

Examining the purpose of performance measurement in UK voluntary and community organisations

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Context of the Study

- Public sector is increasingly engaging with voluntary and community organisations (VCOs) – focus on service improvement
- Global phenomenon – but no consensus as to how this can or should be managed
- VCOs must conform to public sector accountability: show 'value for money', effectiveness, improvement
- Scholars advocate positive relationship between organisational effectiveness and organisational learning
- Does the public sector, therefore, promote organisational learning in voluntary organisations?
- Study examines relationship between public sector accountability, performance measurement and organisational learning in voluntary organisations

Theoretical lens: Organisational Learning

- Rarely agreement within disciplines as to what learning is and how it occurs (Fiol et al, 1985)
- Scholars do agree as to the positive relationship between organisational learning and organisational effectiveness
- Argued that the greater the uncertainty, the greater the need for learning (Dodgson, 1993)
- No blueprint for organisational learning ... *'occurred when organisations perform in changed and better ways* (Huber, 1991:89)
- Much of the work has focused on large, corporate organisations. Little attention paid to voluntary and community organisations

Organisational Learning

- Huber (1991): 4 related constructs
 - **Knowledge acquisition** (process of obtaining knowledge)
 - **Information distribution** (information sharing)
 - **Information interpretation** (information given meaning)
 - **organisational memory** (knowledge stored for future use)
- Daft and Weick (1984): linear process
 - **Scanning** (data collection)
 - **Interpretation** (data given meaning)
 - **Learning** (action taken)
- No consensus, but concepts of acquiring and interpreting information are pervasive across literature

Organisational Learning

- Argyris and Schon (1978) – typology of learning:
 - **Single-loop** (detection & correction of error)
 - Adds to the knowledge base/competencies of an organisation without altering its activities
 - **Double-loop** (challenges existing norms)
 - May result in changes to organisational values, assumptions, strategies
 - **Deutero** (combination of single and double-loop)
 - Creates consistency & stability whilst reflecting on objectives & context

Measuring Performance

- One method that public sector organisations use to assess effectiveness is performance measurement (Macpherson, 2001; Poister, 2003)
- Performance measurement can play a key role in developing strategic plans and evaluating the achievement of objectives (Ittner and Larcker, 2003) but this depends on how it is used (Ebrahim, 2005)
- Performance measurement *'is at the heart of the control system that provides for organisational learning'* (Atkinson et al, 1997:30)

Conceptual Model: Relationship between Data Collection, Interpretation and Learning

Data collection	High	Compliance Wealth of data collected. Limited data processing. Complies with requirement to collect performance data.	Learning Wealth of data available that is translated and shared. Actions taken.
	Low	Stagnation Limited data on internal or external environment. Lack of shared understanding.	Standardisation Limited data available. Interpretation supports shared perceptions and understanding.
		Low	High

Interpretation

Measuring VCO Performance: The Challenge of Accountability

- VCOs benefit from engagement with the public sector
 - Increased financial resources, legitimacy, access to other funding sources
- Public sector accountability requirements seen as a drawback
- Voluntary sector accountability categorised as:
 - Upwards – donors, foundations, governments
 - Downwards – users, beneficiaries
 - Internal – responsibility to its mission, staff (Najam, 1996)
- Voluntary sector accountability is complex

Measuring VCO Performance: The Challenge of Accountability

- Upwards accountability – key driver for measuring VCO performance.
 - If can show money spent wisely, may get some more
 - Criticised as ‘process’ accountability – little evidence of effectiveness of services, overlooks learning and development in voluntary organisations (Smith, 2008; Ebrahim, 2005)
- Wide range of frameworks and toolkits available

Key Themes from the Literature

- Governments across the world keen to improve provision of public services
- One mechanism may be the engagement of voluntary organisations in service delivery
- VCOs delivering public services must adhere to accountability requirements
- Literature demonstrates a link between performance measurement and organisational learning
- There is limited research that examines how performance measurement is linked to organisational learning in voluntary and community organisations

Research Design

- Study posed following research questions:
 - *RQ1: What processes are used to measure and evaluate the performance of voluntary and community organisations that provide public services?*
 - *RQ2: How do public sector accountability requirements support organisational learning in voluntary and community organisations?*
- Exploratory, multi-case comparative research design
- Unit of analysis – voluntary and community organisations
 - Delivered services
 - In receipt of public sector funds to deliver public services
 - Required to report on performance to public sector funder(s)
- These criteria allowed data to be collected on the current accountability practices

Research Design

- Matched pair approach
- Six voluntary and community organisations selected
 - **Two locally focused** – delivering community based services to local beneficiaries (Local A and Local B)
 - **Two nationally focused** – National A provided learning disability, mental health and substance misuse services. National B provided practical and emotional support for witnesses attending court
 - **Two internationally focused** – specialising in international development (International A and International B)

Data Collection

- Semi-structured interviews
- 23 managers from 17 organisation were interviewed (voluntary organisations and associated funders)
- Data analysis
 - Developing the 'story' of performance measurement
 - Grouping data into key themes and trends
 - Analysing similarities and differences – cross case comparative analysis
- Key themes: drivers for measuring performance, measurement criteria, evaluation systems

Findings - Overview

- Majority of public sector funders measured performance of VCOs
- Upwards accountability was predominant
- Limited downwards or internal accountability
- Public sector stipulated measurement criteria
- VCOs collected the data
- Accountability requirements differed – no standard practice

Findings: Voluntary Sector Performance Measurement Typology

- **Expenditure-focused**
 - Most common
 - Collecting evidence as to how money has been used
 - Submission of receipts
 - Measure of success – had money been spent as per initial bid?
- **Target-focused**
 - Used by funders of local and national VCOs
 - Have public sector specified targets been met?
 - Quantitative in nature – How often? How much?
- **Outcome-focused**
 - Used by one funder in study
 - Tried to assess longer-term outcome/impact
 - VCO had to collect data on 'wider benefit' of its services – seen by VCO as '*ambiguous*'
- **Audit-focused**
 - Funder evaluated VCO performance
 - Review visits, assessment of annual reports
- **Unfocused**
 - 'Light touch', based on 'trust'
 - Discussions about progress, assessment of annual reports
- **Mission-focused**
 - VCO developed own measurement criteria
 - Generally used by larger, internationally focused VCOs

Applying Voluntary Sector Performance Measurement Typology to Conceptual Model

Data collection	High	Compliance <ul style="list-style-type: none">•Expenditure-focused•Target-focused•Outcome-focused•Audit-focused	Learning <ul style="list-style-type: none">•Mission-focused
	Low	Stagnation <ul style="list-style-type: none">•Unfocused	Standardisation
		Low	High

Interpretation

Discussion

- Upwards accountability was main driver for measuring the performance of the 6 VCOs in the study
- Criteria and measurement processes stipulated by funders
- No standard process – range of approaches used
- Limited feedback on performance to VCOs, limited opportunity for learning – control and compliance appeared to be focus of measurement
- Limited scope for VCO performance improvement
- Public sector recipient of any ‘learning’
- Findings are contrary to literature: no clear links between measurement, improvement and organisational learning in the 6 VCOs

Preliminary Conclusions

- Literature showed clear link between performance measurement and organisational learning – can result in improved performance
- Public sector engaging with voluntary sector in order to improve services – therefore measuring and learning are key
- Findings show that limited scope for service improvement as little opportunity for organisational learning in voluntary organisations
- Purpose of public sector performance measurement appears to be narrow - to control activities of VCOs
- Findings have serious implications for the service users and beneficiaries
- Findings question the value of current performance measurement systems to all stakeholders - resource intensive and of limited value?
- Voluntary organisations are earning (short term benefit) but are not learning (long term benefit)

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