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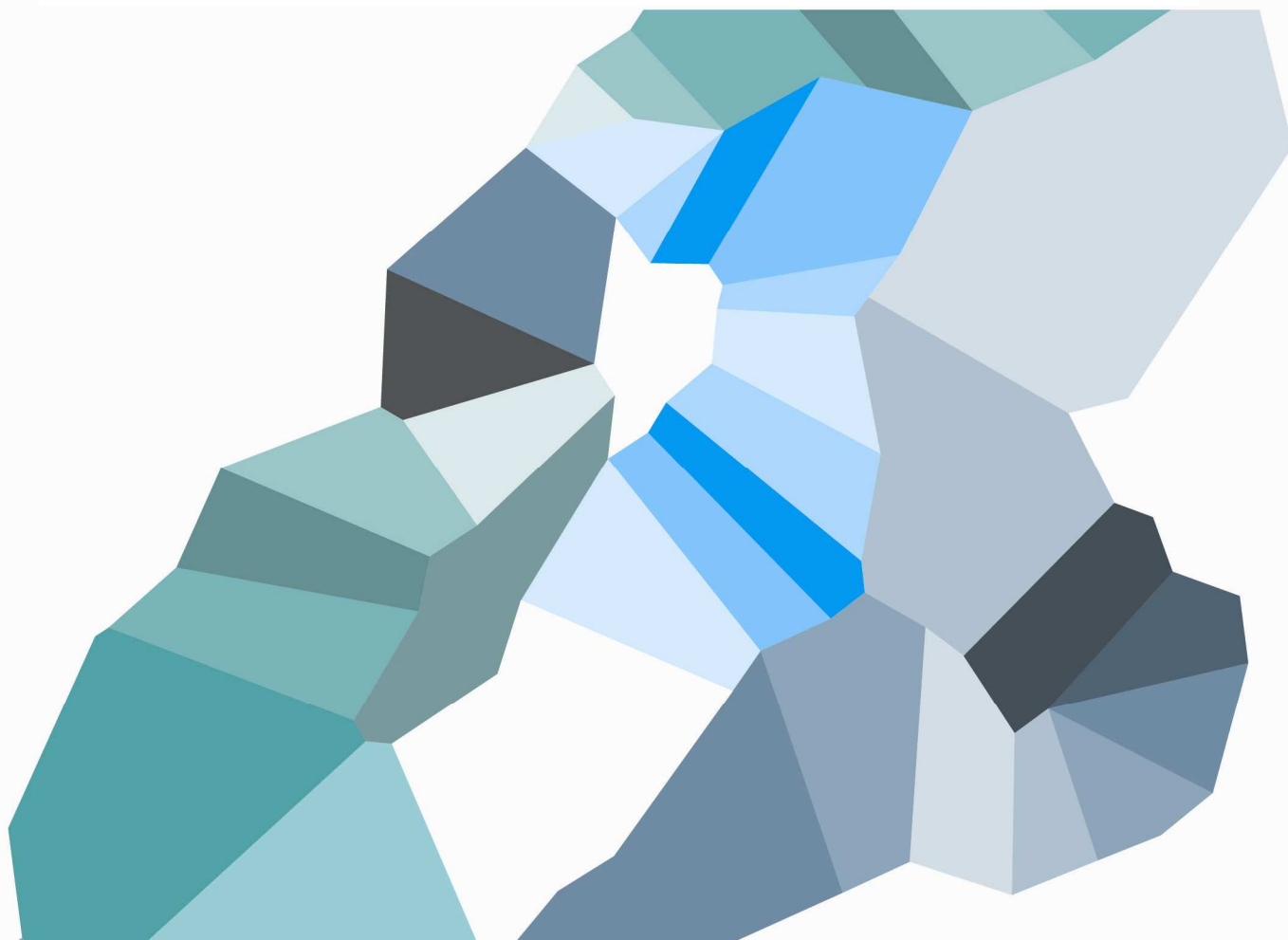
MASTEROPPGAVE

**PERFORMANCE MEASUREMENT IN HUMANITARIAN AID ORGANIZATION:
THE CASE OF THE NORWEGIAN RED CROSS**

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MANAGEMENT CONTROL



ACKNOWLEDGMENT

This paper is a compulsory assignment for the Master of Science in Business course with the specialization of Management Control at Nordland University. The topic is about performance measurement in the Norwegian Red Cross and the challenges this organization has encountered.

It is a rather challenging task initially without much knowledge in this field, but with the help from my supervisor and many people, I eventually managed to finish it. Thus, I would like to express my greatest appreciation to my supervisor Associate Professor Konstantin Timoshenko for his guidance, constructive comments, and encouragements to complete this thesis on time. I would like also to express my gratitude to Associate Professor Levi Gårseth - Nesbakk, course coordinator of Management Control, for providing me with constructive comments during the process of writing this thesis. Moreover, I managed to complete this thesis because of all the valuable feedback during the seminars from Professor Inger Johanne Pettersen, Professor Anatoli Bourmistrov, and Associate Professor Pawan Adhikari, thus thank you.

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Aida Silva Pinto Baptista

LIST OF ABBREVIATIONS

NRC	-The Red Cross
ILH	-International Humanitarian Law
BSC	-Balanced Norwegian Scorecard
KPI	-Key performance indicator
MCS	- Management control systems
IFRC	-International Federation of Red Cross and Red Crescent Societies
ICRC	-International Committee of the Red Cross
NOK	-Norwegian kroner
HQ	-Headquarters
MFA	-Ministry of Foreign Affairs, Oslo
ECHO	-The European Community Humanitarian Organization
NORAD	-Norwegian Agency for Development Cooperation
NGOs	-Non-government organizations
VAT	-Value-added tax

ABSTRACT

Performance measurement is significant for most organizations as it is one of the central elements of management control systems. Thus, this study seeks to describe and analyze the performance measurement in non-profit organization which is the Norwegian Red Cross. This thesis is also intended to unveil the challenges that this organization has encountered. In order to answer this general statement, three research questions were formulated. These three research questions are: *(1) what performance measures does Norwegian Red Cross rely on? (2) What are the rationales behind the existence of these measures? And (3) what are the challenges the Norwegian Red Cross encountered in performance measurement?*

A frame of reference guides by three theoretical approaches is elaborated. These three troikas are the technology approach, the accountability approach, and the contingency approach. Each approach is intended to tackle each correspondence research question.

This research is mostly descriptive and explorative in nature. Moreover, this study relies upon combinations of primary and secondary data. The findings of this study shows the Norwegian Red Cross is involved in a variety of humanitarian activities. To measure these activities, the Norwegian Red Cross employs both financial and non-financial measures. In terms of financial measures, the financial reports are still dominated. Alongside the financial reports, the Norwegian Red Cross also used the statistical reports for compliance with donor's requirements. However, the financial reports are inadequate in capturing the needs of the stakeholders and all the activities; therefore, the Norwegian Red Cross is in the stage of adopting the Balanced-Scorecard in order to meet requirements of all the stakeholders. The findings suggest that the existence of these performance measurements is due to accountability obligation. The Norwegian Red Cross has experienced tremendous loss of incomes due to removal of slot machines in 2007 along with the financial crisis in 2008. In order to tackle the impact of these two events several unexpected contingencies had to be changed to close the gap of diminishing incomes. The study ends with proposition of further research.

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PERFORMANCE MEASUREMENT IN HUMANITARIAN AID ORGANIZATION: THE CASE OF THE NORWEGIAN RED CROSS

CHAPTER 1: INTRODUCTION

One of the effects of the globalization that growing number of organizations now participate in the global marketplace and it has led to intense competition. In order to be enduring in the marketplace, managers are required to be efficient and effective in the use of resources to attain organizational objectives. In regard to the efficiency and effectiveness, organizations need performance measurement. Many studies have revealed that measurement-managed organizations out-perform non-measurement-managed organizations (see e.g. Lingle & Sciemann, 1996; Sousa, 2004; Fitzgerald, 2007). Furthermore, as is stated by Lagerström (2002), organizations that perform well are successful at achieving goals by effectively executing suitable strategies. This argument is supported by The Performance Measurement Study Team (1996) stating that organizations that perform well must be interested in developing and deploying performance measurement and management systems, since it is only through such systems they can remain well-performed organizations. These studies show performance measurement is important in the contemporary world.

Both academics and managerial have published the considerable number of papers on this topic (Neely, 1999; Sousa, 2004). Fitzgerald (2007) has pointed out, approximately 52 million references on the subject have been published on the World Wide Web. Adding together the revenue received from conferences, publishers, software vendors, market research firms and consultants, it shows that performance measurement is a multi-million dollar industry (see Fitzgerald, 2007).

Given the importance of the performance measurement, this master thesis seeks to describe and analyze the system of performance measurement in a non-profit organization which is the Norwegian Red Cross (hereafter, NRC). Moreover, this thesis is also intended to study the challenges that this specific organization has encountered. The reminder of this chapter justifies the selection of the topic-performance measurement in the humanitarian aid organization- the Norwegian Red Cross.

The Norwegian Red Cross was founded on September 22nd, 1865 by Prime Minister Frederik Stang. It is one of the oldest national Red Cross societies. The International Red Cross Federation is the world's largest humanitarian aid organization. It is a politically and religiously independent organization, supported by public finance and volunteers. Its mission is to provide relief to victims of disasters and help people prevent, prepare for and respond to emergencies around the world.

1.1 Motivation of the study

Performance measurement is a fundamental block of management control because it plays an important role to reveal how well an organization achieves its corporate objectives (Fitzgerald, 2007). Hence, organizations utilize a number of controls and measures to ensure that their day-to-day operations are in line with their general strategy to achieve organizational objectives. However, researchers have pointed out, that how organizations should measure their performance, is still not a clear cut issue for academics and practitioners (Neely, 1999; Fitzgerald, 2007).

Performance measurement is about financial and non-financial measurement (Cutt, 1998). The choice of performance measurement topic is justified by the following two reasons. One reason is in the profit organizations the objective is profit maximization, so the output is measureable (see e.g. Cutt, 1998; Lagerstöm 2002; Beamon & Balcik, 2008). However, in the case of non-profit organizations they operate without distributing profits to stakeholders as such the output is difficult to measure (Kaplan, 2001; Keating & Frumkin, 2001; Singh & Merchandani, 2006). Moreover, in the case of the NRC, this organization is involved in a variety of different activities and all the activities are performed by volunteers. This research seek to know how NRC measures its performance and what performance measures does the NRC rely on?

Another reason is at least some researches on performance measurement have been conducted on universities (see i.g. Wang, 2010), museums (see e.g Gstraunthaler & Piber, 2007), and public hospitals (i.e Pettersen, 2004). Findings from the study conducted on university, the study proposes a solution to performance measurement in universities by the distinction of academic performance and management performance. Whereas, in the case of museums, Gstraunthaler & Piber, (2007) the study found that management might focus on strong

budgetary control to communicate that it manages its scarce resources very strictly (to show how trustworthy it is), whereas the board of trustees might focus on the implementation of modern techniques like a Balanced- Scorecard to ensure the compliance to certain strategic aims. From the public hospital, the study shows that “the standard unit cost per patient”, which is important benchmarking data, does not give relevant information for decisions in the hospital. Furthermore, the crudeness in the input and output measures hampers the implementation of performance management in health care institutions” (Pettersen, 2004, p.2).

In humanitarian aid organizations, especially the Red Cross, there are researches which have been completed, i.e the Australian Red Cross, which focus particularly on Humanitarian Law Perspectives (Malleons Stephen Jaques Humanitarian Law Perspectives Research Project, 2010). This research aims to educate the Australian community about the rules that apply in times of armed conflict, and to promote an awareness and understanding of International Humanitarian Law (IHL), as well as to disseminate to the legal profession critical current information on topics and issues that have been considered by international courts and tribunals. One of the studies is concerning the International Donor Agencies’ Guidelines for Responding to Children in Emergency (see Prabhu, 2006). Two findings of this study were emphasized (1) failure to respond to children’s needs and protect them from risks in emergencies results in personal tragedy and long-term costs, (2) if response is not appropriate to children’s developmental needs, the consequences of emergencies can lead to a cascade of events that will forever leave children and families victimized. Another study was carried out by Martinez and Wassenhove (2009) in relation to Vehicle Replacement in the International Committee of the Red Cross. Martinez and Wassenhove stated that humanitarian organizations face different conditions than commercial companies operating in a normal environment. The standard replacement policy (5 years or 150,000 km) recommended by vehicle manufacturers to commercial companies is not optimal for the International Committee of Red Cross. From the description above, it shows literature is ‘silent’ on performance measurement in humanitarian aid organization- the Red Cross. Hence, this study aims to contribute to filling out the gap in the literature, by conducting a study about performance measurement in the Norwegian Red Cross. The following section endeavors to specify the problem statement / research questions.

1.2 Problem statement / Research questions

The objective of this study is to describe and analyze the system of performance measurement in the case of the NRC and the challenges faced by this organization. In order to tackle the general question, three research questions have been formulated. Since this organization is involved in various elements of humanitarian activities and all the activities are performed by volunteers, the first research question can be formulated as follows:

1. What performance measures does NRC rely on?

The existence of the non-profit organizations is dependence on the donor funds. To ensure the continuation of donors' support, the accountability is necessary. Accountability is thus, established when an agent (the NRC) accepts resources and responsibilities entrusted by the principal (donors). In addition to this, the scarcity of resources, funding competition among non-for-profit organizations, contribution of donors, and the need for accountability has elicited that performance measurement is essential; hence, the second research question can be formulated as follows:

2. What are the rationales behind the existence of these measures?

The NRC has experienced dramatic changes in 2007, when the government altered the legislation. In addition to the financial crisis in 2008, so the third research question can be formulated as follows:

3. What are the challenges the Norwegian Red Cross encountered in its performance measurement?

In order to answer the research questions, the following frame of reference are elaborated which are the technology approach, the accountability approach, and the contingency approach. Each approach is intended to answer each correspondence research question. The next section will discuss these three approaches further.

1.3 Introduction to three theoretical approaches

The Technology approach is intended to answer the first research which is what performance measures does NRC rely on? Adopting this approach creates an emphasis on

performance measurement as a technology or technique which according to Miller (1994, p. 2) a way of intervening, a device for acting upon activities, individuals and objects in such a way that the world may be transformed". With such a focus, performance measurement acts as a device for quantitative and qualitative activities, processes and events into financial and non-financial terms, in turn used to make decisions regarding the life of the organization. This approach is employed to study technical determinants of performance measurement system in the NRC through several questions. For example, how can the performance measurement system be perceived by different categories of employees (administrators and volunteers) in the NRC? How is performance measured? Which indicators are used?

The Accountability approach is dedicated to the second research question which is what are the rationales behind the existence of these measures? Accountability is "an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities" (Gray & Jenkins, 1986, p.171). This approach can be understood through several questions. Who is the NRC accountable to? How is accountability discharged? What types of reports are required? Who is the main influence? What information should be incorporated into reports to the external stakeholders? How often is the report being prepared?

The Contingency approach is used to answer the third research question. Contingency approach means that the design and the application of management controls are influenced by the context in which the organization operates (Chenhall, 2007). In order to understand what challenges are faced by the NRC? What is the consequence for management control, especially when measuring the performance? How did management cope with challenges? In order to respond to this specific question, this study will apply the contingency theory of management accounting by Otley (1980) and management control systems design within its organizational context by Chenhall (2003), in addition to other different of contingency theories.

These three frameworks provide a solid ground for selection of the theoretical framework

1.4 Limitations on the Scope of the Study

This study is limited to a single case study-the Norwegian Red Cross. Furthermore, this study mainly focuses on the headquarters office of the Norwegian Red Cross with some additional information from the Nordland district. The time limitation of this study is the year of 2005 up

to the present. The year 2005 has been selected as a point of departure for three primary reasons. The Norwegian Red Cross formulated its strategy for the period of 2005 – 2008, which was adopted by the National Assembly on 9 October 2005. During these three years, three major events occurred. Firstly, the biggest Tsunami funds spent over 90 million kroner in 2005. Secondly, the removal of the slot machines which has been used for over 70 years as financial sources for the Norwegian Red Cross's non-profit activity. As a result the Norwegian Red Cross experienced a dramatic reduction of gross income. Lastly, the financial crisis of 2008. This study will be able to describe and analyse the development of the performance measurement system in the Norwegian Red Cross under the circumstances of these three events.

1.5 Disposition of the Thesis

The purpose of this study is to describe and analyze the performance measurement systems in the Norwegian Red Cross. It is particularly concerned with the years from 2005 up to the present. In order to tackle this purpose, this research project is divided into six chapters. Chapter 2 is intended to specify a theoretical frame of reference which covers the technology approach, the accountability approach, and the contingency approach. It is, in fact, these three theoretical dimensions that guide the empirical description in the subsequent chapters. Chapter 3 elaborates philosophical and methodological assumptions relevant to the research project. Additionally, it gives the overview of data collection techniques and the validity and reliability employed in this research project.

Chapter 4 represent general information of the NRC and Chapter 5 is about information gathered through interviews which is supplemented with secondary data such as how these documents relate to the NRC. These two are the core of this research project which aims to trace the performance measurement system and challenges that are present in the headquarters office with some additional information from the Nordland district. Chapter 6 is the analysis part. It is the combination of a frame of reference and empirical data. It analysis the gap between the theory and the practical, whereby utilizing the frame of reference. The final aspect of the Thesis is the conclusion. This part will draw the conclusion of all of the chapters, implications of research, limitation, and make some recommendations for further research.

CHAPTER 2: THE FRAME OF REFERENCE

The main purpose of this chapter is to develop a theoretical framework from the academic literature. A theoretical framework is important because it helps our understanding of the basic theory in order to answer research questions. Thus, this chapter is concerning the system of performance measurement, accountability, and a contingency theory. Moreover, to provide unfathomable understanding of how can the performance measurement system be described, what is accountability and the challenges within the Norwegian Red Cross, this study will use a frame of reference consisting of three approaches. These three approaches are the technology approach, the accountability approach, and the contingency approach. These three elements serve as patterns for structuring this chapter. However, since performance measurement is a central component of management control; thus the next section is devoted to discuss an overview of management control

2.1 Performance measurement as part of management control

Performance measurement is significant for most organizations as it is one of the central elements of management control. It is extensively acknowledged that management control exists in any type of organization either in different categories (profit or non-profit) or sizes (small, medium, or large). The only difference is the function of management control. In a large organization it functions more as systems due to its acceptance as absolutely essential to regulate and monitor activities (Anthony, 2003). In a small organization the function of management control is rather quite informal.

Management is concerned with how to manage all business and organizational activities (Smith, 2005); however, control is controversial due to the fact that it means different things to different people in different settings. In management, control means setting standards, measuring actual performance against planned and taking corrective action (Anthony & Govindarajan, 2007) in the form of positive or negative reinforcement. The use of sufficient resources to permit the achievement of organizational goals is related to the classical definition of management control (MC) by Anthony (1965) which is

“The processes by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives” (p.17).

All organizations exist in order to achieve one or more objectives. The exact nature of the objectives may vary among the organizations in terms of for-profit and non-profit organizations and depending on the availability of resources. As emphasised by Jones and Pendlebury (1996) resource availability are never sufficient to permit the achievement of every desired goal.

Anthony’s (1965) definition has linked strategic and operational planning. Thus, management control is the process of linking both-strategic planning and operational planning. The other side of the management control coin is its monitoring and feedback function. This is where performance measurement plays its role in management control to investigate the effective and efficient use of resources to achieve organizational objectives. As pointed out by Merchant and Otley (2007) that management control has the purpose of providing information useful in decision-making, planning and evaluation. Accordingly, performance measurement is an essential element that can play a leading role in the enhancement of organizations.

2.2 Choice of three approaches

Performance measurement is composed of a quantity (how much) and a unit of measurement (what). Since performance measurement is tied up with a goal (target), and to ensure that this goal is achieved, measurement is needed. Performance measures can be represented by single dimensional units like hours, meters, nanoseconds, dollars, number of reports, number of errors, number of CPR-certified employees, length of time to design hardware, and so forth (Department of Trade and Industry, N/A, p.2). A performance measurement system should permeate throughout the organization. It should link and integrate between operational measures and strategic objectives (Anthony, 1965; Anthony & Govindarajan, 2007). To be effective, a measurement system would have to recognise the merit of the services from the ground level up to the top level as well as all significant work activity. In addition to this, a measure of the organizational performance must have a fundamental reason for doing so.

The author therefore found it necessary to adopt the technology approach which is to understand the technical determinants of performance measurement.

The adoption of the performance measurement system is necessary because organizations have fundamental reasons. In for-profit organizations, an effective and efficient measurement system is demonstrated through the revenue that is generated through the provision of the goods and services to its customers (see Cutt, 1998; Lagerström, 2002; Beamon & Balcik, 2008). However, non-profit organizations like humanitarian aid organizations do not measure output in terms of profit like in the profit enterprises (Cutt, 1998; Lagerström, 2002; Beamon & Balcik, 2008). So, for-profit enterprises measuring of performance is straightforward since it has intelligible key performance indicators (KPIs) - financial indicators in contrast to non-profit organizations. Beside the fact that there are no discernible KPIs, non-profit organizations performance measurement has to be an adjunct to accountability (Kaplan, 2001; Beamon & Balcik, 2008). As affirmed by Kendal and Knapp (2000), the application of performance measurement in the non-profit organizations is to serve many purposes, in addition to discharging accountability and effective and efficient use of resources. The reason is that the public trust in non-profit organizations depends upon transparent governance, structures, processes, and clear accountability to stakeholders (Gil, 2004). This argument is supported by Fulop (2011), at the organizational level; transparency and accountability are becoming increasingly important. Without accountability and evaluation, it is believed that non-profit organizations will come under greater scepticism. Moreover, Kaplan (2001) also emphasised that

“Accountability and performance measurement has become urgent for non-profit organizations as they encounter increasing competition from a proliferating number of all agencies, all competing for scarce donors, foundation, and government funding” (p.353).

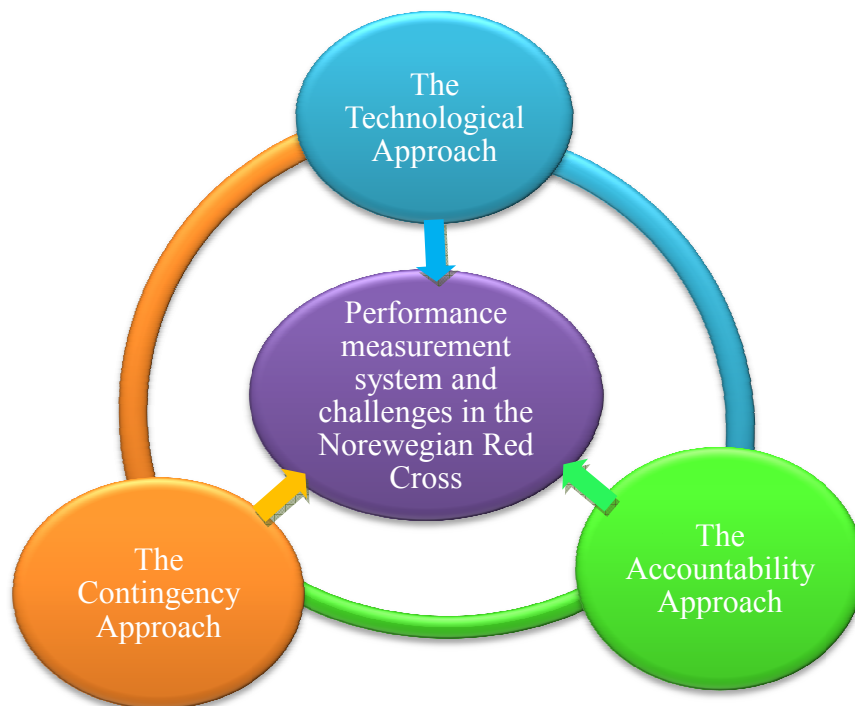
In the non-profit sector, the measuring of organizational performance is important to demonstrate accountability and in generating public trust.

In addition, success for non-profit organizations is measured by how effectively and efficiently the organization is fulfilling its mission (Kaplan, 2001; Lagerström, 2002; Singh & Mirchandani, 2006). Measuring performance in non-profit organization is not just about the result of the work activity but it should inform donors about its decisions, actions, and the results of its decisions and actions, and should accept the accountability of its obligations.

Thus, accountability is an important approach that should be included in the frame of reference in order to analyse the adoption of the performance measurement system.

The Norwegian Red Cross is similar to other organizations that are subject to pressures exerted by the external environment. It is inevitable that these pressures from the external environment will cause changes to be made. Change is necessary in order for any organization to survive in an uncertain environment, such as the removal of the slot machines in 2007 along with the financial crisis of 2008. Prior to the removal of the slot machines, they served as the main financial sources for humanitarian aid activities. The author, therefore, found it necessary to adopt a contingency theory as one of the approaches to discuss the adaption of the organization within an uncertain environment.

These three approaches surround the core, which is to describe and analyze the performance measurement system and challenges in the Norwegian Red Cross. The three tricot is shown in figure 2.2.



Source: own illustration based on Miller (1994)

These three approaches are presented and discussed further in this chapter. The first approach ready to be discussed is that the technological approach.

2.3 A technology approach

A technology approach is intended to deal with technical determinants of performance measurement. Performance measurement is a fundamental block of management control and it is a critical component to improve organizational performance. The role of performance measurement is to reveal how well an organization achieves its corporate objectives (Fitzgerald, 2007). This is conducted through identifying and tracking progress against organizational goals through evaluation and accountability, identifying opportunities for improvements by planning and control, and comparing performance against both internal and external standards (see Fitzgerald, 2007).

Accordingly, any performance measurement system assumes the existence of monitoring the overall activities of the organization. This corresponds to indicators that are used to measure its performance. As it was mentioned earlier, systems can be employed as devices for acting upon activities, individuals and objects, in such a way that the organization may be transformed (see e.g. Miller, 1994). Moreover, Miller (1994) emphasised that to evaluate performance by reference to normalised returns on investments, in particular for for-profit organizations, or by benchmarking costs against those of competitors. As such the performance measurement can be used to also evaluate and compare departments or divisions in terms of where they should be, what they have achieved, and with what they should have achieved (Miller, 1994). Likewise, performance measurement may be looked upon as a mirror or pictures that captured the ‘facts’ about how well its organization’s doing over a particular period of time (Roberts & Scapens, 1985). As stated by Roberts and Scapens (1985) performance measurement is one form of control in an organization beside the budgeting, accounting, and auditing.

2.3.1 Definitions of performance measurement

For many years, senior executives in a broad range of industries and academics have been rethinking how to measure the performance of the organizations. They have recognized that

new strategies and competitive realities demand new measurement systems (Eccles, 1991). Eccles (1991) said that now they are deeply engaged in defining and developing those systems for measuring performance in the organization. What is exactly performance measurement?

There are many definitions of performance measurement. Conversely, every researcher defines performance measurement based on their research setting. In other words, they define according to sufficient conditions and that which is necessary to their studies.

For example Neely, Gregory and Platts (1995) define performance measurement as

“The process of quantifying the efficiency and effectiveness of action” (p.80).

This definition focuses narrowly on quantitative measures and discussion of efficiency and effectiveness. According to Carmona and Sieh’s (2004) definition, efficiency generally described as the ratio of output to inputs relates to attributes such as the number of outputs etc. Effectiveness describes a relation between outcome effect and output. Neely et al. (1995) definition is similar to the Department of Trade and Industry (N/A) definition of performance measurement. They define performance measurement as

“Quantitatively tell us something important about our products, services, and the processes that produce them. They are a tool to help us understand, manage, and improve what our organizations do” (p.2).

It provides information to organizations in many ways like how well the organization is performing, if the organization is meeting its goals, if its customers are satisfied, if its processes are in statistical control and if and where improvements are necessary (see Department of Trade and Industry, N/A). Consequently, it provides information to management to make intelligent decisions regarding the life of the organization.

From a management accounting perspective, the performance measurement system (PMS) is considered to be synonymous with management planning and budgeting (Otley, 1999). Otley defines performance measurement as

“System that provides the information that is intended to be useful to managers in performing their jobs and to assist organizations in developing and maintaining viable patterns of behaviour. Any assessment of the role of such information requires consideration of how managers make use of the information being provided to them” (1999, p.364).

Since this research project is concerned with the performance measurement system in non-profit organizations, Kerssens-van Drongelen and Fischer’s (2003) definition can be said to be more inclusive. They state that

“Performance measurement and reporting takes place at two levels: (1) company as a whole, reporting to external stakeholders, (2) within the company, between managers and their subordinates. At both levels there are 3 types of actors: (a) evaluators (e.g. managers, external stakeholders), (b) evaluate (e.g. middle managers, company), (c) assessor, which is the person or institution assessing the effectiveness and efficiency of performance measurement and reporting process and its outputs (e.g. controllers, external accountant audits)” (2003, p.52).

From the above rationalization, Kerssens-van Drongelen and Fisscher’s (2003) definition reflects the condition that represents the majority of non-profit organizations which is that their existence depends on funds from various stakeholders. However, the tendency of this definition is more to accountability of the non-profit organizations.

In measuring organization performance, Cutt (1998) said that the set of information presented about organizational performance should include both procedural and consequential components. Procedural and consequential components according to Cutt (1998) include:

“First, financial information, particularly sources of revenue and the various heads of expenditures; and, second, information on the extent of compliance with authorities of various kinds. Whereas the consequential components include various attempts to develop a surrogate for profit in the form of evidence on “value-for money,” usually defined to include the use of resources (efficiency) and the achievement of organizational purposes (effectiveness)” (p.4).

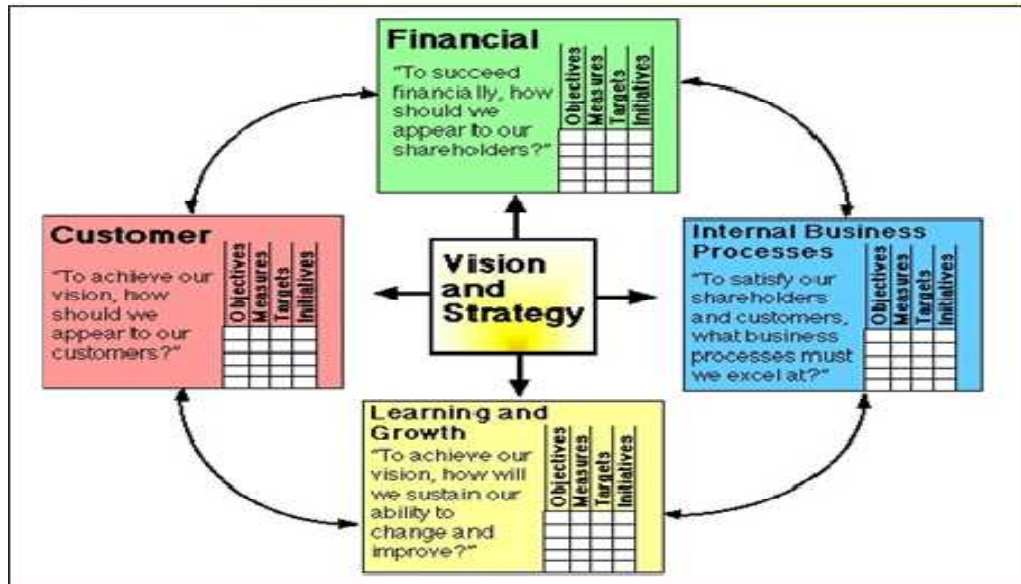
It was argued that in this contemporary world, organization cannot rely solidly on the traditional framework such as financial results, compliance, and value for money, which is described as "operational result". Nevertheless to draw attention to the comprehensiveness which reflect the interests of various constituencies such as customers, employees and other stakeholders (Cutt, 1998). Moreover, he said that in non- profit organizations, the way they tell the organizational story much more comprehensively than simply an offered financial statement. They have to address primarily the external reporting part of accountability and with some creativity in rearrangement such as some sort of description of activities and perhaps the clients.

Measuring performance in the non-profit organizations is to serve the basis of governance and management control of the organization, as well as to serve the purpose of a variety of constituencies through external reporting (Cutt, 1998). It was suggested by Cutt (1998) the Balanced-Scorecard (BSC) which was invented by Kaplan and Norton in 1996 can be adopted directly for use in non-profit organizations for charitable organizations. Thus, Kaplan and Norton (1996) used the BSC to define performance measurement as follows.

“A comprehensive set of performance measures defined from four different measurement perspectives (financial, customer, internal, and learning and growth) that provides a framework for translating the business strategy into operational terms”
(p.55).

One of the fundamental reasons for the creation of the BSC was due to the shortcomings of traditional management control systems (Kaplan & Norton, 1996). The traditional management control systems, has been heavily criticized due to more emphasis on the financial measures (Emanuel & Otley, 1995). It was criticized that the traditional management control (financial and accounting model) is only focused on the historic nature by revealing a great detail about the company’s past actions and nothing is about the future or inadaptable to today’s environment (Merchant, 1985; Chakravarthy, 1986; Kaplan & Norton, 1996). They argued that the BSC helps managers focus on performance indicators while balancing financial objectives with customer, process and employee perspectives. Moreover, they stated that BSC is a tool to execute and monitor the organizational strategy by using a combination of financial and non financial measures.

The BSC contains outcome measures and the performance drivers of outcomes. It links together in cause-and-effect relationships among the four areas of measurement suggested (the financial, customer, internal-business-process, and learning and growth perspectives), and thus aim to be a feed-forward control system (see e.g. Kaplan & Norton, 1996; Cutt, 1998; Nørreklit, 2000). Figure 2.3.1: The balanced- scorecard.

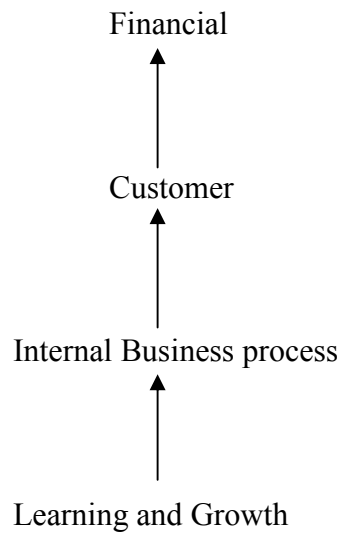


(Source: Balanced Scorecard Institute, 2011)

The four dimensions respond to the four important questions in organizational Performance (Kaplan & Norton, 1992):

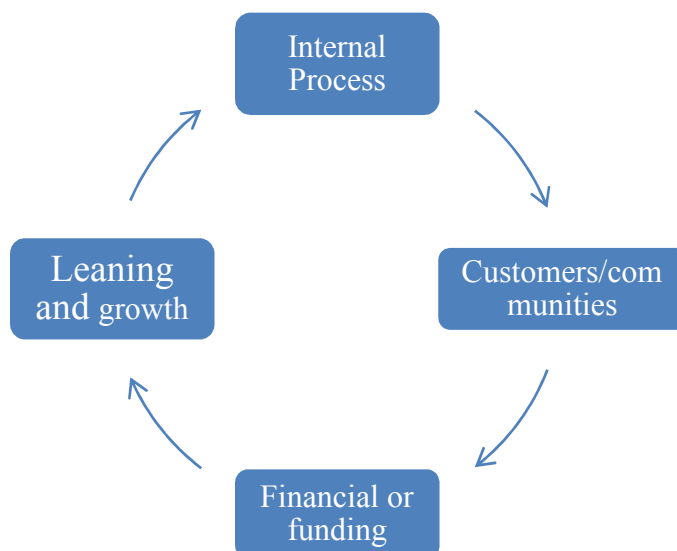
- “To succeed financially, how should we appeal to our shareholders?”
- “To achieve our vision, how will we sustain our ability to change and improve?”
- “To satisfy our customers and shareholders, what business process must we excel at?”
- “To achieve our vision, how should we appear to our customers?”

However, there are some criticisms within the BSC as pointed out by Nørreklit (2000). The cause-and effect-relationship do not define by Kaplan and Norton (1996). In fact the cause-and-effect relationships are logically independent. Thus, description of cause-and-effect relationships among measures from the four perspectives is problematic. Another issue is Kaplan and Norton (1996) argued that BSC has vertical relationship which is illustrated as follows:



Source: Kaplan and Norton 1996; Nørreklit and Mitchell, 2007.

However, Nørreklit and Mitchell (2007) argued that this can be a cyclical relationship or continues process as long as the company or organization is in the business world. This can be illustrated as follows:



(Source: Nørreklit and Mitchell, 2007)

Moreover, Nørreklit (2000) pointed out that there is no time lag between cause-and-effect-relationships.

From these definitions of performance measurement demonstrate the diversity of the subject. Furthermore, each definition provides a different perspective on the concept and by far there is no agreement on the precise of performance measurement because organizations vary by industries with different situations. In another word the definition of performance measurement “depends” on the mission of organizational existences.

The diversity of the subject, no precise definition, and a lack of an absolute method on how the organizations should measure their performance have led senior executives in a broad range of industries to rethink how to measure the performance of their businesses for several years. This argument about how an organization should measure performance, has been acknowledged by both academics and practitioners and have remained unsolved for many years (Ferson & Schadt, 1996; Fitzgerald, 2007).

Performance can be measured in different business unit levels, companies, plants or different shop floor levels to support decision making processes. In general, performance measurement indicates the accomplishment of a program and that the results are being achieved. It helps managers by providing them with information on how resources and efforts should be allocated to ensure effectiveness (Department of Trade and Industry, N/A).

2.3.2 Use of key performance indicators

The purpose of measuring performance according to Kopczynski and Lombardo (1999) are:

“(1) to recognize good performance and to identify areas for improvement; (2) to use indicator values for higher-performing jurisdictions as improvement targets by jurisdictions that fall short of the top marks; (3) to compare performance among a subset of jurisdictions believed to be similar in some way (for example, in size, service delivery practice, geography, etc); (4) to inform stakeholders outside of the local government sector (such as citizens or business groups); and (5) to solicit joint cooperation in improving future outcomes in respective communities” (133).

In order to determine whether these purposes are met, key performance indicators (KPIs) are needed by an organization. KPIs are tools that may be used by an organization to define, measure, monitor, and track its performance over time toward the attainment of its stated organizational goals (Pollock, 2007, p.1). It helps an organization to define and measure progress toward organizational goals. KPIs vary between companies and industries, depending on their priorities or performance criteria. For example, the services industry may evaluate itself on the basis of KPIs such as annual revenues, year-to-year trends, or growth in the size of the mobile workforce, etc (Pollock, 2007).

Pollock (2007) suggested the following factors should always be taken into account when formulated the KPIs ...

- Reflect, and relate directly to, the organization's goals. These are the metrics against which the organization will be driven to perform in order to measure its success over time.
- Be quantitative and quantifiable
- Be linked directly to the measurement of the organization's success

Moreover, Pollock (2007) stated that KPIs can also be used as either internal or external promotional tools. For example, day-to-day, month-to-month, or year-to-year performance trends can be measured, tracked, and presented internally at strategic planning sessions, quarterly meetings, or other company events. KPIs that reflect internal successes with respect to performance may also be used for external promotional purposes, such as including the findings in customer newsletters, market reports, or as promotional pieces on the company's Web site.

Additionally, Kendal and Knapp (2000) propose that performance measurement should include (1) *inputs*, the resources that contribute to the activities undertaken; (2) *outputs*, in terms of both activities realized to achieve the mission and direct and countable goods/services obtained by means of the activities carried out;(3) *outcomes*, the benefits or impact for the intended beneficiaries; and (4) *impact*, the consequences for the wider community. However, empirical evidences prove that evaluation of the outcomes of organizational efforts can be both tricky and costly, especially in non-profit organizations (Ouchi, 1979; Gil, 2004).

In an organization, managers act as controllers who set the standards of performance, for instance budget, and then monitor the actual performance with reference to those standards that have been set. Measurement can be served as control systems which are employed to assess whether or not the difference is of sufficient size to deserve correction. This is known as a feedback loop and the whole control system is called cybernetic control (see Flamholtz, 1983; Campbell & Lee, 1988; Flamholtz, 1996; Malmi & Brown, 2008).

Flamholtz, (1983) says performance measurement could exist in situations where there is a lack of planning, for example. Hofstede (1978) states further that measuring and comparing is often done by middle managers, standards are set by higher level management, while the actual process to be controlled is carried out by workers. In fact, it is usually these workers' response to the control process which determines whether the control has been effective. Study suggests that people in control departments would tend to stress “form” where those in line roles would rather stress “content” (Hofstede, 1978). Campbell and Lee (1988) found that cybernetic control has been mostly used in performance measurement; the evidence has suggested that this is not always the case. Cybernetic control may work in for-profit organizations but may not work in non-profit organizations due to the fact that there is no single indicator to measure performance in non-profit organizations as compared to for-profit oriented organizations. Because principles between profit and non-profit organizations are different, the next section illustrates the differences between these two principles

2.3.3 Performance measurement in profit organizations: A brief overview

As previously mentioned by Cutt (1998), Lagerström (2002) and Beamon and Balcik (2008) that profit organizations exist to maximize profit for themselves and their shareholders through goods or services to their potential consumers. The shareholders are like the foundation stones of the company. Gupta (2008) highlights that if the wellbeing of the shareholder is not taken care of, then the company ceases to exist. The production and marketing involve investment of resources in terms of technology, management, materials, and human resource, all eventually translated and expressed into monetary terms (Performance Measurement and Evaluation, N/A). A successful organization is indicated by high returns on investment. The high return reflects the ultimate performance in terms of resource deployment. It is widely accepted that a company that produces tangible goods has more advantages from a control standpoint than social service organizations do (Lagerström,

2002). This is because the company can control its goods from the point of production until the point of goods being sold or returns. Given that this study is focused on the performance measurement in non-profit organizations, the following section is devoted to specific discussion in this area.

2.3.4 Measuring performance in non-profit organizations

The number of non-profit organizations grew swiftly in the mid-1970s in both developed and developing countries (Singh & Mirchandani, 2006). The principle features of non-profit organizations based on Keating and Frumkin's (2001) description are: (1) they exist to fulfill a charitable purpose, (2) they function without the use of coercion, (3) they operate without distributing profits, to stakeholders, and (4) they exist without simple and clear lines of ownership and accountability.

The existence of non-profit organizations depends on public funds (donors), therefore accountability and performance measurement has become necessary for these organizations. The contributing factors for focus on performance measurement including tremendous growth in the number of non-profit organizations, all competing for scarce donors, as well as pressure from donors such as governments and private clients to show that they are "making a difference" (Kaplan, 2001; Singh & Merchandani, 2006).

Since this organization spends someone else's (donors) money and to gain trust from donors, they are required to prove their efficiency in using the funds and effectiveness through results. In so doing, the non-profit organizations need dependable measurement. The application of performance measurement in non-profit organizations serves many purposes, but not limited to discharging accountability and effective and efficient use of resources (Kendal & Knapp (2000). Success in non-profit organizations is measured primarily by how much service the organization provides and by how well these services are rendered.

In order to achieve efficiency and effectiveness, there must be control systems in the organization. Control is inevitable in human organization as pointed out by Flamholtz (1983). Flamholtz said that an organization is concerned with control because of the incompatibility of goals among people and there is a need to inspire employees' effort toward achievement of organizational objectives (1983; 1996). This argument is emphasised by Lagerström (2002)

that it is important that non-profit organizations seek to develop effective measurement systems to monitor and control the performance of their executives and managers in order to safeguard the interests of the beneficiaries. Thus, a performance measurement system is one of the methods to gain control over the behaviour of employees, as well as rules, standards operating procedure, budgets, code of conduct, and so forth.

2.3.5 Challenges in measuring performance in non-profit organizations

Even though performance measurement has been a trend in non-profit organizations, Sheehan (1999) found that very few non-profit organizations had developed measurement system that revealed whether the organization had achieved its mission. The challenge encountered when measuring performance in this type of organization is the difficulty of measuring organization objectives. Additionally, it is difficult to find the right measures to fulfil a wide range of stakeholders' requirements (Speckbacher, 2003). In addition, non-profit organizations like humanitarian aid organizations organise programs and projects in two major fields; relief activities (short-term interventions such as refugee support in crises) and development projects (medium and long-term actions with sustainable impacts such as the education of farmers or the construction of infrastructure (see Hüsmann, 2001, p.2). Hüsmann (2001) said that development projects can be better planned and monitored because of their longer time-horizon. However, relief activities are about helping the needs of people, so no key performance indicators, either financial or non-financial can be assigned. As emphasised by Lagerström (2002) that

“No numbers can be assigned in feeding the hungry or providing shelter for the homeless. The available numbers in the case, would be how many were fed or how many shelters were constructed” (p.3).

Another reason for the difficulty in measuring performance is due to the range of stakeholders the organization has. As pointed out by Cutt (1998) the literature in a wide range of disciplines reveals many variations around the general theme that organizational performance is complex and multi-dimensional, reflecting the interests of various constituencies such as funders, clients, governing bodies, management, and staff. The endurance of the non-for-profit organization mostly depends on donors' funds. Different donors require different reports, for example, hence one indicator obviously cannot combine all the different

requirements. Empirical evidence has shown that most non-profit organizations are attempting results measurement of some type but that they are struggling in developing quantitative measures to track their work's impact on their mission (Forbes, 1998). This argument is supported by Kaplan (2001) that quantity measures alone or even supplemented with a collection of ad hoc nonfinancial measures, are not sufficient to motivate and evaluate mission accomplishments.

There are financial measures such as donations expenditures, and operating expense ratios in for-profit organizations financial reports as accredited by Kaplan (2001) but mainly internal performance measurement systems of these organization. Further elaboration was made by Anthony and Young (1999) who stated that measuring performance in non-profit organizations is difficult because service is vague in terms of measuring the benefits of the service. In addition, services cannot be stored; it is not always easy to measure the quantity of services and the quality of a service cannot be inspected in advance. Therefore, the central problem is to find out what management control policies and practices are useful for non-profit organizations. Thus, researchers suggest that success for non-profit organizations should be measured by how effectively and efficiently they meet the needs of their mission (Kaplan, 2001; Singh & Mirchandani, 2006). Kaplan (2001) and Lagerström (2002) said that since there is a lack of financial measure components in this organization to assess the efficiency and effectiveness of their operations they must rely on non-financial indicators. Likewise, for non-profit organizations, besides the measure it performs, transparency and accountability have become requirements, as the existence of these organizations largely depend on the source of funds from different donations. Thus, the following section is devoted to discuss the accountability.

2.4 An Accountability Approach

Managerial accountability seemingly arises both in the private sector and in the public sector. Accountability in non-profit organizations has increased due to a series of highly publicised scandals that have eroded public confidence in this type of organization (Ebrahim, 2003), coupled with increasing competition from a proliferating number of agencies, all competing for scarce donors, foundations, and government funding (Kaplan, 2001: Ebrahim, 2003). Whereas in the public sector accountability is raised due to the contemporary trend which is known as public sector reforms management that push both managerial and administration to

be accountable (see Sinclair, 1995). Hence, accountability is an important element of good governance both in the private and public sectors (see Cameron, 2004). Conversely, this context will be focused particularly on non-profit organizations due to the nature of this research project. In order to give a comprehensible understanding of what is accountability, we will instigate the discussion with the overview of the accountability in the following section.

2.4.1 Accountability overview

There are several definitions of accountability based on a number of studies. For instance, Roberts and Scapens' (1985) definition of accountability is about the relationship involving

“The giving and demanding of reasons for conduct” (p. 57).

Another definition of accountability by Edwards and Hulme (1996) is

“The means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions” (p.967).

Fox and Brown (1998, p.12) describe accountability as

“The process of holding actors responsible for actions”.

And Cameron (2004) defines accountability as

“Relationship requires the agent to account for the activities that assigned by the principal, often to prevent the misuse of power and other forms of inappropriate behaviour” (p. 59).

Most of the definitions concern giving the answer or responsibility for the actions to the second party. In other words, it is about the justification or explanation to the principals about what has been done. Reginato (2008) stated that

“The principal has the right to call upon the agent to give account for his actions; the accountant has the duty to act in the accountee’s interest, to present account of his execution, and to give him the required information to be rewarded or sanctioned”
(p.19)

In the non-profit organization the reward and sanction is simply determined through the continuation or termination of funding. It has been mentioned that there is no accountability without responsibility, the person that has been appointed to a position of responsibility takes an obligation of accountability to an appointing authority and a range of stakeholders (see Reginato, 2008). It can be said that accountability is imposed to make organizations behave responsibly. The relationship in this case is stewardship. The party who is obliged to give the explanation for actions taken is known as the steward or agent or accountant, while one entrusting power and authority and to whom the explanation is presented is the principal or accountee (see Timoshenko, 2006; 2010; Reginato, 2008). In this case the non-profit organizations are acting as the agent and donors or stakeholders are the principals. The agent has been granted power and authority and then is obligated to give an explanation to the principals.

Accountability has both an external and internal dimension; external is related to an obligation to meet certain standards imposed by the stakeholders, while an internal is motivated by “felt responsibility” due to the organization’s mission (Ebrahim, 2003). The standard for external dimension is compliance with budget and with laws and prevailing regulations. The information provided in the report regards the total expenditure and the compliance with the spending authorization which is authorized by the donors, for example (Reginato, 2008).

Furthermore, Sinclair (1995) discovered five forms of accountability; public, political, managerial, professional and personal, together with two discourses; structural and personal. Public accountability often appears to be associated with the public sector. This relates to the democratic process and voting procedures and it is intertwined with political accountability (see Broadbent & Laughlin, 2003). Managerial accountability seems to exist in both the private as well as public sectors. This is because this type of accountability arises through the employment contract. It is concerned with the output and the process through which the final product is derived (Sinclair, 1995). In this case, managers are accountable to their supervisors in regard to their day-to-day activities and their supervisors accountable to the donors (see

Deleon, 1998). Regarding professional accountability, according to Sinclair (1995), it requires the administrators to maintain “*the professional value of an agency workforce to a sceptical government or community*” (p.229), whereas, personal accountability is related to accountability for their eternal feelings (Sinclair, 1995). The following section describes the purpose of the accountability.

2.4.2 The Purpose of the accountability

This section is aimed to explore the reasons for the existence of this system – accountability in the non-profit organizations. Accountability is demanded due to numbers of scandals that have arisen in this organization such as the misuse of power and other forms of inappropriate behaviour (Ebrahim, 2003; Cameron 2004) as well as stiff competition of scarce funds. Accountability is an important element of good governance (Cameron, 2004). In non-profit organizations, accountability is required to ensure that funds received are being spent wisely. It is about winning trust, loyalty and it reassures its stakeholders of its commitment to upholding the public trust vital to earning support and fulfilling its mission (Independent Sector, 2005). So, management proves to the stakeholders that the resources which were obtained were used in achieving the results.

Furthermore, it has been stated by the Independent Sector (2005) that creating a working environment that is accountable for the actions, integrity, and transparency are essential for the non-profit organization, in addition to being committed to the highest ethical standards. It requires managers to foster rules, standards and practices in the organizational environment, in addition to the development of a culture of transparency and accountability as well as integrity. Examples of rules, standards and practices are a Code of Ethics, Conflict of Interest Policy, having an independent Financial Review in terms of auditing, establishing and supporting a policy on reporting suspected misconducts and so forth (see Independent Sector, 2005). Accountability serves to ensure that managers, executives and boards perform their functions in line with the mission of the organization and the expectation of the stakeholders. Transparency is needed to disclose information to the public and also to have a process of auditing or evaluation to check that the procedures have been followed and that standards have been upheld. It is the essence of accountability.

The notion of accountability can be divided into a number of components (Cameron, 2004, p.59), namely:

- giving an explanation to stakeholders;
- providing further information where required; and
- reviewing, and if necessary revising, systems or practices to meet the expectations of stakeholders

In general, these notions are related to the requirements of accountability from the management. However, from the part of the stakeholders, Reginato (2008, p.21) said that they require information about:

- a) Programs through which objects are settled;
- b) Outputs;
- c) The cost and quality of the supplied services;
- d) The efficiency achieved;
- e) The debts and the financial asset level, composition and dynamics;
- f) The intergenerational equity principle observance.

It was shown that this kind of information can be produced through accounting accrual, management accounting, management control and performance measurement information system (Reginato, 2008). Although these requirements are set for the public sector management reform, likewise it is applicable to the non-profit organizations. As it is reasonable that non-profit organizations in whatever sectors they operate depend on the public's generosity beside other sources of funds.

Practical accountability relies on the availability of relevant and timely information. This information can lead to improvements of performance (Cameron, 2004). The main means of account ability is through the reporting. Cameron highlights that well-documented and reported performance information is fundamental to non-profit organizations' accountability and effective management. It is primary evidence to prove to stakeholders that with their trust through providing the resources the objective of the organization has been achieved.

One of the aggregates of accountability in non-profit organizations is that the managers spend someone else's money on someone else (Friedman, 1988, cited in Lagerström, 2002). Friedman (1988 cited in Lagerström, 2002) says if you spend someone else's money on

someone else then you have no direct motivation to seek economy, efficiency and effectiveness. Therefore, the managers in this organization are required to develop effective measurement systems to monitor and control as well as to be accountable for the money that has been spent. Moreover, in so doing to safe guard the interests of beneficiaries. Accountability is to hold managers accountable to the controllability principal.

Non-profit organizations are complex institutions with multiple sources of accountability (Young, 1996). Complex institutions because (1) they must worry about their public image, especially as it influences donors of charitable gifts and those who volunteer their time, (2) they have legal and historical obligations to their founding donors and to their governing boards, (3) they serve paying, non paying and part-paying clients, (4) they enjoy tax exemptions, based on their public service missions, and they must adhere to various laws and regulations enforced by governmental authorities (see Young, 1996, p.3). It can be said that these complex issues influence the issue of accountability as a whole. Young (1996) elaborates further that their service in the public trust obliges many of them to follow the requirements of their funding government agencies. It is understandable that the government provides funds for the non-profit organizations from public money, therefore, government itself is also required to be accountable to the public for the money that has been spent. This can be seen as two way mechanisms for bottom-to-top and top-to bottom accountability. Accountability from bottom-to-top is for example from an organization to donors in this case the government, and from the top-to-bottom, for example, the government accountable to the public or society.

It is arguable that one way of a more effective self-regulation of the non-profit sector is through accountability, which in turn calls for an improved awareness of how non-profit organizations govern themselves.

To sum up, accountability is important to justify to the stakeholders in regard to the action of the non-profit organisation. This type of organization exists with funds from the stakeholders, public sectors, private sectors and individual donors. Moreover, beside the requirement of the external to fulfil standards, the accountability is also viewed as being accountable to the internal of the organization in the sense that this organization exists for a particular mission. Additionally, at the present time too many non-profit organizations are competing for the limited funds from donors, thus by accountability it shows that this organization is worth

supporting or is trustworthy. The current environment is characterized by risk and uncertainty and it impacts on the management control in general and performance of the organization in particular. Thus, the effectiveness and efficiency of the organization depends on the contextual variables which will be discussed in the next section.

2.5 Contingency approach

In the light of the financial crisis in 2008 as well as the removal of automated / slot machines which have been used as a financial source for over 70 years, the NRC experienced changes in measuring the performance. To describe the changes of the organizational environment, the contingency framework of Otley (1998) and Chenhall (2003) will be used in addition to other academic literature of contingency theory.

These days' organizations all live up to the rapid change of the environment that is characterized by risk and uncertainty. The severe financial crisis in 2008 is an example of uncertainty since the possible outcome is unknown. With this uncertainty and risk, organizations are forced to adapt their management control to the changing of the environment. As stating by Otley (2003) the

“Contingency approach to management accounting is based on the premise that there is no universally appropriate accounting system which applies equally to all organizations in all circumstances” (p.413)

It means that particular features of an appropriate accounting system will depend upon the specific circumstances in which the organization finds itself (Otley, 1980). It is essential for the management to have knowledge about the reaction of the firm to the change of the environment (Asel, 2009) and must identify specific aspects of an accounting system which are associated with certain defined circumstances and demonstrate an appropriate matching (Otley, 1980; 1999). On the other hand, Asel (2009) said that over reactions could severely affect key performance indicators of the firms. In order to endure and flourish organizations need to continually renew and adapt to the current existing environment. This all depends upon the circumstances surrounding the current existing environment.

Chenhall's (2003) definition of this theory is that organizational effectiveness of management control depends on the best configuration of the organization's external environment,

structure, technology, size, strategy, and national culture (2003). These organizational elements are called contingency variables. Contingency variables according to Dahlgaard-Park (2008) are

“Size, scale, organizational life-cycle, technology, uncertainty, resource dependency, leadership style, and organizational culture” (p.104).

The contingency approach has moved away from the notion that there is one ideal way to organize that characterized early classical management theory (Bradshaw, 2006). Chenhall’s definition of contingency theory is similar to Donaldson (2001) which is

“Organizational effectiveness results from fitting characteristics of the organization, such as its structure, to contingencies that reflect the situation of the organization” (2001, p.1).

Donaldson (2001) argued that if the organization’s characteristics fit with the contingencies then the organization performance will be enhanced and more effective. He articulates that when the contingencies change the organizations have to adapt if it wants to avoid loss of performance. In the case of the non-profit organizations, Bradshaw (2006) argued that

“Contingency model should be an alignment or fit between the board model and various internal and external contingencies if the board and organization are to operate most efficiently” (p.2).

By Board, Bradshaw means executive relations based on power/dependency relations. However, Brudney and Murray (1997) suggest that each organization must develop its own unique model for the board, based on the organization's environment, history, set of personalities, and culture. This argument is supported by Widmer and Houchin (2000, p. xvii) that:

“There are simply too many variables – such as size and complexity of the organization and its environment, number of stakeholders, size of the board, number of committee (if any), and frequency of meetings – to embrace a single model or recommend a specific structure for the work of the board. Because each organization is different, we recommend a contingency approach to non-profit governance. The contingency approach suggests that even though all boards have the same responsibilities, the manner in which a board can most effectively

organize itself and fulfil its responsibilities depends on the characteristics and values of the board and the organization”.

Although many literatures have discussed about the relevant contingencies neither can link between specified contingencies and appropriate accounting systems design. (Otley,1980). Thus, Otley said that the idea that “it all depends” tends to be used as a means of avoiding rather than addressing design implications

There are too many contingency variables as stated by Widmer and Houchin (2000), therefore, will discuss only several: external environment, structure, size, and strategy.

Contingency Variables

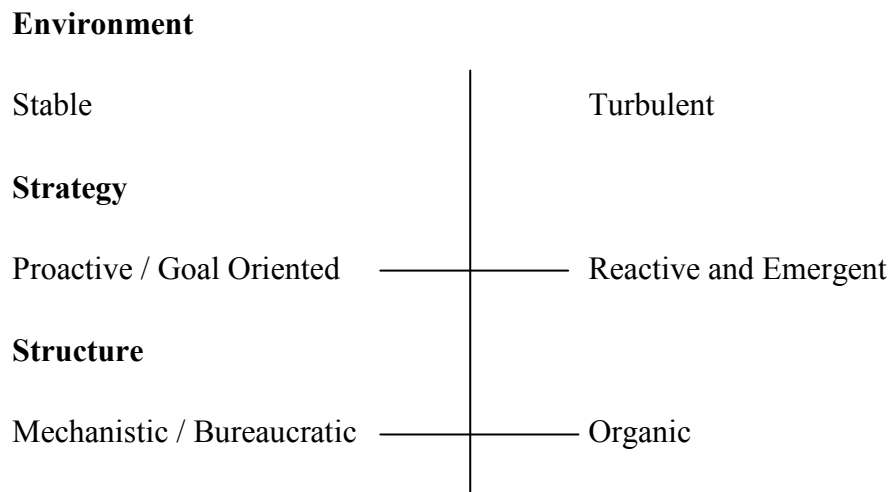
External environment according to Bradshaw (2006) contingency variable of environmental uncertainty impacts on internal organizational characteristics such as task uncertainty that in turn causes adoption of a particular structure e.g. organic or bureaucratic. Organic structure is characterized with relying on light control of employees, decentralization and low formalization and bureaucratic top-down, centralized decision making, clear job descriptions for subordinates and formalized (see Donaldson, 2001; Chenhall, 2003; Bradshaw, 2006). Another finding by Bradshaw (2006) is for the organizations that funding cutbacks by the government, these organizations were more likely to engage in activities focused on raising funds as opposed to cost containment strategies in response to environmental changes.

Size of organization is a well recognized contingency variable and is defined as the number of members of an organization which is the employees (Bradshaw, 2006). On the other hand, Chenhall (2003) points out that size is associated with structure of the organization- small or large. Normally large organizations are

“Associated with more diversified operations, formalized of procedures and specialization of functions” (See Chenhall, 2003, p.149).

Strategy and structure is the link between strategy of the nonprofit and structure, the strategy - structure relationship and for example nonprofit with a prospector approach to strategy tend to emphasize innovative programs and encourage staff experimentation along

with having broader board committee structures with more constituent groups involved in them (Bradshaw, 2006). This can be seen from the following table:



Source: Bradshaw, 2006

Since these contextual variables influenced organization performance (Chapman, Cooper, & Miller, 2009) contingency approach to management control systems (MCS) research, therefore aims at identifying the best design and usage of MCS in a given context (Chenhall & Chapman, 2006). In addition, Chapman et al. (2009) stated that all the environmental factors reflected aspects of uncertainty and the effectiveness of an organization to manage uncertainty was dependent on its ability to handle information. Accordingly, this theory tries to clarify organizational behaviour which is based on situational circumstances. Giving the example of the contingency approach to management accounting, there is no universally appropriate accounting system which applies equally to all organizations in all circumstances (see Otley, 2001). Giving an example of accounting system in profit and non-profit organizations, Otley said that specific aspects of an accounting system are those which are associated with certain defined circumstances and demonstrate an appropriate matching. Contingency means “it depends” and is believable that the answer for many problems in organizations is contingent on these contextual variables as mentioned by Chenhall (2003) and Dahlgard-Park (2008) which influence the situation.

The task of management is to create compliance between internal and environmental circumstances through the appropriate MCS. The example of the MCS aspects are dimensions of budgeting in terms of participation, emphasized on meeting budgets, formality of

communications systems, links to reward systems, budget loss and so forth (Chenhall, 2003). Basically it emphasised that because the success of the organization depends on the surrounding circumstances, so the view of the organization is as an open system. Open system was coined by Otley et al. (1995) as the need for adaptation to the external environment in general and of external uncertainty in particular. To sum up, as most of the organizations operate under risk and uncertainty, hence, the effectiveness of the organization contingency on the designing of contextual variables such as environment, technology, structure, size, strategy, and national culture. In order to thrive, the organization is required to continue improving itself and to adapt to the contiguous situation. As emphasised by Bradshaw, (2006) that a critical part of a contingency theory is the ability to assess shifts in the external environment and to then re-align the organization to fit the changing context.

Furthermore, he adds that successful organizations are the ones who can make such adjustments and my contribution to the process.

2.6 Summary

In order to understand how the performance measurement system is organised in the Norwegian Red Cross and the challenges this organization has encountered, the present chapter is aimed at discussing three approaches, namely the technology approach, the accountability approach and the contingency theory. The performance measurement system in the Norwegian Red Cross was elaborated under the technology approach. The existence of performance measurement system is to monitor overall activities and to capture the facts about how well the organization's doing over a particular period of time. The *raison d'être* for the existence of the system was discussed under the accountability. In for-profit organizations, the notion of accountability, transparency, and performance measurement is essential for requirements to justify to the stakeholders in regard to the actions and decisions which have been taken. Finally, the contingency theory is introduced in order to assess the challenges encountered by this organization-the Norwegian Red Cross. The discussion of contingency theory sheds light on the effectiveness of management control depending upon the best suits of design of the organizational external environment, technology, structure, strategy, size, and national culture (Chenhall, 2003). This chapter, the three approaches in the frame of reference, guide the empirical description. Consequently, these three approaches are used to analyse the performance measurement system and the challenges in the Norwegian Red Cross. In regards

to the description of the Norwegian Red Cross, chapter four is devoted implicitly to the organization's headquarters office and the Nordland district Red Cross. Prior to that, the following chapter is the discussion of the methodology section.

CHAPTER 3: METHODOLOGY

The choice of research design is based on the type of research problem and formulation of research questions. As stated previously, this study is to describe and analyze the performance measurement system and challenges in the Norwegian Red Cross. In order to tackle this question properly, appropriate research designs and data collection is needed. Hence, the purpose of this chapter is to provide an overview of the philosophical position and other aspects related to the research design, data collecting procedures, and data analysis. Moreover, this chapter is intended to emphasize the validity and reliability of this research, along with its corresponding ethical issues. The next section elaborates on the philosophical position used in this study.

3.1 Discussion of Philosophical Position

Understanding the philosophical position is important and useful, as it helps to clarify research designs, to know which designs will be used and which will not (see Easterby-Smith, Thorpe, & Lowe, 2008). Since research is designed to seek understanding about the perspectives of local populations that it involves, this research is situated within an interpretive paradigm. In other words, the interpretive paradigm attempts to understand the meaning behind something. The interpretive is basically studies of the expression of people and their actions in narrative or descriptive ways by presenting situations as closely as possible to the experience of people. Hence, the expression of people or their ideas cannot be translated into numerical or quantifiable amounts. This research project suits the interpretive, because data collection involved interviews of a few different people (a small sample) and was based on case study.

3.2 Research Design

Research design is the milestone for any research. As elaborated by Yin (2003) that research design or a plan is needed in designing any type of research investigation. In order to tackle

this, the case study was chosen for this research project. There are several reasons for having chosen the case study. This is an interpretative study, which is designed in order to understand the meaning behind something or perspectives and experience of people. In other words, it aims to provide insight into a particular situation and often stresses the experiences and interpretations of those involved. This involves collecting empirical data from only one organization. In this case the Norwegian Red Cross was chosen as a single case study.

Thus, this study is about the real-life situations, issues and problems within the Norwegian Red Cross organization. On the basis of the research questions, this research project tends to be partially descriptive and explorative in nature. Descriptive as this research project tends to describe the performance measurement system. Secondly, it is intended to explore the challenges encountered by the NRC from the year of 2005 to the present, for example, the removal of slot machines in 2007 and the impact of financial crisis in 2008. In order to get an insight into this particular context, the next section discusses the data collection for this research project.

3.3 Data collections

In order to achieve the goal of this research, two types of data sources were used - primary and secondary data.

3.3.1 Primary data

To have a better understanding concerning real-life, issues, and problems of the Norwegian Red Cross, the primary data is mainly collected through face-to-face interviews.

Interviews

A pre-interview was conducted with an officer in the Nordland District Red Cross in order to obtain preliminary information to develop this research project. The pre-interview lasted for approximately 45 minutes. The conversation was recorded with the consent of the officer and transcribed word-for-word.

Other interviews were scheduled subsequent to the preliminary interview. The interviewer interviewed two representatives at the Red Cross' headquarters office in Oslo, one from Nordland District office, and three volunteers. The six interviews performed between 9 February and 9-22 March 2011. These interviews were conducted in different locations (The

Norwegian Red Cross headquarters, the Nordland district office, and Bodø local branch). A list of the interviewees is attached (Appendix 1). The interviews lasted between 30 minutes to one hour each. The interviews are stored as tape recording and also have been transcribed.

The selection of the interviewees / respondents was carried out in close agreement with the manager of the organizations. The interviewees or respondents were selected with the assumption that they have a good knowledge of this organization and were a good representation of the NRC. The recruitment strategy for the interview was done through snowball sampling. To obtain this method the interviewer used social networking, which allowed access to already known contacts who were potential participants.

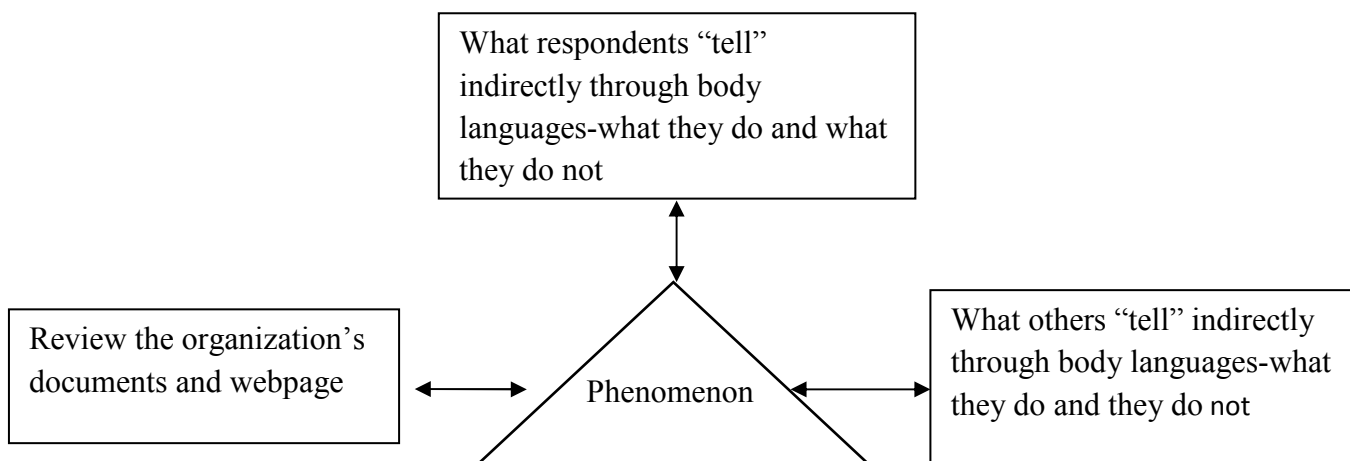
The interviews were conducted with semi - structured questions. List of questions attached (Appendix 2). With semi-structured questions, it allows the interviewer to focus on several primary questions. However, it still has the flexibility to explore comments made by the interviewees. Given the specific organizational context the interviews were conducted with different categories of employees (administration and volunteers), it allowed the interviewer to omit some questions in particular interviews. Additionally, an informal interview was carried out in order to generate more knowledge regarding this organization. The informal interview transpired where no predetermined questions were asked, but the interviewer 'goes with the flow' (see Alvesson, 2003) and remained open and as adaptable as possible to the interviewee's situation. Interview methods are one of the elements of the qualitative research method that are widely used.

The questions were sent to the interviewees prior to the appointed interview taking place. This was done to provide the interviewees adequate time to be familiarized with the questioner's setting. For the validity of the information which was gathered during the interview, the summary together with the original transcripts, were sent back to interviewees for their approval. With this technique, they (the interviewees) can make any necessary corrections and/or additional comments. Alongside the validity assessment, this scheme also helps the researcher in terms of understanding the information provided. In order to follow up further queries or further information with the respondents, the researcher used email and telephone.

The advantage of the interview method is that it has the ability to expose the individual or personal aspects related to the particular subject matter. Moreover, the interview is to uncover or to unfold the meaning of their (interviewees') experiences. Another advantage of the interview setting is enabling the interviewer to make direct observation of the interviewee's

body language in order to assess what they (interviewees) said. Alongside the body languages, the interviewer can also observe the interviewee’s voice and intonation. These are called social cues and these can give the interviewer a lot of extra information that can be added to the verbal answer the interviewee gives to a question (Opdenakker, 2006).

The limitation of the interview is that the interviewees actually said what they presumably wanted the interviewer to hear. To tackle this, besides interviewing within the organization, it is necessary to conduct interviews with other sources for further information, as has been mentioned previously. This can be illustrated in the triangulation model in figure 3.3.1. This is adopted from Alvesson and Skölberg (2000) three philosophical-hypothetical, pragmatic and interpretative.



Source: own illustration based on Alvesson and Skölberg (2000)

It can be understood as one technique to test the validity and reliability of the information. Another technique to close this gap of the interview limitation is the analysis of the documents has to be undertaken which discussed in the secondary data.

3.3.2 Secondary data

In order to present factual information on the concerned organization, the employment of secondary data both from the organization and other sources are very important. This was done in two ways; they were collected from the Norwegian Red Cross based on documents such as the organization’s annual reports, strategic planning, and brochures as well as other

information from the organization's webpage. Regarding the annual reports, all the annual reports from the year of 2005 till present were studied. Secondly, the intensive use of various secondary data sources, especially the academic literature from the Nordland University library and other university libraries. The reason for using both primary and secondary data is to boost validity and reliability. Once data is collected it needs to be analyzed in order to give a meaning or to become a useful source of information. The next section is devoted to data analysis.

3.4 Analyzing data

It is from organized and ordered raw data that one can extract useful information for the user's purposes. The analysis was carried out in an ongoing repetitive measure to grasp the understanding of the holistic views and experiences of the interviewees on the phenomenon.

The interview was performed as a semi-structured and an informal interview; these have to be transcribed and rephrased into a significant and coherent form by using the constructed text module. The transcript was read several times and then the information was sorted according to its formations. Furthermore, focus was placed on the meaning of some particular information which is relevant to the purpose of the research project and some was sorted out that needed further clarification from the interviewees. This method is relevant to hermeneutics by deducing what they actually said and then to make real meaning out of it. For example, in addition to the interview, the analysis of the organization's annual reports, financial statements of 2005 until present; these are part of the hermeneutics method. In order to demonstrate the credibility of this research project, it is essential to discuss validity and reliability. The following section is for the discussion of these two terms.

3.5 Reliability and validity of this study

Reliability and validity are the most important criteria that are widely used to determine the quality of research; either it is quantitative or qualitative research. To ensure the validity of this research project, therefore, the researcher conducted interviews with officers from administration and volunteers within the Norwegian Red Cross. Hence, the reliability in this case, was done through cross- references among interviews, secondary data, and the

organization's documents and webpage. The researcher anticipated that by doing so, it could be ensured that the interviews and other data collection methods are consistent (reliable) across the board. To be more precise, the employment of the triangulation method as has been mentioned was to provide justification of this research project.

Another argument to support the reliability and validity is the author has previous experience in similar organization. Past experience provides better basis for understanding the NRC organization in terms of operational and management. The following section illustrates the ethical issues in this study.

3.6 Ethical Issues

During the interview the researcher was aware of the possible interests of people involved, to avoid any unintended effect and to maintain the confidentiality of the information is crucial. One possible way is changing the facts, as long as these changes did not distort the essential elements of the system. Another technique is not to disclose information from one participant to another, given that this organization has many stakeholders.

Since data collection was conducted with participants from different levels and departments, and to protect their privacy, the researcher decided to refer to the interviewees as respondents in terms of administration and volunteers instead of the individual's actual names. In order to promote the transparency of this study, the purpose of the research project was honestly communicated during the communication for the interview appointment. Lastly, the participants were ensured that this data was collected for study purposes (Master Thesis) and would not be misused or disclosed to other parties such as the commercial industry and so forth.

3.7 Summary

The purpose of this chapter was to describe and analyze the performance measurement system organized in the Norwegian Red Cross as well as the challenges encountered. This research project is situated within an interpretive paradigm because this study is about the expression

of people and their experiences. This study is based on a single case study and the types of research questions which are explorative and descriptive were employed.

The main method of data collection is primary data collection relying heavily on interview and supported by secondary data collection. To guarantee the validity and reliability of the research apart from the interview, the researcher analyzed documents and collected data from the organization's webpage that was relevant to the purpose of the research. Moreover, the employment of triangulation by using several methods in data collection was used to ensure the validity and reliability of this research. In regard to ethical issues, several measures have been taken to ensure that this research project is upheld with strict ethical principles. These issues are ensuring no harm by protecting the privacy and anonymity of the participants.

CHAPTER 4: CONTEXT

In this chapter, the context of the research presents the information regarding the Norwegian Red Cross. This chapter proceeds by giving a brief history of the International Federation of Red Cross and Red Crescent Societies (IFRC). The second section is focusing in particular on the Norwegian Red Cross and the last section is the summary

4.1 History of the International Federation of Red Cross and Red Crescent Societies

Almost everywhere in the world there are people who need substantial help to survive and to live on minimal standards. Every day, millions of people suffer the effects of natural disasters resulting in human tragedy. In Asia alone, countries like Indonesia, Sri Lanka, Pakistan, Japan, Myanmar and many more suffered under tsunamis, typhoons and earthquakes, which have affected several millions of people, leaving thousands dead. Chronic humanitarian crisis in Africa and recent conflicts in the Middle East have also claimed thousands of lives. This is the reason why humanitarian aid organizations like the Red Cross exist. Red Cross assists all those who are in need, irrespective of race, religion or ideology¹.

Red Cross is an organization born of the suffering caused by nineteenth century wars. In 1863, Henri Dunant, a Swiss businessman, published "A Memory of Solferino", a memoir about his time in the northern Italian battlefield of Solferino². The book dealt with how war affected the lives of both combatants and civilians. In this book, he promoted the idea of forming neutral relief societies which could help the casualties of war³. He believed that it should be possible to encourage states to support common rules designed to limit the suffering caused by war. This memoir inspired the founding of the International Committee of the Red Cross (ICRC) in 1864⁴. This committee was led by Jean-Henry Dunant, who would later win the first Nobel Peace Prize in 1901 for founding the Red Cross⁵. The first committee was formed by representatives from eleven countries, including Norway.

¹ The Norwegian Red Cross Newsletter (2007)

² Idem

³ Idem

⁴ Idem

⁵ Idem

The purpose of the first committee was to lessen suffering caused by war. They recommended that every country create its own committee, endowed with enough influence to effectively cooperate in times of war with medical services of the conflicting armies. The existence of this organization would depend on public financial support and volunteers.

The Red Cross currently has over 100 million members from all over the world and 178 national Red Cross or Red Crescent organizations. Red Crescent is the denomination used in Muslim countries. The organization is based on the seven principles of the Red Cross and Red Crescent⁶; (1) humanitarian, 2) impartiality, 3) neutrality, 4) independence, 5) volunteer, 6) unity, and 7) universality. These seven principles are adopted by all the International Red Cross and Red Crescent societies, including the Norwegian Red Cross Headquarters as well as national and local branches throughout the country. Moreover, it has a special rule as guardian of the Geneva Conventions. These guiding principles, as published in the Norwegian Red Cross Newsletter (2007), are: a) One should distinguish between combatants and civilian populations, b) One should protect civilian populations, c) One should not cause further injury or suffering to combatants who for whatever reason have been put out of action, and d) One should avoid unnecessary material destruction wherever possible. Norway was one of the members of the first committee. The following section is a brief introduction of the background of the Norwegian Red Cross.

4.2 The Norwegian Red Cross

The Norwegian Red Cross is one of the oldest national Red Cross societies. It was founded on 22 September 1865 by Prime Minister Frederik Stang. It was founded with the purpose of

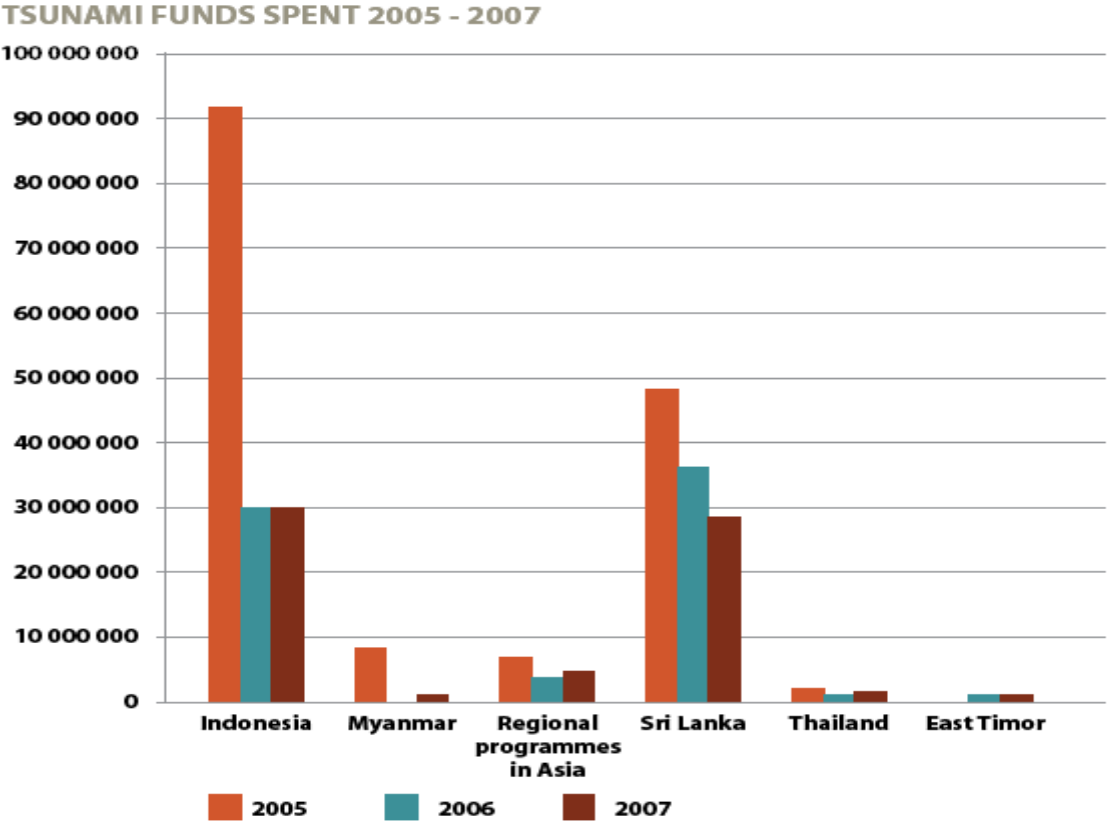
“The society for the care of the sick and wounded in the battlefield and for the support of the wounded and the families of those killed” (The Norwegian Red Cross Newsletter, 2007, p.4).

The highest authority of the Norwegian Red Cross is the General Assembly, with executive responsibilities vested in the current Secretary General. At the present, the Norwegian Red

⁶ Strategy for the Norwegian Red Cross, 2005, pp.11-12

Cross has approximately 170,000 members. The main objectives of the international activities of the Norwegian Red Cross for the year of 2005-2008⁷ were: 1) we shall secure support for the Red Cross Movement’s values and international humanitarian rights; 2) we shall provide help when accidents, suffering and disasters strike; 3) we shall provide care and help people to achieve better health and quality of life.

As has been mentioned, this study is limited to the year of 2005 up to the present. In the same year the biggest funds were spent for tsunami disaster reliefs. This is one of the examples of the involvement of the Norwegian Red Cross in the international scenario. This can be seen from the graph 4.1, which shows the millions of kroner donated to rebuild the lives of victims of the Asian tsunami. **Graph 4.2 Tsunami funds spent on 2005-2007.**

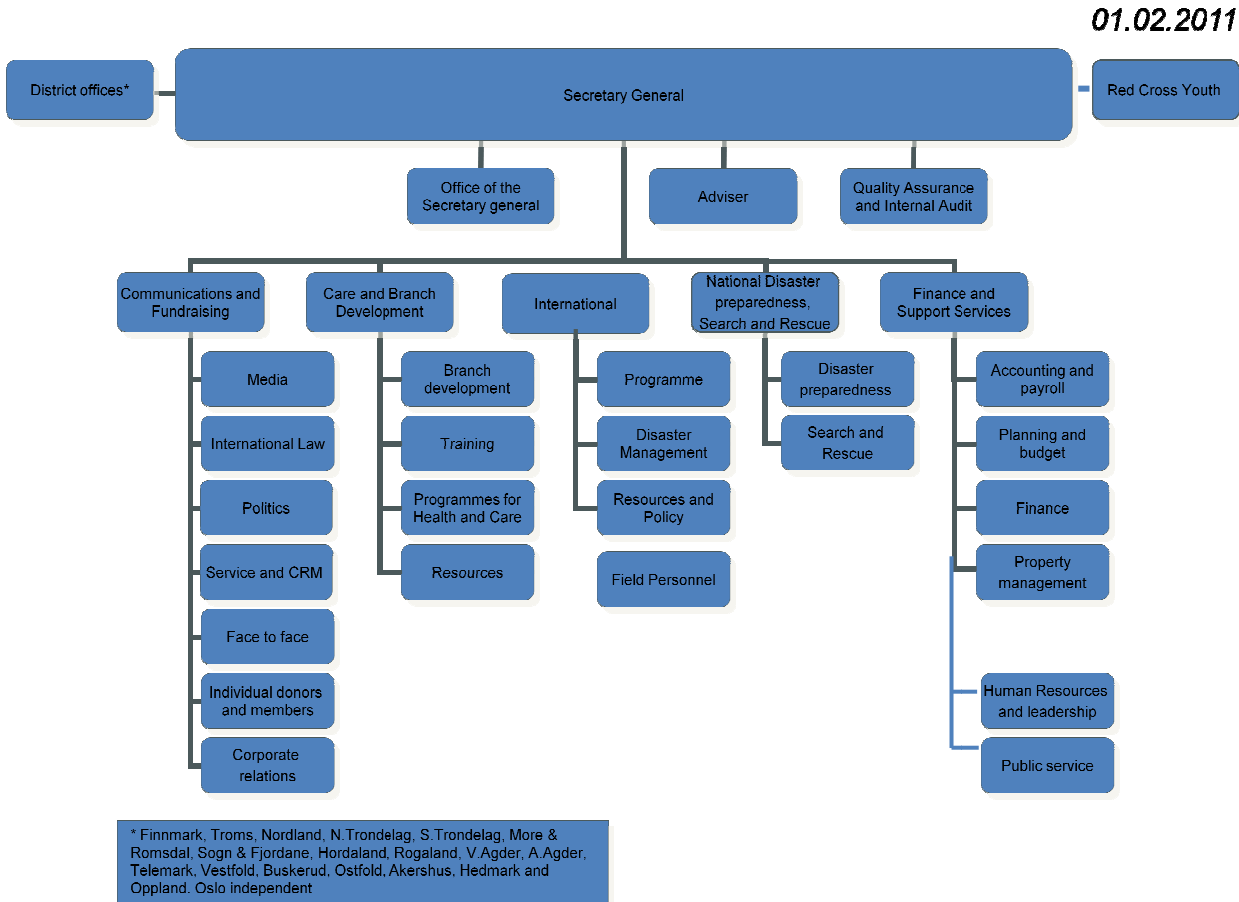


Source: Adopted from Annual Report, 2007.

⁷ Strategy for the Norwegian Red Cross, 2005, pp.4-5

This graph shows that the NRC helped to rebuild millions of lives after the devastation caused by the tsunami. In 2005, over NOK 90,000,000 million were spent to support Indonesia followed by Sri Lanka with almost NOK 50,000,000k million. In 2006, the expenditures for Sri Lanka were slightly greater than for Indonesia. The following year, the expenditures for both countries were approximately the same. The NRC is highly recognized for its effectiveness in conflict situations and disaster response.

At the national level alone, there are 19 districts and 414 local branches of the Red Cross. These district offices, including the Nordland district, are independent in terms of funding, boards, volunteers, and annual meetings. In order to understand the report system from the district offices and administration within the NRC, the structure of the organization of the Norwegian Red Cross in 2011 is presented in figure 4.2b.



(Source: http://www.rodekors.no/Om_Rode_Kors/Organisasjon/)

The organizational structure shows that the district offices and the Red Cross Youth are independent from the administration. These two sections are directly accountable to the Secretary General.

Based on information gathered through the interviews and the organization's documents, the NRC is involved in a variety of different activities to support Norwegians in need. These activities include Search and Rescue Corps, Visitor Service, Networking, Help with Homework, the Prison Visitor Service, Children's Holiday, and the Refugee Guide Service⁸. The entire portfolio of services provided by this organization is based on its mission statement, as captured below:

“To reveal, prevent and alleviate human suffering and distress”.

Source: Adopted from the Norwegian Red Cross Strategy, 2005

As mentioned in the Annual Report (2005) the mission statement reflects the Red Cross principle that human beings in their interaction hold a responsibility toward each other. Virtually, the NRC is performing activities that government and for-profit organizations are unable to take care of: this organization is there for people who need its support. Consequently, government and for-profit organizations are willing to provide funding for the Norwegian Red Cross to implement activities. To be more specific, these humanitarian activities are performed by the volunteers.

2.3 Volunteers responsibility

The NRC is formed by a ready-to-be deployed group to engage in difficult conditions, such as missing people, accidents, or distressing situations. These categories can be divided into different services such as Rescue Corps or *hjelpkorps*, the Visitor's Service, Children's

⁸ Annual Report of The Norwegian Red Cross Newsletter, 2007

holiday, The Red Cross Telephone Helpline for Children and Adolescents, Red Cross Youth or *Røde Kors Ungdom*, and in the presence of relief workers in the international arenas⁹.

The NRC is composed of two types of structures: administrative and volunteerism. As mentioned previously, all the humanitarian activities are performed by the volunteers. The Red Cross volunteer is

”Undertaking active, unpaid work for other people based on the requirements of local society, the basic ideas of the Red Cross and the time and interests of the volunteer concerned”. (See Strategy for the Norwegian Red Cross, 2005, p10).

This voluntary service enables this organization to provide rapid and efficient assistance to people who require help. Hence, volunteers are the greatest asset of the Red Cross. As stated by one of the informants, *“volunteers are the gold of the Red Cross”*. The same slogan can be found in the Annual Report 2009. Furthermore, another informant described the work of the volunteers as following:

“It has been so incredible watching volunteers doing this for so many years, and still continue to do it. They are happy doing their work, helping elderly people, or children or youth or the rescue services. Each day, they are always alert: maybe something might be happening. These people do it for many hours, for the whole week, don’t complain and without asking for anything”.

A volunteer said that contributing to the voluntary work, gives this volunteer energy when seeing people satisfied through a lot of activities that they are providing.

Since the volunteers are the key assets of this organization, in order to attract more volunteers, the administration needs to create activities or to make them attractive. As emphasized by the informant, the lag indicator for volunteerism is the number of volunteers and the lead indicator are the services provided by administration at headquarters. The informant says *“doing the things that we are doing here lead to results in the field”*. As such, it is understandable that the Red Cross would not exist without its volunteers.

⁹ The Norwegian Red Cross Newsletter, 2007

4.4 Summary

The Red Cross is an organization born with the purpose for the care of the sick and wounded in the battlefield and for the support of the wounded and the families of those killed. This organization is based on the seven principles of the Red Cross and Red Crescent. Norway was one of the members of the first committee. The NRC involves in variety of different activities to support Norwegians in need. These activities include Search and Rescue Corps, Visitor Service, Networking, Help with Homework, the Prison Visitor Service, Children's Holiday, and the Refugee Guide Service. These humanitarian activities are performed by the volunteers.

CHAPTER 5: DESCRIPTION OF PERFORMANCE MEASUREMENT IN THE NORWEGIAN RED CROSS

The aim of this chapter is to elaborate on the information gathered from the NRC's main office (the headquarters office in Oslo) and Nordland district in particular Bodø local branch. The material used to narrate information regarding performance measurement and challenges in the NRC stems from two sources, interviews and document studies. This will end with a summary of the main findings from this entire chapter of empirical data.

5.1 What performance measures does the NRC rely on?

Measuring performance is different from one organisation to another organization. It depends on the organization's mission, stakeholders, and the goals. The goals or objectives of the organization for the year of 2005-2008 is clearly defined (please refer to page 40), so it needs a way to measure progress towards these goals.

In the NRC, the description of performance measurement differs from one respondent to another respondent, in particular from the point of view of administration and volunteers. It can be understood and explained in a variety of ways.

5.1.1 Administrators point of view

A respondent from the administration section directly informed, saying “we *are using balanced-scorecard in the Red Cross*”. The respondent elaborates further that methods are the same as other organizations, for example Larvik Municipality Norway, which are People Learning and Development (Mennesket, L ring, or Utvikling); Internal Process (Interne Prossesser); Financial ( konomi), and Customers (Samfunn og Marked). Financial is related to revenues this organisation generated through different means as well as from different donors, whereas, customers are both society as a whole and donors. The balanced- scorecard (BSC) sample of the Norwegian Red Cross is attached (Appendix 3).

According to the respondent, there are several reasons for adopting the BSC at the Norwegian Red Cross....

“Because with the balanced- scorecard there are a possibility of control or giving order to people about what to do. The balanced scorecard links the strategic plan to performance measurement. For example, when we formulated strategy, it was very important for us to get people within the planning face as they have to be willing to do the things that have been set or we are trying to set out.

The respondent stated further that...

With the balanced -scorecard, it is possible to measure the organization as a whole. For example, how many volunteers are available, how many people are working on school watch, how many have been visited, the number of disaster victims being served etc”.

The respondent perceives the BSC as a means for measuring the entire organization’s humanitarian aid activities. It shows through the numbers of volunteers and activities which this organization has and how it’s performed. Moreover, from the elaboration of the respondent, this method enables administration in controlling, monitoring and measuring the activities performed by this organization. These explanations provide evidence indicating that the NRC performance measuring system is indeed furnishing information for a variety of internal and external stakeholders. One of the reasons for adopting the BSC is because of a wide-range of stakeholders that this organization has. This, by itself, makes re-evaluating how the organization measures performance is one of the priorities.

5.1.2 Volunteers point of view

There are differences between the respondents in understanding and interpretation of the performance measurement. As it was illustrated by one of the respondents (volunteers) while it comes to measuring the performance....

“We do not think about profit. We are there to help people by providing different types of the activities that they needed. We have to report the numbers of the activities, number of participating, number of volunteers, and in some of the activities like hjelpekorpsset for example, beside the number of victims who have been helped, we

have to include the age of the participants too. We also include the numbers of the vehicles in the report”.

The respondent perceives measuring the performance is done through a number of beneficiaries or recipients that have been assisted by the volunteers. From these two perspectives (administration and volunteers), provide evidence indicating that when measuring the performance the administration is concerned about the whole organization as well as its stakeholders, while for the volunteers it is about the number of the activities which have been provided to the community especially those in need of help. Moreover, the administration mentioned about the reliable tool such as BSC to measure the performance, whereas with volunteers it is about the exaction of the activities and the content of the report.

Additionally, even between the volunteers the understanding of the performance measurement is different. This can be justified by the following statements...

“How we measure our activities....what should I say? Typically, we are doing the activities that are needed by people. And then we fill out a form from the main office but they do not tell us what kinds of activities you should do”.

Another volunteer said measuring the performance is done through...

“Submission of the report to the team leader, every time we have completed activities”.

The volunteer elaborated further by giving an example according to their plan of visiting prisoner and elderly lonely people once a week as against common visits to prisons once a month. These kinds of activities have to be reported to their team leader. It shows that the volunteers do not have the same perception towards the performance measurement in the same way as the administration has perceived. People interpret measuring performances in different ways.

5.1.3 Why does the NRC measures the performance?

The Norwegian Red Cross is involved in a diversity of activities. It was stated by one of the respondents that measuring the performance is to control and monitor the activities performed

by this organization. In addition to this, measuring the activities is viewed as a way to communicate the results to the donors because the continuation of this organization to exist depends on the funds from the donor's generosity. This was proved from the statement of one of the respondents from the administrative section. The respondent stated that performance measurement is crucial because

- *We have to show the results to the people who donated to us and it is very important.*
- *When we measure our performance we also find out about our mistakes. So, when we did not reach our target, we can ask why we did not do that.*
- *It is to evaluate the activities that have been done”.*

The respondent emphasized that if the Norwegian Red Cross wants donors to continue providing funding it is important to show them what has been accomplished with the monies provided. The respondent elaborates further that the Norwegian Red Cross is trusted across the country; therefore, it is essential to show people what has been done. Furthermore, this organization has gained confidence from international donors, from both the public and private sectors. Since, the Norwegian Red Cross is involved in a wide-range of humanitarian activities and according to respondents these activities are funded by the public, further finance of this organization depends on the number of the activities and communicating their performance to the donors and the community. Thus measuring the performance is essential for the organization.

Another respondent considered performance measurement as a tool to compare Norwegian Red Cross's performance with similar organizations. Considering the multitude of non-profit organizations, the respondent emphasized that it is essential to compare their performance with other non-profit organizations. As justified by the informant, performance measurement is:

“To benchmark ourselves with other competitors / colleagues in terms of what we have excelled in and what should be improved”.

Accordingly, the comparison is significant as these non-profit organizations are competing for funding from the same sources.

For the volunteers the purpose of measuring the performance is no less than completing the activities. Volunteers tend to focus on the completion of the activities. It was stated that they are required to submit reports regarding the activities that have been conducted, like the number of activities, number of visiting, and so forth). However, sometimes the volunteers do not fulfil this request. One of the respondents stated that when they requested the report, the volunteer replied by saying...

“They cannot do this (report) all the time, as they said they have to do activities”.

This argument was justified by another respondent ...

“Because they are volunteering and they are not interested in a measurement anyway. If we control them a lot, for example put together a lot of measures and we say you have to get this result then I think they will just walk away and find another organization”.

In comparison to the field, the headquarters or administration in general have to measure the entire organization. It was admitted by the respondent that there is considerable result-oriented control in their choices. Subsequently, the administration has considerable control in headquarters but not in the field, especially with the volunteers. This is correlated with statements from one of the volunteers. It was stated by the volunteer that the amount of activities to be performed depended on them. Moreover, according to the structure of the organization, although the office headquarters, particularly the administrative section, puts considerable emphasis on control, both the performance and financial reports from the volunteers are submitted to the Secretary General rather than to the administration. This can cause dilemmas as there are different perceptions among the administration and volunteers regarding the importance of measuring the performance.

Additionally, the respondent stated that every outcome from the process is compared with the targets. If the targets have not been reached, for example, then the head of that department would be questioned regarding the reasons for not achieving the targets and then future planning made, in terms of which actions will be taken to patch-up the performance. It was further elaborated that if this problem occurred due to budget constraints, then internal discussions would be held to find resources or if that failed, another alternative would be to lower/adjust the targets.

5.1.4 Financial versus non-financial measurements

Budget still plays an important part of management control in the Norwegian Red Cross. It uses budgets for comparing actual results to specify the financial needs for the coming year's activities. As stated by the respondents, both from administration and volunteers, they have to adhere closely to the budget. If the activities cost more than budgeted, the approval of the Secretary General is necessary-whether to use more money on the specific activity or consider curtailing the activity. Every month, the organization goes through the financial and budgetary requirements and the head of the departments are required to comment on the report if there are any discrepancies.

Financial reports still dominate when it comes to measuring the performance in the NRC. As pointed out by all the respondents, most of the departments, including district offices, and local branches are still relying heavily on financial reports as a tool for measuring the performance. As one of the respondents said that one of the reasons for using the financial report is

“We have full control of accounting and this info is available to us all the time”.

The financial report is followed up on a monthly basis for internal purposes. While yearly financial reports are presented for the external stakeholders (donors and the society in general). This was proved from the organization's annual reports. At the end of the year the overall actual performance will be compared to the budget. They are implementing the accounting information by using the budget against accounting. The respondent mentioned also that the organization has been on a good track regarding financial reporting. As pointed out by one of the respondents the accounting information is the most important....

“Because they represent the “final truth” when it comes to all economic activities”.

On the other hand, the respondent admitted that financial reports failed to capture the entire activities in this organization, giving the circumstances of the involvement of this organization in a variety of activities as well as having a multiplicity of stakeholders. It was emphasized by the respondent as follows...

“We need to know what we are doing, what kinds of activities have been implemented. Do we reach our target? And these kinds of information are not in the financial reports”.

Generally, the accounting reports consist mainly of the financial figures, and there is no space for capturing the activities performed by this organization. In addition, the respondent stated that financial reports face problems as it is dealing with historical data. So, the NRC is in the stage of adopting the BSC to compliment the financial reports. Even though the respondents (administration) emphasized that BSC is used to measure its performance and it has been successfully implemented, there are only two departments-communications and marketing which have implemented the BSC for over two years. Since most of the departments, districts and local branches are still using financial reports, the respondent admitted that there is some work that needs to be done before the BSC can be fully implemented in this organization. As pointed out by the respondent...

“Not all leaders know what the balanced-scorecard is and what kind of information it can give them”.

Despite these issues, the respondent (administration) is optimistic about implementing the BSC by next year. The respondent is considering providing workshops and using the other two departments –marketing and communication as an example, as these two departments have successfully implemented the BSC.

In addition to the financial reports, this organization also collected quantitative data such as how many volunteers and what numbers of activities have been carried out. This statistical data according to the respondent is for the donors’ report. For statistical reports there is one standard report applicable to the entire organization. This reporting standard is designed by the main office and implemented by the districts and local branches. However, it was claimed by the respondents (administrators and volunteers) that sometimes there was an issue with the language in the report- complicated language at local levels were unable to be understood. Another dilemma is the submission of the report. It was required to be submitted four times a year but this was considered an excessive request by the volunteers, who see the administration as too bureaucratic, resulting in an overload of paperwork for volunteers whose time is committed to the activities execution. Hence, the Nordland district held discussions

with the main office, resulting in semestral report submissions. The Norldand district acts as an intermediate between local branches and the main office in Oslo.

5.1.5 Key performance indicators (KPIs)

Based on the information, to measure the performance, the NRC utilizes a number of key performance indicators (KPIs). These indicators are

..... “Financial indicators, we focus on fundraising goal during a year. For instance, in this year we have to reach so and so from private sector and so and so from communal. In terms of donors, we would look at the funds donated by donors out of total number has been set. We also have to focus on the number of volunteers whether it has gone up or down the same thing applies to the number of memberships, number of visiting, number of disaster victims we serve and so on”.

A number of memberships have contributed to the funds as well as the number of volunteers; however, one of the respondents stated that it is difficult to maintain or increase the numbers especially over several years. In measuring the performance, the NRC combines both financial and non-financial performance indicators. These indicators are compared with previous years to see if “we have done a better job this year”. However, the respondent said the KPIs are differing from one department to another department. Therefore, these descriptions are mainly general. This can be demonstrated from the following table:

	Financial	Non-financial
Administration	Fundraising goal-how much the NRC have received in a year from private donors and public in comparison to the target they have set	Numbers of volunteers in a year.
		Number of memberships
Volunteers	None	Number of activities delivered to clients in a year

Source: own illustration

To summarize, there are difference of perceptions between the administrators and volunteers in regard to performance measurement. The administration professed performance measuring consists of both financial and non-financial indicators to measure the entire organization, whereas for the volunteers it is mainly about reporting the number of activities that have been provided to the clients. The purpose of measuring the performance is to provide results to donors regarding the expenditures of the funding; to demonstrate results to the society and donors; to improve its future performance by learning from their mistakes; and to benchmark its performance against similar organizations. There are several KPIs consisting of financial and non-financial indicators. Non-financial KPIs are mainly the quantity of the activities, volunteers, and memberships whereas KPIs for financial is about the fundraising goal. Moreover, budget and accounting are still an important part of the management control in this organization. Although the administration stated that they are using the BSC for measuring overall performance, in fact only two of its departments which is marketing and communication department have implemented it for over two years, while the rest of departments, districts and local branches are still using the financial reports for measuring the performance.

5.2 Donor dependency

The present section of the research project is intended to discuss the source of the funding and accountability to the donors. In addition to this, this section is intended to cover various stakeholders and the information required by donors.

The NRC benefits from a long-term, mutually beneficial relationship with international donors, the government of Norway and central figures in Norwegian business and industry. As a result, the need for a measuring performance is viewed as extremely important to gain funding. This was proved from the conversation with the administration who stated that the success to gain donors' trust depends upon linkages between the money that has been spent on the activities and the outcomes of the activities.

Regarding the income, based on the information gathered through the interviews and the NRC documents; this organization has two main sources of incomes. As two of the respondents confirmed that one source of income is from the regular donors who have a fixed agreement with the NRC on the monthly basis. This money according to the respondent is used to cover the overhead costs such as

“Administration work includes accounting fees, insurance, legal fees, rent, maintenances, supplies, telephone bills, travel and utilities costs”.

While another source of income is typically, donor’s that provided for special purposes. For example from private companies such as, Statoil - Emergency aid; Storebrand - Holidays for all and Help with Homework; Tine - Search and Rescue Corps; Det Norske Veritas – Water and risk analysis; and REMA 1000 - Primary healthcare in Southern Sudan¹⁰. Subsequently, this money is used merely for these specific events.

As emphasised by the respondent, that to establish funding from donors it is very important to define what the NRC needs the money for. Once the money is received it has to assure that the NRC used that money in the way that the donors wanted. Furthermore, donors can also demand in terms of what they want to measure. Based on this, the NRC has to deal with donors in regard to the information they wanted back. In order to establish a sustained relationship between the NRC and the donors for flowing of funds, the report concerning financial expenditures is required along with performance measurement.

It is important to understand that each level (main office and district office) has their own donors. Indeed the district office also has similar systems as the main office in terms of source of income. According to the respondent, the district offices and local branches be given money from the main office and this money can be used for covering the overhead costs, where money from donors in general is for specific activities; therefore, they have to report according to the donors requirements. To be more precisely, the NRC has three levels in regard to companies (private donors), every level has their own company, for example the HQ has it’s their own companies as partners, district and local each has own companies or partners. Hence, the HQ does not oversight the accounts and budgets of the district offices and local branches. This type of autonomy allows districts and local branches to establish their own agreement with their own partners or organized activities that generate income to finance and furnish their requirements as well as to enjoy some operational autonomy. In general, HQ does not influence their accounts and activities but *“they must do it in the way or what the steering committee has decided”* as stated by one of the respondents. This statement was justified by the volunteers.

¹⁰ Annual Report, 2005 & 2006

Besides the donor's fund in the local branches they are doing lots of activities to earn money. For instance, Rescue Corps provides first aid courses for private companies and they are paid for this kind of course, it is about 7000kroner for each course. Other activities for fund raising or to get the income is to observe the football matches whilst providing first aid if there are any players who need help before the arrival of the paramedic or medic. This money from these activities are used to facilitate staff for acquiring new training, to purchase new equipment for the group, maintenance of their office and so forth. In the Nordland district, a special Bodø local branch has a second hand shop that generates income for its humanitarian activities. Most of the goods in the second hand shop are donated by Bodø societies. The income from the second hand shop is managed by the Board. Regarding the report, it was decided that money from the main office will be reported once a year after the general meeting and from their own source they report it every month to district office.

5.2.1 Multifaceted donors or partners

In terms of donors or partners, most of the respondents (administration) said that this organization has many donors or partners. These partners are the Norwegian government represented by the Ministry of Foreign Affairs (MFA), the Ministry of Justice and Police, the Ministry of Children and Family Affairs and the Ministry of Defence and several Directors from Public Sectors. It was pointed out by the respondent that among these Ministries, MFA is the biggest donor. Other donors are The European Community Humanitarian Organization (ECHO) and external partners for the international activities which are the Norwegian Agency for Development Cooperation (NORAD). In addition to this, most of the companies in terms of business and industry who wish to take responsibility for social outcomes in this country. These companies are Statoil, Storebrand, Tine, Det Norske Veritas, REMA 1000, Telenor, GC Rieber, Jotun, ABG, Sundal Collier, Hydro-Texaco, Gunnar Karlsen AS, Coca Cola, Choice Hotels, BP, Høegh Autoliners, IKEA, Microsoft, Gard, Conecta, Tele2, Tusenfryd, TUIFly Nordic, Avis and Omegavita¹¹. Among all the partners in the private sector, its main partners are Statoil, TINE, Storebrand, REMA 1000 and Det Norske Veritas¹². They cooperate on different levels: as main partners, as project partners, in royalty agreements and product and

¹¹ Annual Report, 2005 & 2006

¹² Idem

service agreements¹³. In addition, this organization has also received financial assistance for its humanitarian aid activities from private donors like individuals and groups. Conversely, every partner or donor has its own requirements in terms of direct resource allocations. This cooperation has allowed humanitarian aid to be given promptly according to the NRC's main objectives and international norms.

The funding received by NRC is equivalent to 10 per cent of the government's total funding for non-government organizations (NGOs) operations¹⁴. It is the largest recipient of humanitarian aid funding in Norway Government¹⁵. Undoubtedly, the close working relations between the NRC and the MFA add value to humanitarian aid activities¹⁶ both in national and international.

5.2.2 Donor's requirements and the restrictions

As elaborated above there are many donors or partners and the respondent pointed out that every donor has different requirements for the reports. The respondent carried on by saying that once the NRC has received the money they have a contract with donors in regard to how the money will be spent and in what activity. However, not all the donors or partners have signed the contract with the NRC. It was emphasised by the respondent that generally this contract was signed between the NRC and the MFA on behalf of the government. The contract contained information, for instance

“You (the NRC) use this money in this way and we need this kind of report from you, we need a follow up and so forth”.

Therefore, the government required the NRC to provide a report of funds according to information contained in the contract. Then it is followed by ECHO and NORAD. In particular for NORAD, the requested information was the result of activity contained in statistical data for newly requested funds in line with activities. It was claimed that previously these two organizations were not that 'thorough' in terms of the information in the report than

¹³ Annual Report, 2005 & 2006

¹⁴ Channel Research Ltd, 2000

¹⁵ Idem

¹⁶ Idem

nowadays. The respondent justified this claim by saying that this can be due to increasing numbers of the non-profit organizations or simply because there is less money available due to the global financial crisis. In order to fulfil these requirements the NRC has different formats for different donors. This can be justified further by the expression of the respondents (administration):

“We have to fulfil their requirements because this is about the trust. We have to be accountable to them about the money that they have trusted to us so that next time we still get the money”.

Hence, building the trust with donors or partners is very significant for the Norwegian Red Cross. Regarding the government funds, it is mentioned clearly in the accounting report that....

‘The contribution is to be repaid if the scope of the activity does not match the assumptions’ (Annual Report, 2009, p.18).

In contrast to the government, ECHO and NORAD, most of the companies do not demand complete or formal reports. These companies mostly require simple reports with pictures of where the activities were conducted together with beneficiaries.

It is important to understand that the main office or headquarters office set the budget only for the main office. As has been mentioned previously, the district offices and local branches are independent; therefore, they have their own budget. It was stated by the informant that they (district offices or local branches) only report to main office such as office of planning and finance if they receive money for special items such as reimbursement of a new vehicle or special activities. This is where they are required to report back to the main office concerning how the money has been used and then the main office can report back to the donors.

Referring to the reporting system the respondent said that in the administration level, there are four levels reporting chains:

“Activity responsible report to the head of their section; 2)head of section reports to the department manager; 3) the department manager reports to the Secretary General; and 4) the fourth level would be reporting to the board”.

Whereas in the local branches, especially in Bodø the leader of each group reports to the team leader and from the team leader reports go to the District Board of Directors. It was stated by the respondent that all the accounting reports were certified by the auditor both internal and external. The external auditor for this organization is Ernst & Young AS.

To summarise, the NRC has various donors or partners which are the government, private sector, and international community. Amongst all the donors, the government is the most important donor. As a result, the demand for report concerning the execution of funds is much greater than other donors or partners. The NRC views measuring performance as vital, as this is one of the methods to provide justification to donors in regard to how donors funds have been spent in the humanitarian aid activities.

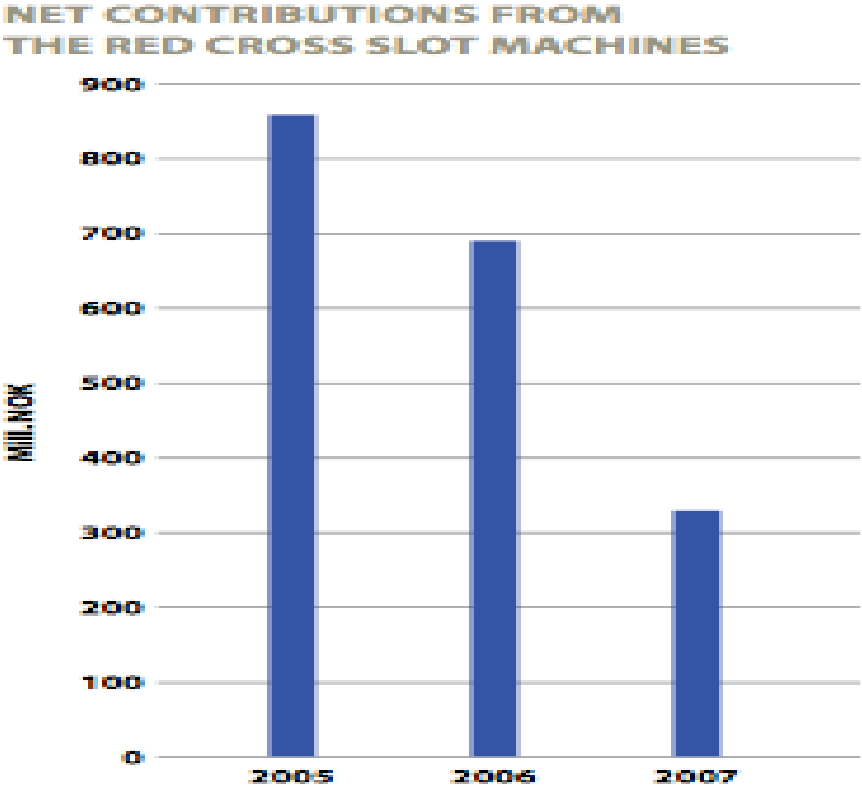
5.3 What are challenges in measuring performance?

The NRC has been transformed both financially and organizationally. In 2007 the NRC experienced tremendous changes in its performance, in particular the financial outlook. This was due to the Norwegian government imposing new legislation in relation to the gambling system in this country. Regulatory decisions stipulated the removal of all slot machines in 2007. The slot machines were the primary source of income (90 percent) to facilitate humanitarian works of the NRC before it was eradicated. Consequently, the organization in conjunction with the global financial crisis in 2008 had to find other sources of funds to finance recent humanitarian activities after these machines were removed.

5.3.1 Change related to removal of slot machines

Accordingly, Norway has Europe's most liberal gambling laws. There used to be over 20,000 slot machines in Norway in places like supermarkets, petrol stations, kiosks and train stations. Subsequently, thousands of Norwegians became addicted to slot machine gambling and as a result they were losing so much money. Surprisingly enough, the vast majority of these

machines were owned by the Norwegian Red Cross and other charity organizations. These machines have been used by the Norwegian Red Cross for fund-raising since 1937. The gambling machines were huge profit centres for the NRC. It can be seen from the following graph 5.3.1 -net contributions from the Norwegian Red Cross slot machines prior to the removal of these machines in 2007.



Source: the Norwegian Red Cross Annual Report 2007.

The graph shows ever since the slot machines were installed, the net contribution from these machines was realistically enormous. For example in the year of 2005 the net contribution to the NRC was around NOK 840 million. According to information from one of the respondents, these revenues contributed toward the work of humanitarians as well as for covering the administration costs. It was admitted by the respondent that net contribution from the slot machines has helped this organization in terms of the economic figures.

Paradoxical, the NRC used the money from the people who lives became ‘miserable’ after losing so much money in gambling, to aid other people whose life was ‘miserable’ due to

experiencing difficulties both in its home country and abroad. As quoted from one who was addicted to the slot machines¹⁷

"...It progressed from being just a bit of fun to the situation where I was losing so much money that I couldn't walk away from the machine because I had to win it back again. I lost my family, I lost my job." "I tried to kill myself once by swimming out into the fjord".

The story above was one of many that have led the Norwegian government to change the legislation. The slot machines were officially banned from 1st July 2007. Even though, there are still slot machines in Norway, but the numbers are much smaller now and also restricted access to them. And the NRC no longer has rights to collect these revenues. The government has since passed a law that only The Norwegian Gaming Company has rights to these revenues.

The impact of the removal of slot machines to this organization was huge as this organization lost an incredible income. The gross revenues that were dropped almost tripled (from NOK 840 million to about NOK 320 million). As pointed out by one of the respondents *"it was bad for us in terms of economy"*. It was elaborated further by another respondent as follows:

"It was turnover for the whole organization-national, districts and local branches. We were forced to find a source of income from elsewhere. For example, it previously was easy to get money, as every day one of the NRC staff would just go around collecting the money from the machines. But after the removal of the machines, the local branches for example have to go to find donors within the communities".

The respondent said that it was difficult times for the NRC if compared to other previous events such as financial crisis in 1997.

5.3.2 Financial crisis in 2008

In addition to the removal of the slot machines, this organization was stroked by the financial crisis in 2008. As pointed out by one of the respondents that

¹⁷ Bevanger, 2002.

“Although the impact of the weak financial market was not as severe as gaming slot machines not being in operation, the income was also dropped”.

It was shown through less money from donors. It was clearly mentioned in the Annual Report 2008¹⁸ that

“Because of the financial crisis, the net financial return came to minus NOK 220 million – thus NOK 340 million less than had been budgeted. Lower costs than budgeted of NOK 30 million means that the operating result becomes minus NOK 553 million”.

5.3.3 Consequences of these two events: Removal of slot machines and Financial Crisis

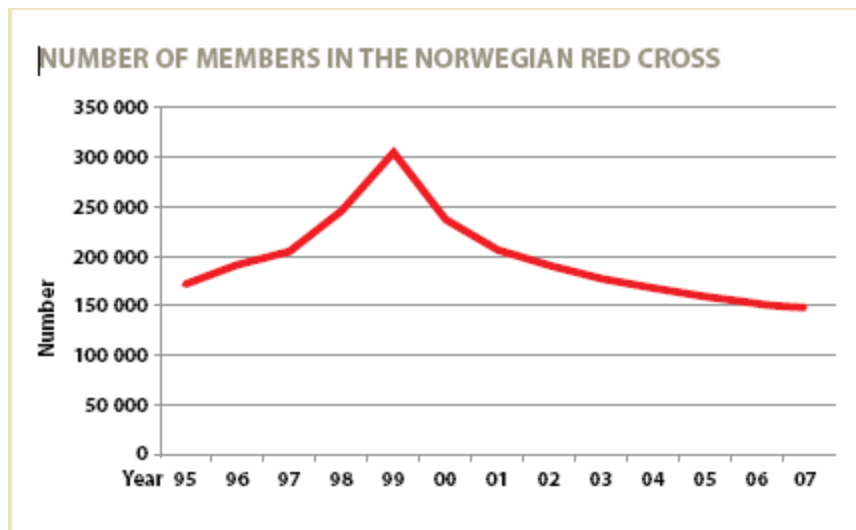
As a consequence of dropped incomes, this organization had to let go some of its staff. Prior to diminishing incomes, this organization had many staff, especially in the administrative section. This was illuminated by one of the respondents:

“The impact of both slot machines having taken away and the financial crisis have cost people’s jobs when the organization had to reduce the number of staff by saying sorry we cannot have you anymore”.

Another indirect challenge for the NRC is a declining number of members. As shown in the figure 5.3.3 the number of the memberships steadily decreased from the year of 2000 onwards. This is a drop of 4,608 members from 2007 figures¹⁹. It was mentioned earlier, declining memberships have also had marginal impact on revenues of the organization.

¹⁸ The Norwegian Annual Report, 2008, p.11

¹⁹ The Norwegian Annual Report, 2007



Source: Annual Report, 2007

5.3.4 In the search for new funds

In order to improve financial measure for the organization so that it continues its responsibilities of preventing and alleviating suffering, various actions had been taken. Most of it focuses on improving financial measurement through the development of a new source of income, further development of those already exist and the correct administration of funds was viewed as a priority task. It was stated by one of the respondents that after those two events –elimination the gaming machines and financial crisis, the NRC was restricted in how they used the money. The respondent said that at the time they had lot of money; they tended to be “laid back”. One of the changes was to tighten the control in financial expenditures. For example, it was viewed as necessary in terms of cost cutting that they had to let some of the staff go. Another change was to prioritise the activities that were more important. It was done through eliminating those activities that were not productive or where participants were reduced in numbers.

In terms of finding new sources of incomes, in 2008 the organization was compensated NOK 115 million by the government for lost income from charity slot machines²⁰. This compensation begun in 2008 but the respondent expressed that...

²⁰ idem

“We need to find other sources of income as we are unsure how long the compensation from the government will last”.

The respondent adds further that this compensation policy could be changed if there were to be a new government in the future. Thus, this is one of the uncertainties the NRC is facing. To anticipate the future uncertainty, especially its income, it has emphasised the need for developing new game concepts. It was achieved through selling different types of lottery tickets. Another action was the same year, via the umbrella organization the Association of NGOs in Norway (Frivillighet Norge), the Norwegian Red Cross applied for release from paying value added tax (VAT) on purchases of goods and services for voluntary activities²¹. Moreover, to ensure the financial stability, the recruitment of permanent donors is essential.

To channel more information the NRC cooperated with Norway's TV 2 besides collaboration with existing partners - trade and industry is another priority in the revenue area. It was mentioned that collaboration with trade and industry is an important source of income for the Red Cross, but it is also an arena and distribution channel for spreading humanitarian values, promoting voluntary work, passing skills on between companies and the Red Cross, and profiling the Red Cross and the Red Cross's activities²².

For the Nordland district, in particular Bodø local branch, the second hand shop was established after the disappearance of slot machines. This idea was to solve the loss of revenues from the slot machines and financial crisis. Based on the information gathered during the interview, the turnover of this shop is around NOK 10,000 per month. Additionally, this local branch also initiated collaboration with local companies and surrounding communities for generating its income.

Despite all the challenges: the biggest revenues have been disappearing which is equivalent to almost 90 percent of its revenues, it is important to know that the humanitarian aid activities were still maintained at the same level. It was because the NRC has consciously used some of its earned shareholders equity to maintain the level of humanitarian work even in a period of lower revenues²³. In principle, the humanitarian activities were not interrupted²⁴.

²¹ The Norwegian Red Cross Annual Report 2008

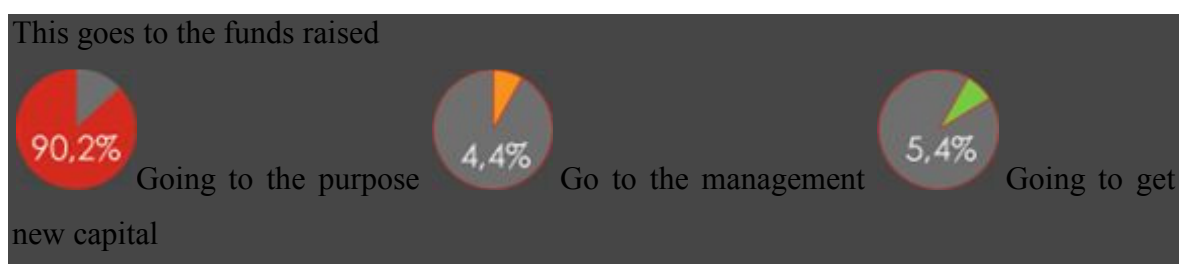
²² The Norwegian Red Cross Annual Report 2008

²³ Idem

²⁴ Idem

After many actions were put in place to solve these challenges, in the year of 2009, the NRC declared this as the year of transformation, both financially and organizationally²⁵. It was stated that the organization has worked specifically toward adapting the organization to the new economic realities resulting from a drop in income. It was proved from the accounts reports for 2009 it showed a surplus of NOK 46 million, both for the Society and also subsidiaries that are included²⁶.

From the total revenues, the 2009 accounts show the NRC spent 90 percent of overall expenditure for the objectives of humanitarian work. The corresponding figures for previous years are 87% in 2008 and 79% in 2007²⁷. The rest of the expenditures were distributed as shared costs such as ICT, accounts/payroll, service centre and real estate for activities. Thus, the shared cost of the 2009 was lower than 2008. This can be illustrated via figure 5.2.2- distribution of the funds raised.



Source: <http://www.rodekors.no>

Thus NRC was able to recover from financial loss after the removal of the slot machines which was the main source of their incomes after several actions were put in place by the administration.

In summary the NRC went through the “toughest” time when the government decided to remove the slot machines in 2007. Prior to the removal of this machine, almost all funds for humanitarian activities were generated via this machine. Once the machines were removed, the NRC experienced a dramatic drop of their income. In addition to this, the impact of the financial crisis also felt by this organization since the funds from the donors was also

²⁵ The Norwegian Red Cross Annual Report 2009

²⁶ Idem

²⁷ Idem

decreased. Ultimately through the consequences of these two events, this organization was forced to adopt new schemes like reduced the number of employees and increase control in their financial expenditure. In order to solve these problems there were many actions taken by this organization, in addition to the financial compensation from the government for the loss of revenue from the slot machines. These actions or hard work has paid off, as in the year of 2009; this organization was able to recover from these rigid times.

5.4 The empirical summary

Measuring performance in the NRC is important because of several reasons, which are providing results to donors concerning the expenditures and to demonstrate the results of the activities to societies as whole. Other reasons are by measuring the performance the organization is able to learn from mistakes and to improve the organization's future performance by learning from its mistakes, and since there are many organizations existing with the same objectives, so measuring the performance is enabling benchmarking its performance with similar organizations.

The NRC employs financial and non-financial key performance indicators to measure the performance. The financial KPIs is set specifically to reach the revenue target from the donors whereas non-financial KPIs involve the number of activities this organization has, the number of volunteers, and the number of memberships. Additionally, budget and accounting are still playing important roles of management control in this organization. On the other hand, the administration view is that finance alone is inadequate in capturing the whole activities and the organization stakeholders; hence, the administration will implement a balanced-scorecard with the intention to satisfy all the stakeholders.

However, the understanding of the performance measurement is different between the administration and volunteers. For the administration performance measurement is about measuring entirely the organization's activities, as well as considering the importance of each stakeholder such as donors, communities, societies, and volunteers. For the volunteers it is more important to focus on the completion of the activities.

The NRC has many partners or donors who range from the Norwegian government, international donors who are ECHO and NORAD and almost all the companies throughout this country. Between all the donors the government is the biggest donor and in terms of the

report requirement the government demanded detailed information about the execution of funds as a result of the activities in comparison to other companies.

The continuation of the NRC is highly dependent on public funds. In 2007, this organization experienced a dramatic decreased in its financial performance due to the main source of its income - slot machine being banned and removed and they were also hit by the financial crisis in 2008. These two challenges leave the organization with astringent experiences through their financial loss, many people also lost their jobs within this organization. To recover from the loss the organization re-established its relationships with existing donors, new donors, and potential donors, in addition to other fund-raising activities. These new arrangements were successful and in 2009 the NRC was able to transfer both organizational and financial viable.

CHAPTER 6: ANALYSIS

The present chapter aims to analyze the empirical information both in chapter 4 and chapter 5 in relation to the theoretical frame of reference as it helps to carry out the appropriate conclusions for the research questions. This is done by applying the three approaches- the technology approach, the accountability approach, and the contingency approach. These three approaches were introduced earlier in the frame of reference chapter. These three approaches are now applied to analyze what performance measures does NRC rely on, what are the reasons behind the existence of these measures, and also to study the challenges faced by this organization when in its performance measurement.

To be specific, the technology approach is used to understanding the technical determinants of performance measurement in the NRC and the system this organization used to measure its performance. Moreover, this technology approach is applied to explore the key performance indicators in this organization. In turn, the accountability approach is adopted to link the existence these systems with reasons for measuring the performance in the NRC. Finally, the combine effect of the removal of the slot machines in 2007 and the financial crisis in 2008 and the strategic of the NRC to handle these crises is analyzed through the prism of contingency theory.

6.1 What performance measures does the NRC rely on?

As pointed out earlier, the technology approach is adopted to answer the above research question. Performance measurement is one of the most crucial elements in management control because through measurement managers can be assured that resources have been used effectively and efficiently in achieving organizational objectives (see Anthony, 1965).

The adoption of the performance measurement system in the NRC is necessary to monitor and control the overall activities. The activities of this organization, including its employees, are funded with donors' money. Alongside a wide-range of the activities performed by the volunteers, this organization also have variety stakeholders.

6.1.1 Perceptions of performance measurement

The empirical evidence shows that the understanding and description of the performance measurement is different between the administrators and volunteers. According to volunteers' description of the performance measurement is about quantifying the services. It is about the number of services that have been delivered to clients or simply the number of participants. By looking at the way they described the performance measurement it seems that this description is to some extent similar to the definition of performance measurement by Neely et al. (1995). Neely et al. (1995) defined performance measurement as the process of quantifying the efficiency and effectiveness of action. While for the administrators, performance measurement encompasses the number of services, the financial situation, and the participation of the stakeholders. It encompasses the whole components within the NRC. Hence, performance measurement is a comprehensive set and this description is more relevant with Kaplan and Norton's (1996) definition of the balanced-scorecard which are four different measurement perspectives; financial, customer, internal process, and learning and growth.

These differences in description of the performance measurement demonstrate the diversity of the subject. Furthermore, the finding of this study suggests that the way people defined or described performance measurement depends on the surrounding circumstances and the type of work or position people are involved with. These arguments are correlated with the way the researchers defined the performance measurement. There is no concurrence on the precise understanding perception of performance measurement because organizations vary by industries with different situations as well as the mission of the organization.

From these differences, between the administrators and volunteers towards the description of performance measurement it illustrates that when measuring and comparing is done by the middle managers as against the actual process being carried out by volunteers. Therefore it is arguable that managers tend to focus on 'form' whereas volunteers focus on 'content' (see Hofstede, 1978). Although from the administration perspective performance measurement is evidently defined- consisting of both financial and non-financial measurement, however, there is a dilemma in the way some of the volunteers responded to the question of performance measurement. For instance one of the respondents said.....

"how to measure performance?...actually we are focused on the activities for the people who are needed our help..."

From this response, it proves that measuring performance in non-profit organizations is difficult because service is vague in terms of measuring the benefits of the service (see Anthony & Young, 1999). Therefore, finding the appropriate measurement for this organization is necessary.

6.1.2 What is the actual use of performance measurement in the NRC?

As research shows that the NRC is measuring performance with the purpose of proving to donors that funds were spent wisely on activities and results had been achieved; to show to communities that this organization is committed to its objectives and therefore is deserving of being supported. Another purposes of measuring the performance by this organisation is so it find out its mistakes and improve its future performance and lastly, to compare the NRC with other similar organizations (non-profit organizations).

From the first and second purposes of performance measurement, it indicates the accomplishment of a program and that the results are being achieved. By showing the results to donors and communities as a whole it has proved that resources, especially funds, have been employed in effective and efficient way. Furthermore, the NRC is measuring the performance to demonstrate accountability to stakeholders. As stated by Fulop (2011) the public trust in non-profit organizations depend upon transparency and accountability to it stakeholders. Without transparency and accountability, it believes that the continuation of the organisation can be under a cloud of uncertainty. The other two purposes demonstrate that management is determined to improve the organization's performance. Moreover, this organisation is one of the oldest and well recognised, so through measuring the performance the organization strives to be the best. By benchmarking its performance with other similar organizations shows that even though non-profit organizations have the same objectives, the scarcity of donors and government funding push them to be competing among each other rather collaboration. Or in another words, although there are many similar organizations, the NRC proves that it is worthy of being funded. From the organization's intention of measuring the performance, it displays that the application of performance measurement in a non-profit organizations is to serve many purposes. In addition to discharging accountability and effective and efficient use of resources (see Kendal & Knapp, 2000). This also links with Kaplan (2001) arguments which are accountability and performance measurement has become urgent for non-profit organizations as they encounter increasing competition among them for

scarce donors, foundation, and government funding. Additionally, the intentions of measuring the performance are adequately fitting the descriptions of Kopczynski and Lombardo (1999) purposes of measuring the performance within non-profit organizations: (1) to recognize good performance and to identify areas for improvement ;(2) to inform external stakeholders (such as communities or donors groups)

For profit organisations measuring the performance is straightforward as it has intelligible KPI which is financial indicator; however, in the NRC the study shows that this organization has several KPIs. These KPIs are financial indicators which focus on revenues generated throughout the year from different sources of donors. Non-financial indicators are the number of volunteers, number of memberships, number of visiting services, and number of disaster victims served. The number activities in a year correspond to the donor's funding. The number of volunteers is associated with the number of the activities that this organization is involved with. If the number of activities increase this means a need for more volunteers to perform these activities. However, it is difficult to measure the success of the organization based on the number of visiting services or number of people who have been rescued because the amount of services that has been delivered cannot be quantified. Although there are several numbers of KPIs, the success of this organization should be measured by how effectively and efficiently it meets the need of its mission (Kaplan, 2001). The mission statement of the NRC is to reveal, prevent and alleviate human suffering and distress. This type of statement cannot be measured by using the numbers. In another word, it is incommensurable or impossible to measure and it relies on the heart of efficiency and effectiveness measures as have been mentioned by Kaplan (2001).

6.1.3 Financial versus non-financial measures

Although this is a non-profit organization, the evidence proves that the financial measurement is very important for the continuation of the existence of this organization. Thus, the accounting reports are widely applicable in this organization from the office of headquarters, districts, and local branches. Overall, the purposes of the accounting reports are similar to profitable organizations and the difference is in the non-profit organization's accounting where there is extra information regarding the source of funds and the amount of the funds. The reason the organization relies on financial measures is because of the familiarity with the traditional formal controlling mechanism and it represents all economic activities. Besides

accounting reports, this organization also uses separate formats or statistical reports to demonstrate the results of the activities to donors and other stakeholders.

Additionally, the financial report is consisted the historical data and yet this organization has various numbers of stakeholders and it fails to account for the perceptions or values of those stakeholders such as the societies, employees, government, companies, and international donors on the NRC's humanitarian aid activities. Lack of detailed information regarding these stakeholders in accounting reports, hence the empirical finding shows that to capture the needs of stakeholders that's why the NRC is in the stage to adopt balanced scorecard.

It can be argued that the BSC may help the organization mitigate the existing problematic dilemma because the BSC consists of both financial and non-financial measures. Moreover, the BSC can provide a clearer and realistic picture of performance status of the NRC in comparison to other prevailing tools of performance measurement. By adopting the BSC for measuring the performance, this can contribute to enhance transparency, participation, accountability of the organization to both internal (employees and volunteers) and external stakeholders (government, private donors and communities). In addition, the BSC has been implemented by two of the NRC departments-marketing and communication for over two years.

The administration said that during these two-years the BSC has been successfully implemented in two of its departments-marketing and communication; therefore, the managers are optimistic that it will shortly implement (next year 2012) throughout the NRC organization. However, it is important for administration to take into consideration that BSC is also subject to some criticisms, as pointed out in the frame of reference. Nørreklit and Mitchell (2007) have pointed out that the BSC can be a cyclical relationship or continue process as long as the company or organization is in the business world, which is opposite to Kaplan and Norton's (1996) claim that the BSC has vertical relationship. Nørreklit (2000) emphasized also that Kaplan and Norton (1996) failed to define the cause-and- effect relationships. The fact is the cause-and-effect relationships are logically independent; therefore, the description of cause-and-effect relationships among measures from the four perspectives is problematic.

It can be argued also that the innovation or creation of the new activities is difficult to develop in this organization because of the mission statement of the NRC is cannot be quantifiable. Moreover, it can be argued that this organization well maybe focused merely on some parts of

the BSC while they ignore the other two parts like learning and growth and internal process. Likewise “what gets measured gets attention”. Thus, the managers should be aware of these limitations or criticisms when implementing the BSC.

6.2 Applying the accountability approach

The frame of reference has pointed out that the numbers of the non-for-profit organizations have been increased rapidly over the past several years which mean the competition for public funds is extremely difficult (see Kendal & Knapp, 2000; Kaplan, 2001; Singh & Mirchandani, 2006). The study shows that the overall performance measurement of the NRC involves a form of accountability concerned with effectiveness, efficiency of using donor resources rather than being a matter of only compliance with the internal requirements in the course of budget execution. In other words, accountability is about gaining the trust of donors or partners, so management must prove to them that the resources which obtained by donated funds were used in achieving the results. These arguments are aligned with findings of Kaplan (2001), Gil (2004) and Fulop (2011). They emphasized that transparency, accountability and performance measurement has increasingly become more important due to increasing number of non-profit organizations who are competing for the ever increasing number of scarce donors.

Empirical evidence shows the adoption of different systems such as financial reports, statistical reports, and the balanced-scorecard for measuring its performance is to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities. In this case the NRC managers are acted as the agent to give account for their decisions and actions to principals (donors or external stakeholders) in relation to expenditure of donors’ fund. As pointed out in the frame of reference that accountability has both an internal and external dimensions (see Ebrahim, 2003). The internal dimension is motivated by “felt responsibility” due to the organization’s mission, while external is related to an obligation to meet certain standards imposed by the stakeholders. Therefore, the research shows that the accounting reports and statistical reports are prepared yearly for the donors or external stakeholders, whereas, for the internal purpose the reports were prepared on monthly basis. The evidence suggests that in addition to accounting reports and statistical reports, the NRC has also the Annual Meeting, organization web site, and financial audit, new letters and

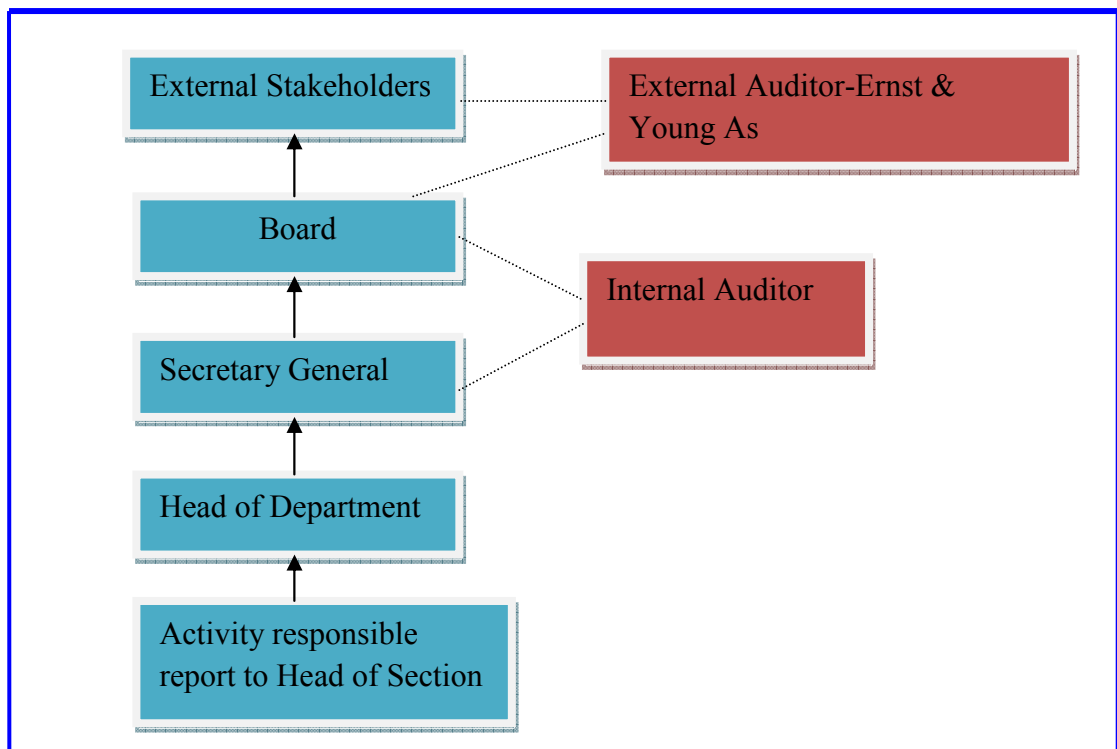
press releases to demonstrate its commitment to external stakeholders or donors that this organization meets their expectations or requirements as well as uphold the transparency.

Furthermore, the study shows that in comparison to all donors or partners, the government is the main or the biggest donor. From the differences of the information in the reports to donors or partners, the government insisted on precise detailed information. This type of requirements is relevant with one of Sinclair (1995) five forms of accountability which are political accountability. Political accountability relates to democratic process and voting procedures. The requirement of the information in the reports is based on the contract agreement between the NRC and the government. For the national companies, the requirement from the NRC is must simple. It requires only picture of the activities and it is part of the goodwill. This type of requirement can be associated with personal accountability in this case to accountability for their eternal feelings or companies' internal motivation (see Sinclair, 1995). Since the donation is not included in the companies' financial reports and appears only in the Corporate Statements. This kind of accountability (personal) is relevant to the claims of volunteers which are focused on the number of activities which have been delivered to the communities especially those in need of assistance. Moreover, this can be argued that the volunteers who performed the activities also act under the professional accountability auspice.

Internal accountability

The evidence in this research project indicates that the systems reporting and performance measurement of this organization takes place at four levels before it goes to external stakeholders. These four levels of reporting chains are: (1) Responsible activity reports go to the head of the sections; (2) head of section reports to the manger of the department; (3) the department manager reports to the Secretary General; (4) the Secretary General reports to the Board but prior to that the report was assessed by an internal audit. The Internal Auditor is the person or institution assessing the effectiveness and efficiency of performance measurement and reporting the process and its outputs in this case to the internal controllers. Finally, the report goes to external stakeholders which has been examined and approved by the external accountant auditor which is Ernst & Young As.

From the chain of reports above, it indicates that managerial accountability generally exists in the structural organization. This type of accountability as stated by Sinclair (1995) arises through the employment contract. Moreover, this is reflected by Kerssens-van Drongelen and Fischer's (2003) description of performance measurement and accountability in non-profit organization - performance measurement and accountability taking place in different levels. This can be illustrated in the following table:



Source: Own illustration.

In summary, by providing accountability to donors or stakeholders the NRC is supposed to justify its performance. Thus, by measuring the performance and sending the reports to stakeholders (donors) the NRC proves that it does not abuse delegated authority and public resources. s. Likewise, the NRC has to assure everyone (donors or stakeholders) that it abides by its mission “to reveal, prevent and alleviate human suffering and distress” and the seven principles of the Red Cross.

6.3 Applying the contingency approach

The empirical evidence shows that the removal of the slot machines in 2007 and the financial crisis in 2008 were the most enormous experienced. Conceivably, there are many major events which have shaken this organization in the past; however, as is pointed out earlier the time limitation of this research project is the year of 2005 up to present time. Hence, these two events forced the NRC to adapt its management control to the changing environment of the environment.

It was stated in the academic literature (Otley, 1980; 1998; Donaldson, 2001; Chenhall, 2003; Bradshaw, 2006) the contingency approach means there is no universal way or no one specifically best way of managing. As such, for managers to make a decision; they must take into account the contextual variables of the current situation and act on those contextual variables that are the key to the situation at hand.

The contingent variables are environment, organization structure, technology, size, strategy, and national culture (Chenhall, 2003). There are various suggestions from researchers in regard to external environment and management control. In the case of the Norwegian Red Cross, the evidence suggests that the external environment is characterised by change in the Norwegian government legislation by removing the slot machines in 2007 and the financial crisis in 2008. These two variables were effected the core control systems such as organization structure, size, and strategy of the NRC. The empirical evidence shows that the NRC handled the environmental uncertainty by emphasizing on the budget for evaluation. Managers were required explanation of variances if there are any discrepancies. Moreover, this organization is also trying to adopt a new system of performance evaluation through the adoption of the balanced scorecard rather than rely profoundly on the accounting reports and statistical control. From these illustrations it can be seen that uncertainty has been associated with a need for externally focused and the combination of financial and non-financial measures.

The NRC has a formal organizational structure which is a hierarchical structure. From the structural organization this organization tends to have control for long-range activity; laws, rules and regulations. Additionally, this organization has a specific objective to measure the degree of achievement through accounting reports and statistical reports. The evidence

suggests that this organization implements the financial control structure due to the complexity of the task – diversity of activities that are performed both in the national and international arena. Even though, the structure of the organization still remains the same (bureaucratic), management tries to create more space for strategically focused.

The study shows that following the removal of the slot machines, the NRC could not afford to be oversized with high levels of staff within the administration. So, it had to start restructuring. The restructuring was done through down- sizing the organization by reducing the number of staff. In one hand, Bradshaw (2006) referred to size of the organization as the number of members of an organization which is employees. On the other hand, Chenhall (2003) considers size is associated with structure of the organization which is small or large. Furthermore, after the removal of the slot machines, the income of the NRC in general was decreased enormously; the NRC was forced to focus on tight financial controls by identifying the core activities and eliminating unnecessary activities with fewer participants. This reflects that the NRC is focused on efficiency through cutting the costs.

As research shows that there are many types of management control that has been put in place to tackle these challenges, in particular the two events that have been mentioned. To resolve the major problem of the NRC dependence on donor support in general and NRC institutional, in particular its ability to cope when the NRC funding was decreased, the managers initiated revision of the strategic plan and found new sources of funding, programs were reviewed and changed and partnerships developed. It was putting more emphasis on its income generation activities by focusing on financial performance indicator. The evidence shows that the new initiatives was organised through various fund- raising activities and recruitment of new members. In addition to this, the government also compensated some of the financial loss from the slot machines. However, given the size and structure, reputation and the age of this organization, the NRC had moved all the way or back on the ‘track’. As a result, this organization was able to transform both organizationally and financially in 2009.

The evidence suggests that the NRC organizational effectiveness or be able to transform both organizationally and financially in 2009 as results from fitting characteristics of the organization such as size of employees, environment, and strategy to external contingencies like changed in the Norwegian legislation to remove the slot machines and financial crisis 2008. In addition to this, Widmer and Houchin (2000) stated that there are too many variables

so they suggest contingency approach for non-profit organizations even though all Boards have the same responsibilities, the manner in which a Board can mostly effectively organize itself and fulfil its responsibilities depends on the characteristics and values of the Board and the organization. Thus, in the case of the NRC, the evidence shows that managers and the Boards have identified specific aspects of management control which are associated with certain defined circumstances and demonstrate an appropriate matching. Basically, the contingency approach emphasized that the success of the organization depends on the surrounding circumstances as the way the NRC is able to assess shifts in the external environment and to then re-align the organization to fit the changing context.

6.4 Summary

For the NRC performance measurement is about financial and non-financial measures. It views essential for the NRC, since the evaluation of the performance have several functions; to show to the results of the activities that funded with donors financial contributions; to benchmark this organization with similar organizations; and to improve its future performance or as learning lesson.

The essential view for the NRC, since the evaluation of performance have several functions is; to show the results of the activities that have been funded with donors financial contributions; to benchmark this organization with similar organizations; and to improve its future performance as a lesson learned.

The study shows that this organization used accounting reports as performance tools in addition to statistical reports. On the contrary, this organization conducted a variety of activities, both in the national and international arena and a financial report alone is insufficient to measure the whole range of activities. Additionally, this organization has numerous stakeholders; therefore, it views as necessary by the administration to adopt the balanced scorecard to measure the performance. Nevertheless, the balanced scorecard is not completely new, as two of its departments have already implemented it over the past two years. Accordingly, measuring the performance is part of the accountability to donors because the existence of this organization is highly dependent on donors' funding.

As evidence shows that in 2007 and 2008 the organization experienced extremely rough years in terms of their financial outlook. To tackle this downturn the organization employed several financial measures which helped to close the gap of dwindling incomes of this organization. For the Nordland, special Bodø district and this instigated the establishment of the second hand shop. As a result the Norwegian Red Cross was able to reverse its financial downturn which resulted in positive outcomes for the organization. These changes, (removal of slot machines and the financial crisis) have made the organization appear more accountable in the eyes of funders and corporate donors.

CHAPTER 7: CONCLUSION

This chapter is organised in the following section. The first section aims at summarising the empirical findings of the study. The second section attempts to discuss limitation of the study. The final section aims to provide suggestions for further study.

7.1 Main findings of the study

The Norwegian Red Cross involves a variety of different activities for people in this country as well as in an international scenario. These activities are performed by volunteers. Since the mission of this organization is to reveal, prevent and alleviate human suffering and distress, the Norwegian government, ECHO, NORAD and profitable organizations throughout this country are willing to provide money for funding the activities. In order to do so, this organization uses financial reports, statistical reports, and the balanced- scorecard to measure its performance.

As empirical evidence suggests, performance measurement in the NRCs is the combination of both financial and non-financial measures. Measuring the performance is indeed to provide information for a variety of its stakeholders, both internal in this case employees of the NRC and external stakeholders is donors and communities as whole. On the other hand, the volunteers perceived measuring the performance as all about the quantity of services that they have been delivered. In addition to this, the understanding of performance measurement is varies from volunteer and volunteer, and volunteer, and administration. It shows that there is no single perception of the performance measurement as it 'fits' all organizations. Even in the same organization people define the performance based on the work they are associated with.

As study shows that the purposes of measuring the performance are 1) to evaluate the outcome of the all activities; 2) to improve its future performance; 3) to benchmark this organization with other similar organizations; and 4) to provide results of the activities to donors that donated to the NRC. This organization uses KPIs, both financial and non-financial indicators to measure its performance. Measuring the performance is important from the perspective of the administration due to several reasons which have been mentioned

previously. However, the volunteers do not view measuring the performance as essential, as they tend to focus more on the completion of the activities.

To measure its performance this organization employs accounting reports and statistical reports. The statistical reports are presented twice a year for the internal users and for the donors is presented once a year together with their yearly plan, whereas for the budget and accounting reports, these are reviewed by the internal organization on a monthly basis and as for the external stakeholders, they are presented once a year in the Annual Report. As study shows that although there are several tools- accounting reports and statistical reports to measure the performance, these tools are unable to capture a wide-range of the activities as well as perspectives of other stakeholders. Consequently, the NRC is going to adopt the BSC for the whole organization and in addition to justify the need or requirements of all the stakeholders. Two of its departments -marketing and communication have implemented the BSC. The study shows that administration claimed that this organization had applied BSC to measure its performance, in reality the financial reports still dominate, as it was clearly stated the financial reports represent the “final truth when it comes to all economic activities”.

The NRC is entirely dependent on the donors’ generosity, so, they see the performance measurement as a tool for accountability to donors. Thus, the NRC has the confidence from the donors both international- ECHO and NORAD and national-both the Norwegian government and almost all the companies throughout this country who donate to the NRC.

Finally, the empirical findings show that the NRC’s effectiveness of management control depends on the best configuration of the organization’s external environment, size, structure and strategy. This organization was forced to adapt these contingency variables when in 2007 their major source of incomes -the slot machines were removed by new government legislation thereby having an enormous impact on its financial position. This organization had not recovered from the loss but the following year 2008, the global financial crisis also struck this organization. The consequences of these two events impacted dramatically on this organization and their income was extremely reduced. To tackle these issues, the NRC in this case managers initiated revision of the strategic plan and found new sources of funding, programs were reviewed and changed and partnerships developed. It was putting more emphasis on its income generation activities by focusing on financial performance indicators.

7.2 Limitations of the study and proposals for further research

I failed to interview donors both within the government from Norway and from the private sector. The study can be considered as the first attempt to describe and explore the performance measurement system and challenges faced by the Norwegian Red Cross. So, it could be very useful to conduct further study, especially comparative studies between the Norwegian Red Cross with one or two other Red Cross organizations. Or it could be the comparative studies between the Norwegian Red Cross with other non-profit organizations.

By answering these queries would result in extending our knowledge about the performance measurement system utilized in particular case of the Norwegian Red Cross, and overall, the non-profit organizations.

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APPENDIX 1: INTERVIEW LIST

S/N	Name	Position	Date of interview
1	Ole-Martin Mjelva	Nordland Red Cross District Officer	10 th February 2011
2	Kristian Kjørkleiv	Head of Planning & Budget-The NRC Headquarters	9 th March 2011
3	Vidar Jossang	Communication & Fundraising -The NRC Headquarters	9 th March 2011
4	Kim Ankersten	Team Leader of Rescue Group	16 th March 2011
5	Morten Westgård	Chairman of the Bodø local branch	21 st March 2011
6	Kjetil Skogen	Team Leader of of the Caring Activities in Bodø Red Cross	22 March 2011

APPENDIX 2: LIST OF INTERVIEW QUESTIONS

A. A TECHNOLOGY APPROACH

1. How can you describe the performance measurement in the Norwegian Red Cross?
2. How do you measure performance of all the activities?
3. Which performance indicators do you use to measure the performance?
4. Why do you measure performance?
5. Are there any procedures or instructions on how to measure performance? Is this standard applicable throughout all the NRC office as well as volunteers?
6. What are the challenges in measuring the performance
7. How do you compare actual outcomes of your performance with anticipated ones?
8. What corrective actions can you take when there are deviations (differences)?

B. ACCOUNTABILITY APPROACH

1. Who is the NRC accountable to?
2. How is accountability discharge?
3. What types of reports are required by stakeholders?
4. What information should be incorporated into reports to the stakeholders?
5. How often reports have been prepared?

C. CONTINGENCY THEORY

1. How difficult was the environment in the NRC due to:
 - a. Change in legislation to remove the slot machines?
 - b. Financial crisis
2. Any consequences for management control
3. How the NRC cope with these challenges?

APPENDIX 3: SAMPLE OF BALANCED SCORECARD OF THE NORWEGIAN RED CROSS

