is no package to penalize individuals based on performance that is below average. 19% of which have a package and 32% of them are on average. According to Ferreira and Otley (2009), rewards are considered broadly and may range from expressions of approval and recognition by senior management (or lack of criticism), through financial rewards (bonuses and salary increases) to long-term progression and promotion. Group reward practices have attracted increased attention from both academia and practice in recent years. Such rewards are based on collective achievement and come under many guises, including profit-sharing schemes, team-based incentive schemes, and gain-sharing plans (Merchant and Van der Stede, 2007). As result, this research finds foreign NGOs were lack practicing group rewarding system and penalizing individual's based on poor performance.

Figure 4.2 Response Summary: Performance Measurement Practices



Source: Primary Data 2017

As shown on the above figure 4.2, most respondents were agreed that effective foreign NGOs performance measurement practices are in use. Yet, this research finds that there is a gap especially in applying some concepts of Ferreira and Otley (2009) performance management such as qualitative measure of performance, measuring group performance and rewarding them, and penalizing individuals based on their undesired performance.

4.4.3. Performance Context Practice

Table 4.10: Performance Context Practices – Feedback and Monitoring

Feedback and Monitoring System	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%
Monitoring and feedback mechanisms	0	0%	0	0%	4	13%	18	58%	9	29%	31	100%
Feedback communication strategies	0	0%	0	0%	9	29%	11	35%	11	35%	31	100%

Source: Primary Data 2017

Table 4.10 shows that 87% of the respondents were agreed that foreign NGOs adopted formal monitoring and feedback mechanisms, like pipe line feedback system, client forms, benchmarking, survey and that is above an average. Similarly, 70% of which replayed that foreign NGOs have a feedback communication strategies, like feedback review meeting, quality assurance report, monitoring and evaluation. From both no respondents were claimed it that is below an average. According to Simon (1995), managers required to report both formal and informal feedback mechanisms and used the information both diagnostically and interactively. The implication of this result is that foreign NGOs are a bit sensitive for monitoring and feedback communication strategies.

Table 4.11: Performance Context Practices – Performance Information Use

Performance Information Use	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%
Organize and documents PM information	0	0%	2	6%	8	26%	14	45%	7	23%	31	100%
Use PM information	0	0%	2	6%	9	29%	9	29%	11	35%	31	100%

Source: Primary Data 2017

The result in Table 4.11 above shows 68% of the respondents have a system to organize and document performance management information that is above an average. The remaining 6% of respondents were debated for it that is below an average. Likewise, 64% of the respondents used performance management information for diagnostic and interactive usage, like informing budgeting process, service quality and performance improvement, informing strategy and decision making, share best practices that is above an average. The remaining 6% of respondents were debated for it that is below an average. The implication of the result is foreign NGOs were concerned in organizing and document performance management information's and utilize in a major activities of project management.

Table 4.12: Performance Context Practices – Performance Management System Dynamism

Performance Management System Dynamism	**Strongly Disagree**		**Disagree**		**Average**		**Agree**		**Strongly Agree**		**Total**	
	FQ	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**
Alter PM System in response to change	0	0%	4	13%	6	19%	12	39%	9	29%	31	100%

Source: Primary Data 2017

The above Table 4.12 illustrates that 68% of respondents have organizational practice to alter the performance management system both the design infrastructure (eg. Management control technical and key performance measures used) and the way performance management information in use (eg. the aspect which are emphasized and these which are not) as a response to or in anticipation of changes in the organization and its environment that is above an average. The remaining 13% of respondents were debated for it that is below an average. The above result reveals that foreign NGOs were implementing changes on performance management system in response to changes.

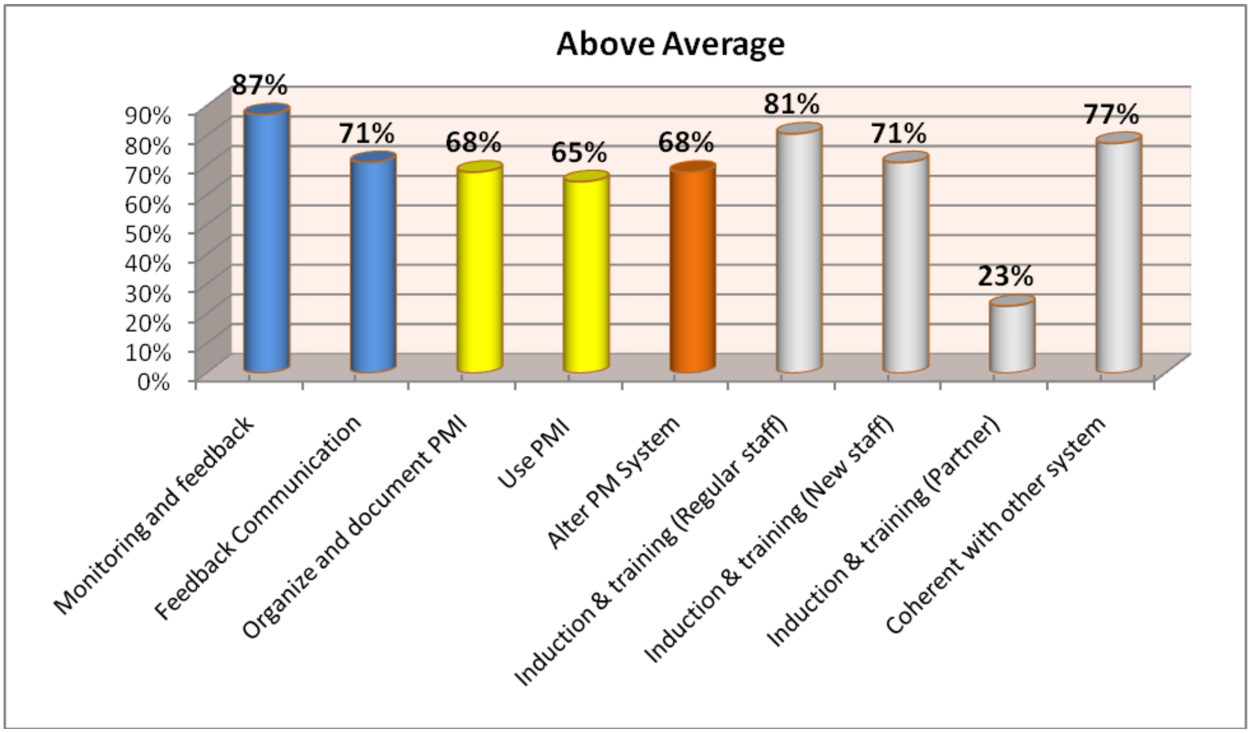
Table 4.13: Performance Context Practices – Strength and Coherence of PMs

Strength and Coherence of PMs	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%	FQ	%
Induction and training for regular staff	0	0%	0	0%	6	19%	14	46%	11	35%	31	100%
Induction and training for new employees	0	0%	1	3%	8	26%	13	42%	9	29%	31	100%
Induction and training for partners	2	6%	12	39%	10	32%	5	16%	2	6%	31	100%
Coherent with other system	0	0%	0	0%	7	23%	13	42%	11	35%	31	100%

Source: Primary Data 2017

As shown on Table 4.13 45% of respondents were showed that foreign NGOS give less attention on strengthen its Performance management system by strengthened induction and training process for partner that is below an average. 32% of respondents were agreed that there is induction and training for partners that is above an average. In addition, 81% and 71% of respondents were respectively agreed that organizations strengthen their Performance management system by enhanced induction and training process for regular staff and new employees that is above an average. According to Ferreira and Otley (2009), strength and coherence of the links within a performance management system is crucial to understanding its operation. Like any other system, a performance management system is greater than the sum of its parts and there is a need for alignment and coordination between the different components for the whole to deliver efficient and effective outcomes. As to this regard, 77% of which agreed that performance management system of the organization id coherent with other systems that is above an average. This apparently implies that, foreign NGOs were giving required consideration for system strengthening and coherence except partner's relationships.

Figure 4.3 Response Summary: Performance Context Practices



Source: Primary Data 2017

The above figure 4.3 exhibits, organization have given less attention to strengthen its Performance management system by strengthened induction and training process for partners, where as the rest of performance context practices are suitably implemented in project management activities.

CHAPTER 5

SUMMERY AND RECOMMENDATIONS

5.1. Introduction

The purpose of this chapter is to discuss and draw conclusions and recommendations on the findings of the main objective of the study which was to assess existing practices of foreign NGOs performance management and its effectiveness in view of evidence from Addis Ababa city, based on the specific objectives and answers to research questions related with improved strategic decision making and achievement of organizational objectives.

5.2. Summery

The objective of this study was to assess existing practices of foreign NGOs performance management and its effectiveness in view of evidence from Addis Ababa city using Ferreira and Otley (2009) performance management and control frame work. Specifically the study sought to determine the contribution of performance management practice to improve strategic decision making and achievement of organizational objectives in foreign NGOs. The study used a descriptive survey approach in collecting data from the respondents because it ensured complete description of the situation, making sure that there is minimum bias in the collection of data. 373 (three hundred seventy three) charities are classified as foreign charity organization operate in Ethiopia and 330 (three hundred thirty) of them has a head office in Addis Ababa where identified as a subject population of the study. The study employed convenience sampling technique to select sample foreign NGOs from specific population and individuals from Grant/Finance or Program management Positions of each sample foreign NGOs were selected and total of 40 staffs were targeted to participate as respondents and 31 fulfilled responses have been processed.

The primary data for the study was collected using the questionnaires and the questionnaires were self-administered and contained closed ended questions. Quantitative data was analyzed using Statistical Package for Social Sciences (SPSS 21.0); while qualitative data was analyzed through content analysis. The main finding of this research is there are inefficient application and practices of performance management and control frame work of Ferreira and Otley (2009).

The subsequent recommendations were made in order to improve effective performance management implemented by foreign NGOs.

The key findings of the research are:

- Foreign NGOs have a clear vision and mission statement that explain why they exist, however they don't use mechanisms, processes and network to convey the organization over-arching purpose and objective to its employees and partners.
- Foreign NGOs do not identify Key factors that are believed to be central to the organization overall future success. As a result of which managers and employees of the organizations do not have the required knowledge about key success factors of the organization
- Strategic plan process of foreign NGOs is top-down where only top managers under take the strategic thinking, decision making, planning and communicate it to the wider organization.
- Foreign NGOs were not involved beneficiaries, partner organization and stake holders at strategic planning process.
- Foreign NGOs performance measurement in terms of quality has given minimal attention than other measures, like financial and output.
- Foreign NGOs evaluate individual and organizational performance using objective, subjective and mixed evaluation techniques, however group or departmental evaluation were execute with reduce attention and there is no group rewarding police.
- Even though foreign NGOs reward individuals based on performance, there is no clear policy to penalize for undesired performance.
- Foreign NGOs has given less attention to strengthened induction and training process for partners.

5.3. Recommendation

According to the findings of the study, foreign NGOs performance management were found not good enough in comparison with the recommended best practices and likewise some of the best practices were inconsistently done in foreign NGOs.

The researcher makes the following recommendations to address some of the key findings of the study:

- Foreign NGOs are required to plan and organize update and refresher trainings for performance management actors in a certain time interval to acquire new updated on performance management and control frame works.
- According to the literature indicated above, Vision and Mission statements are more observable than objectives in that they have clear manifestations, therefore there should be different kinds of mechanisms and processes need to develop and approaches to convey main purpose of the organization to managers and employees. Staff can easily able to access when they are cited on edge of every mails, internal memos, printed materials and persistently remained on regular staff meetings.
- Foreign NGOs performance management actors should obtain about and identification of key success factor of nonprofit organizations and disseminate the knowledge to all staff to contribute for future success of the organization.
- Sometimes it would be great to follow a bottom-up approach where there is involvement of all levels of management in the strategic process. It appears clear that a wider involvement of lower echelons of management in the strategic management process is likely to result in greater understanding the strategic intent, acceptance of the path to be undertaken and, importantly, provide for broader organizational alignment. In addition, in order to maintain stewardship and transparence of foreign NGOs, their strategic plan should participate beneficiaries, other partner organization and stake holders.
- Most of foreign NGOs are focused on financial and quantitative measures of performance; however donors and government should keep a system to ask grantee organizations to submit regular report about qualities of service and materials provided to beneficiaries.
- Group performance measurement and rewards can create an ownership culture and they are often effective in achieving specific and general objectives of the organization. Also, group rewards have strongly recommended due to the difficulty of identifying the marginal contribution of individuals to overall performance.

- Penalties for non-performance have to be very clear in organizational policy, individual based and punitive to employees and managers including dismissal, demotions, termination of contracts, end of the program for the organization and no promotion. This will help individuals to enhance their knowledge and competency to avoid penalties due to poor performance. This also contributes to have a wise decision, efficient resource utilization and effective goal attainments.
- Strong performance management system of a foreign NGO is a collective result of partners. Hence foreign NGOs need to conduct a regular capacity assessment of partners and give induction and training process for all partners.
- Maintain a system to monitor and evaluate the entire performance management activities of the organization according to the recommended best practices.

5.3.1. Recommendation for Further Research

Due to the limiting factors mentioned earlier in this study, it was not possible to carry out a comprehensive research on other types of not-for-profit non-government organizations, seeing that it is focused only foreign non-government organization specially located at Addis Ababa, hence there is need to undertake further study in this area by including other types of non-government organizations, like local NGOs and widening the study sample by including more regional cities.

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It is evident that many of the list the references are not refred to, please eather limit your list to those references or give a total bibliography,

Date: ________________

Dear Respondent:

This study is being conducted by Yidnekachew Tefera, a candidate for Degree of M.Sc. in Accounting and Finance at Addis Ababa University, College of Business and Economics; with a title of “Performance Management in Foreign NGOs: Assessment of Performance Management Practices within NGOs Operating in Addis Ababa, Ethiopia. This research will help stakeholders of foreign NGOs (particularly Management Accountants and operation Managers) to better understand how their Performance managements systems are effective.

In this regard you have been selected to participate in the study and kindly provide the required information by completing the attached questionnaire to the best of your knowledge. Your name and participation in this survey is anonymous and every effort will made to maintain the confidentiality of survey responses and study records. If you have any questions regarding your rights as a research subject and other issues, please contact with the bellows address.

I hope that you will be able to participate in this study and would like to say thank you in advance for your valuable time and contribution to this study.

Respectfully yours,

Yidnekachew Tefera

Contact Address:

Cell Phone: +251 911374292
Email: iamyidnek@gmail.com

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
POST GRADUATE PROGRAM IN ACCONTING & FINANCE DEPARTMENT

General Guideline:

Please read the questions and provide answers to the best of your knowledge by putting a tick mark [✓] in the boxes given after your responses. Please try and answer all the questions.

SECTION A: BACKGROUND INFORMATION

1. **Background Information**

1.1. Name of the Organization ___________________________________ *(optional)*

1.2. Level of employment of respondent *(tick as appropriate and (optional) give the position name)*

- Country Director [ ]……………………………………………..
- Finance Director [ ]……………………………………………..
- Program Director [ ]……………………………………………..
- Grant/finance Manager [ ]……………………………………………..
- Other level *(specify)* [ ]…………………………………………….

1.3. What educational level have you attained?

- University level education, with first degree [ ]
- University level education, with master degree [ ]
- University level education, with PhD [ ]
- Other, please specify____

1.4. How many years of experience do you have in your current organization?

- 0 – 2 years [ ]
- 3 – 4 years [ ]
- 5 – 6 years [ ]
- Over 7 years [ ]

1.5. How long have you been at your current position?

- 0 – 2 years [ ]
- 3 – 5 years [ ]
- 6 – 8 years [ ]
- Over 9 years [ ]

SECTION B – PERFORMANCE MAMAGEMET PRACTICES

According to the standard performance management and control framework, please rate your practices in reference your agreement to the following aspects as per the rating scale given below.

Levels of Rating				
- 1 - Strongly Disagree	**- 2 – Disagree**	**- 3 – Average**	**- 4 – Agree**	**- 5 – Strongly Agree**
If you believe your applications and practices are lowest of the average.	If you believe your application and practices are below the average.	If you believe your application and practices are on average.	If you believe your application and practices are above the average.	If you believe your applications and practices are highest of the average.

2. Performance Management Practices

Vision and Mission	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization has a Vision and Mission statement					
You have a knowledge about the organization Mission and Vision					
Organization used mechanisms, processes and network to convey the organization over-arching purpose and objective to its employees and partners					

Key Success Factors	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization has identifies Key factors that are believed to be central to the organization overall future success.					
You (Managers and employees) have a knowledge about key success factors of the organization					

Organization Structure	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
Organizational structure determines the responsibility and accountability of organizational participants.					
Organizational structure entrusts and empowers individuals to act within their sphere of responsibility.					

Strategic Plan	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The strategic plan process is bottom-up approach*					
Strategic planning process involves beneficiaries, other partner organization and stake holders.					

* - Bottom-up approach where there is involvement of all level of management in the strategic process.

- Top-down approach where top managers under take the strategic thinking, decision making, planning and communicate it to the wider organization.

Key Performance Measures and Targets	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization used performance measurements frame works. Like liner log frame (LLF), BSC and other					
Performance measure or indicators of the organization are output based and quantitative.					
Performance measure or indicators of the organization are established on financial measures.					
Performance measure or indicators of the organization are focus on qualitative measures.					
The organization has a level of performance need to achieve for each of its key performance measures.					

Performance Evaluation	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization follow methods of evaluating individual performance					
The organization follow methods of evaluating group performance					
The organization follow methods of evaluating organizational performance,					
There is an objective performance evaluation technic in the organization.					
There is a subjective performance evaluation technic in the organization.					
There is a mixed performance evaluation technic in the organization.					

Reward and Penalty	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization has a policy to reward individuals based on their performance evaluation					
The organization has a group rewarding package based on group performance					
The reward package has include financial rewards					
The reward package has include non-financial rewards					
The organization has a policy to penalize individuals based on their performance evaluation					

Feedback and Monitoring System	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization has adopted formal monitoring and feedback mechanisms, like pipe line feedback system, client forms, Benchmarking, survey and the like.					
The organization has a feedback communication strategies, like feedback review meeting, quality assurance report, monitoring and evaluation					

Performance Information Use	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization has a system to organize and documents performance management information.					
The organization has use performance management information for diagnostic and interactive usage, like informing budgeting process, service quality and performance improvement, informing strategy and decision making, share best practices.					

Performance Management System Dynamism	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization has a practice to alter the Performance management system both the design infrastructure and the way performance management information in use as a response to or in anticipation of changes in the organization and its environment					

- Design Infrastructure:- means management control technique and key performance measures used
- Way of Use:- the aspect which are emphasized and these which are not

Strength and Coherence of PMs	*-5-*	*-4-*	*-3-*	*-2-*	*-1-*
The organization strengthens its Performance management system by enhanced induction and training process for regular staff.					
The organization strengthen its Performance management system by strengthened induction and training process for new employees					
The organization strengthen its Performance management system by strengthened induction and training process for partners					
Performance management system of the organization is coherent with other system of the organization. Like finance, human resource, program					

----------------------THANK YOU-----------------------