

# Performance Management System in Non-Government Organizations

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## Abstract

Performance Management System (PMS) is a concept that has received much attention in corporate and 'for-profit' world for measuring and managing employee and organizational performance. Though there are weaknesses in the practice of performance management, it still remains an important tool for steering organization at functions. PMS can be an effective tool not just for 'For-profit' making organizations but also for 'Not-for-profit' organizations. Unfortunately, PMS is not taken that seriously in 'Not-for-profit' organizations. This paper will focus on the existing PMS practices, their challenges and possible way forward for 'Not-for-profit' organizations, otherwise known as Non-Governmental Organizations (NGOs).

*Keywords: Performance Management, Non-Governmental Organization, Frameworks, Indicators, Challenges*

## 1. Introduction

On the basis of their ownership and purpose, organizations in a society can be grouped under three broad spheres, i.e. state, market and civil society. State sector organizations are owned by the governments and they have the power of state. Organizations who supply goods and services on the basis of customers' demand, determined by their purchasing power, are called market based organizations. Organizations those who do not belong to state and market sphere are called civil society organizations. They do not have the authority of the state or the power of market to pursue their business. They bring in the power of social capital, volunteerism and moral authority to run the business. They are otherwise known as 'Not-for-profit' or Non-Governmental Organizations (NGOs).

In India, as a rough estimate, there are 17.79 lakh companies, out of which 11.89 lakh are active as on June 2018 and around 30 lakh NGOs. In spite of the huge numbers of NGOs and their role in the life of individuals and society, the amount of research it deserved for their effective operation has been meager. The purpose of this paper is to partially fill the gap in improving NGO's performance through the tool of performance management system (PMS).

Non-Government Organization (NGO) is a group of people who come together for a common purpose. NGOs work towards social welfare and social development. They include groups and institutions with primary humanitarian, cooperative objectives, and not for profit objectives. NGOs are independent from Government. As citizen groups, they make effort to create awareness and influence on policy matters. NGOs work for the betterment and upliftment of socio-economically and politically weaker sections of community to bring them in the main stream of society and move the society towards more improved and developed way of living and existence. NGOs fulfill certain development oriented tasks and bring

positive change in the society. NGOs support people and community for their legal right and power in a systematic way. NGOs bridge the gap between people, community and the government bodies for getting the necessary benefits and also giving people right platform to seek help from relevant bodies.

NGOs are managed by resources received from Government, funding agencies, support agencies, communities, groups and individuals. They get funds from government, corporate and through sales of their goods and services. NGOs being non-profit organization in nature, does not work for commercial purpose, but profits made by sales of goods and services are used for fulfilling the objectives of the organization.

Since economy is closely linked with social sector activities, NGOs help in increasing the overall expansion of the economy by enhancing productivity and output. They may be funded by private or public agencies (Rout & Mishra, 2015). An NGO's performance depends on how well it contributes to people's efforts to improve their lives and societies. Since people make their own choices about their lives, NGOs aim to nurture and respect that autonomy, in what they do and how they do it (Jacobs, 2011).

Organization's performance is closely linked to the performance of its employees. While state sector organizations can get away with poor performance, those in market and civil society sphere do not have such luxury. Since 'for-profit' organizations operate in an extremely competitive market, one often finds a well developed performance management system for their survival. With scarcity of resources, competition and demand for accountability from different stakeholders, Not-for-profit or NGOs are being compelled to improve their performance for their very survival.

The working environment of NGOs is dynamic and risky. The overall effectiveness of these organizations requires meeting the various demands of stakeholders through building realistic performance measurement and management systems. In order to guarantee sustainability, NGOs first have to develop and implement effective systems of managing and measuring their performance. NGOs are required to manage and evaluate their performance from multiple perspectives, taking into account the projects/programs performance, the agenda of donors, the needs of beneficiaries and the internal effectiveness. Nevertheless, the concept of NGOs performance has been defined in different theoretical frameworks and used for different managerial processes (Ramadan and Borgonovi, 2015). Therefore, the objective of this paper is to review the literature of performance measurement and management in NGOs in order to bring clarity in how the various approaches and definitions of NGOs performance can be applied in different processes.

The paper is divided into five sections. Next section indicates the characteristics of NGOs. The third section highlights the importance of Performance Management System in NGOs. The fourth section describes the PMS frameworks that are being used in NGOs and the last section identifies few gaps in the existing system.

## 2. Characteristics of NGOs

The term Non-Governmental Organization is originated in 1950, when the United Nations (UN) came up with the expression for the first time. UN initially dealt only with governments, but later wanted to consult private organizations that were independent of governments. UN found it convenient to refer to those organizations as non-governmental organizations to distinguish them from governments. The term NGO has evolved in due course of time in line with its functions and activities. In recent times, the UN describes NGO as any non-profit, voluntary citizens group which is organized on a local, national or international level. NGOs are task-oriented and people driven with a common interest and purpose. The World Bank has defined NGOs as a variety of institutions that are entirely or largely independent of governments and characterized primarily by humanitarian or cooperative, rather than commercial objectives.

Various typologies of civil society has been developed by Richard Hollaway on the imagination of Marc Nefrin, which may be classified into three types: (a) Membership Organizations (for Members only) which includes Indigenous Community Groups, Mass Organizations, Cooperatives, Religious Societies and Trade Organizations; (b) Non-Membership Organizations (Help Others) which includes Local Philanthropic Institutions, Private Voluntary Welfare and Development Organizations, Area based Benevolent Societies, Service Clubs and Non-profit Companies; (c) Spurious Organizations (Not Helping) which includes NGOs for Personal Profits, Government Organized NGOs, Donor Organized NGOs and Business Organized NGOs.

Norman Uphoff School of Thought, which is popular among the management academicians but is not much accepted among the NGOs and activists, is of the view that the society breaks up mainly into two sectors, the public and private sectors where public is state or government while the private sector further breaks up into Private Organizations (Business, Commercial Organizations, Profit oriented) and Voluntary Organizations (Non-profit, NGOS). However, following Mike Hudson, managing without profit is defined as Third Sector which consists of organizations whose primary objectives are social rather than economic. The core of this sector includes charities, religious organizations, arts organizations, community organizations, campaigning organizations, trade unions, trade and professional associations and other not-for-profit and civic society organizations. Hence, he clarifies that the term 'third sector' distinguishes these organizations from the Private Sector & Public Sector.

The society consists of three sectors Public, Private and Citizen Sector. The Citizen Sector is often used interchangeably with Non-profit or Third Sector. In South Asian context, the third sector is called the NGO sector. Few people see the NGO activities with skepticism. Since NGOs are heavily foreign funded, there are apprehensions of hidden agenda of the donor organizations behind these funding in the name of social work and development. Though NGO encompasses all social, economic, cultural and political relations, but the emphasis is usually on the political aspects of these relations. Hence, it is believed to serves as a political tool for all those who want to promote innovative, wider and deeper levels of political

participation. However, people are getting to understand the interventions at ground level slowly and are accepting the reality.

L. D. Brown and David C. Korten explains Non-Governmental Organization (NGO) encompasses all organizations that are neither governmental nor for profit. What is left is a residual category of organizations, many of which have little in common. NGOs can be large or small, secular or religious and either donors or recipients of grants. Some of NGOs are designed only to serve their own members, while many serve those who need help. Some NGOs are concerned only with local issues and many work at the national, regional or international levels. Those groups whose members act for philanthropic reasons to help the poor and destitute, with no expectation of temporal remuneration, protecting the environment or advocating women's thoughts are universally considered to be NGOs. Political parties and quasi-political groups involved in electoral politics are not NGOs.

NGOs are organizations that provide useful (in some specified legal sense) goods or services, thereby serving a specified public purpose, not allowed to distribute profits to persons in their individual capacities, voluntary in the sense that they are created, maintained, and terminated based on voluntary decision and initiative by members or a board and exhibit value rationality, often based on strong ideological components (Hudson and Bielefeld, 1997). Hildy J. Teegen defines NGOs as private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights.

In nutshell, Non-Governmental Organization is a voluntary, accountable, non-profit, non-commercial, non-political, organization of people involving a community and official voluntarily elected leadership. These organizations are primarily motivated by the desire to actualize a particular social vision and operate in the realm of civil society through the shared values of their patrons, members and clients (Brown & Korten 1991).

An NGO, as is evident by its name works out of the influence of government in its mission, vision, planning and programs. It works in collaboration with government but cannot be the representative of government. It can also extend and get support for particular purpose or project. NGO supports constructive efforts of government and strategic plan for the welfare of living. NGOs generally avoid money, power and politics. The NGOs largely depends on volunteerism. Whatever money NGO raises is meant to achieve its objectives. NGO is not directed towards profit earning for self or for volunteers, but for fulfilling the organization's objective. The stakeholders of NGO are the beneficiaries, donor/funding agency, partners, government, community and society within which it operates. Each country has specific minimum legal requirements for the ways NGOs must be accountable. NGOs are not supposed to be party in disguise of social work or get involved in the power game of individual, clan dominance or state politics.

NGOs have also been explained and categorized in terms of the levels of organization, such as size and institutional space, fields of interest, the function and scope. Community Based NGOs (CBNGOs) include, Indigenous Community Groups, Village Level Clubs, Induced Community Groups, Mass Organizations, Local and National Religious Organizations, Local

and National Trade Organizations which work at the grass roots level and concentrate on welfare activities for the local communities. Such NGOs strive for local development with the energy and motivation for genuine change in the conditions of the rural community, it gives the poor a voice and access to public resources in solving their pain areas and purposes, where the community is been isolated from their qualified resources and power. Few NGOs work for similar purpose for urban slums and poor.

Few mid-level NGOs are into implementation and delivery of initiatives. These NGOs focuses on education, health care, family planning, environment and sanitation. They undertake training programs on capacity building, project management and financial management. These NGOs are local or private philanthropic organizations which support other NGOs for execution but these NGOs do not help with funds. However, these NGOs provide technical and human resource for execution and delivery of their programs and its extensions. Such NGOs tie up with larger NGOs or big foundation for funding their programs. Such NGOs have organizational structure with significant numbers of employees depending on size and functions of the NGOs. Many a times, they also rely on volunteers for the support of execution of certain project at community level.

NGOs at times, act as Support Organizations that help to provide financial or technical or both types of assistance to other NGOs. Such NGOs do not get involved in implementing or delivering, rather help their partner NGOs in executing the agenda more effective and efficient. As a function, NGOs exist to support and promote the education, livelihood, sports, health, arts, peace and justice, human rights, social work, development, environment, employability, employment, entrepreneurship etc. Scope of the NGOs includes community, regional, provincial, national and international level.

NGOs provide innovative solution at very low cost and by utilizing minimum possible resources, which is its strength. Basically, NGOs facilitate optimum local resource mobilization by successfully engaging the community through their active participation. NGOs tailor or customize themselves in terms of delivery in line with the community need to create maximum reach and impact. However, due to the financial constraint, technological constraint and lack of enthusiast manpower, NGOs lack in the level of delivery and impact ideally possible. Even the employees and volunteers engaged are not trained or do not necessarily understand the importance of being in such sector, hence many of the potential candidates do not choose NGOs are attractive career option.

NGO activities are also divided into advocacy and service oriented NGOs. Advocacy NGOs work to shape the social, economic or political system to promote a given set of interests or purpose. They engage in lobbying, serve as representatives and advisory experts to decision-makers, conduct research, hold conferences, monitor and highlight actions and inactions of others, define agendas, develop and promote codes of conduct, etc. Whereas, service oriented NGOs provide goods and services to community and the people in need. There are many NGOs which work as both Advocacy and Service Oriented NGOs depending on their purpose for existence and intervention.

There are instances where in NGOs do not share good rapport with the government bodies or government officials due to the increased impact of NGOs that has caused resentment among

the people whom they criticize. Also few NGOs claim that they happen to be the voice of the people and hence have greater legitimacy than the government. Government is also making policy changes to ensure companies widen their social responsibilities by entering into corporate social responsibility activities that NGOs undertake. Companies are also taking initiatives in making impacts in the nearby community. Even the community linkage is also being considered as one of their core values. Few companies earlier outsourced their CSR activities to NGOs and just used to provide CSR funds, but after Government made changes in policy and have made stringent monitoring mechanism towards company's engagement in execution, companies are getting directly involved in the community linkage activities including human rights, labour standards and protection of the environment. Various companies are having environmental and/or social audits undertaken on an annual basis, by independent assessors. Few NGOs have also chosen to engage directly in collaborative arrangements with the companies to formulate strategy and monitor its implementation for fulfillment of their objectives.

Article 71 of the UN Charter says "The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence. Such arrangements may be made with international organizations and, where appropriate, with national organizations after consultation with the Member of the United Nations concerned". No distinctions were made between an organization that covered a large, constituency, over the whole country, and an organization based solely in a local community or a small section of the population. The lack of any distinction did not matter, as participation by either country-wide or more limited national NGOs was so rare in the permanent UN organs. However, the participation began on a small scale in the 1970s at UN conferences. When the Economic and Social Council rules were changed in 1996, the presumption became that a national organization was a country-wide membership organization or a federation of local groups or an umbrella group, which is a coalition of NGOs operating in different fields. As is common at the UN, practice has not been consistent: a few local NGOs have been admitted as national NGOs to consultative status. The Rio conference also produced a term that has only been used in environmental politics at the UN. Major Groups refers to a system of categorizing NGOs from all levels, for the purposes of participating in UN policy-making processes.

In 1970s, media used satellite communications to share the event and activities around the world as television images. These initiatives encouraged NGOs to exchange and share information, mobilize support and co-ordinate strategies. In 1990, introduction of internet, e-mail and web made NGOs easier to participate in global level communications.

Regarding the geographical spread of NGOs, it was believed that NGOs were predominantly a feature of Western societies with no much presence in other parts of the world. However this has been a false proposition when all the societies in modern times have large numbers of NGOs. Even the least developed countries also have self-help co-operative groups, community welfare associations, religious groups, professional and scientific associations, etc. There are lakh of NGOs in Bangladesh and India, while there are relatively few in Iceland or Finland.



The business-society interface has changed over the last decades of the twenty-first century as disparate interests within civil society have come together around an increasingly vocal - and powerful non-governmental or third sector. NGOs have gained considerable influence in government, business and within broader society.

### **3. Importance of PMS in NGOs**

Performance measurement system is extensively researched in profit oriented organizations and public sector organizations. There are few studies on measuring project performance in non-profit organizations (Nisa, Javed & Akhtar, 2015). NGOs measure performance in different ways. According to Poister (2003), Performance measurement is a method of identifying, controlling and utilizing different objective measures of the organization's performance and its programs on regular basis. Working from the perspective of assessment, performance measurement is the utilization of objectives, indicators and information to assess NGOs interventions and services (Lindblad, 2006). It is a program assessment method that evaluates efficiency and effectiveness of a program and its impact (Miller, 2007).

According to Carman (2007), performance measurement is a systematic evaluation of a program's outputs, inputs and impacts. It is a mechanism of assessing people, teams and the overall organization (Ferreira and Otley, 2009). Performance Management System (PMS) supports the project oriented organizations to monitor and evaluate their performance in order to accomplish their strategic goals and therefore PMS plays a crucial role for organization's sustainability and growth.

PMS in social and developmental sector comprises on impact, outcome and output indicators. Its objective is to monitor the impact of activities, foster the maximum utilization of resources and provide information for project performance reporting to the key stakeholders. The need of PMS for monitoring and evaluation becomes more important in NGOs as competition for funds and demands for greater accountability of resources by stakeholders and the donor agencies enhanced. Thus, the necessity of PMS for NGOs is not only for assessing and boosting the project success but also for their sustainability.

The aim of PMS is monitoring and evaluating the project performance throughout the project lifecycle in order to sustain and improvise its performance. It gives information that helps in achieving the firm's objectives, and aligns management processes, such as target setting, decision making, and performance monitoring and evaluation, with the achievement of the selected strategic objectives (Cheung, Henry and Kevin 2004).

One important part of NGOs performance measurement, that has been a concern for a long period, is to understand the appropriate indicators that should be taken into account when measuring and evaluating NGOs performance (Herman and Renz, 1999).

### **4. PMS Frameworks for NGOs**

In general, there are not many models and frameworks for assessing the performance of NGOs as much as the frameworks available for the market based or for profit organization. Moreover, the reliance on the traditional financial-based indicators of performance, like

return on assets, liabilities or profitability ratios cannot be applied to NGOs (Herman and Renz, 1997).

Performance Measures play an important role in the entire PMS. These provide a direction to the employees for setting up their goals and targets. From the review of literature, important performance measures relevant to NGOs are indicated in Table 1.

**Table 1: Description of Performance Measures in NGOs**

<b>Performance Measures</b>	<b>Description</b>
Fundraising efficiency	The ability of an NGO to raise fund
Financial transparency	The ability to preparing reports and submitting them to the concerned stakeholders
Programs/ Projects financial efficiency	The best use of the funds or financial resources to achieve the required or the planned outputs, it measures the relationship between the financial inputs and the outputs
Programs/ Projects non- financial efficiency	The best use of the non-financial resources to achieve the required or the planned outputs, it measures the relationship between the non-financial inputs, such as time, staff, expertise and the outputs
Outcomes performance (effectiveness)	The extent to which the outcomes of an NGO's program been achieved
Impact performance	The long-term consequences of an NGO's program including positive or negative effects
Partnership	The level of networking with partners, their relevance and satisfaction
Quality	The quality of services provided by an NGO

Source: Ramadan and Borgonovi, 2015

Researchers in the performance field took a great effort to derive an appropriate definition of both performance measurement system and the frameworks of performance measurement. Framework is generally developed by researchers to strengthen any particular system of various organizations. This helps organizations to have continuous improvement with respect



to the processes. One of the main objectives of developing performance measurement framework is to achieve necessary improvement for organizations.

Since last three decades, a number of frameworks have been developed for PMS in organizations. A summary of it is presented in Table 2.

**Table 2: Review of Performance Management frameworks**

Name of Framework	Author and year	Key Factors considered
Results and determinants framework	Fitzgerald et al., (1991)	Competitiveness, Financial performance, Quality of service, Flexibility, Resource utilization & Innovation
Measures for time-based competition	Azzone et al., (1991)	Competitiveness strategies based on R&D, Operations, Sales and Marketing
Performance pyramid	Cross and Lynch (1989)	Market & financial measures, Customer satisfaction, Flexibility, Productivity, Quality, Delivery, Process time, Cost and Operations
Economic value added	Stewart (1991)	Financial & Accounting data including profit after taxes, capital, interest etc, and its correlation
EFQM-excellence model	European Foundation (1991)	Leadership, People, Policy & strategy, Partnerships & resources, Customer and Society
Balanced scorecard	Kaplan & Norton (1992)	Financial perspective, Customer perspective, Internal business perspective and Innovation & learning perspective
Input-process-output-outcome framework	Brown (1996)	Input measures, Process measures, Output measures, Outcome measures and Feedback
Consistent performance management system	Flapper et al., (1996)	Financial, Non-financial, Internal, External, Organization hierarchy and Relation related Performance Indicators (PIs)
Integrated dynamic performance measurement	Ghalayini et al., (1997)	Specification, Reporting and Dynamic updating of Performance measures and Performance

system		standards of management, process team and shop floor
Shareholder value	Rappaport (1998)	Financial value drivers including cash flow, growth, revenue etc. Non-financial value drivers including human capital, relation capital and structure capital with its detailed indicators
Dynamic performance measurement system	Bititci et al., (2000)	External monitoring system, Internal monitoring system, Review system and Internal deployment system
Integrated performance measurement framework	Medori and Steeple (2000)	Company success factors, performance measurement grid, its selection, audit, implementation and periodic maintenance
Quantitative models for performance measurement systems	Suwignjo et al., (2000)	Identification factors affecting performance and their relationships, Structuring the factors hierarchically and Quantifying the effect of the factors on performance
The action-profit linkage model	Epstein and Westbrook (2001)	Company actions, Delivered product/service, Customer actions and Economic impact
Performance prism	Neely et al., (2001)	Stakeholder Contribution, Stakeholder Satisfaction, Processes, Strategies and Capabilities
Kanji's business scorecard	Kanji and Sa' (2002)	Cross-functional integration, Continuous improvement, Customer-supplier partnerships and Team accountability
Beyond budgeting	Hope and Fraser (2003)	Performance evaluation and bonuses based on relative improvement contracts
Dynamic multi dimensional performance framework	Maltz et al., (2003)	External knowledge, Internal R&D, Organization innovation, Technology innovation, Product performance and Productivity gain

The performance planning value chain	Neely and Jarrar (2004)	Data collection, analysis and interpretation of entire value chain and decision making. In line with PDCA cycle
Holistic scorecard	Suresh and Leisten (2005)	Customer, Financial, Employee, Business process, Intellectual capital and Social
Total performance scorecard	Rampersad (2005)	Personal balanced score card, Organization balanced score card, Competence management and Total quality management
Holistic performance management framework	Anderson et al., (2006)	Input, Process, Output and Feedback
Flexible strategy game-card	Sushil (2010)	Duality of strategic factors, viz. enterprise factors (involving all stakeholders) and customer factors (treating prime customers separately)
System dynamics-based balanced scorecard	Barnabe (2011)	Insight into a complex problem, Influence thinking and Actions in management teams
Proactive balanced scorecard	Chytas et al., (2011)	Mission, Vision, Objective and Key Performance Indicators
Sustainability performance measurement System	Searcy (2011)	Financial returns, Business Strategy, Stakeholders' interests, Internal processes, Human factor and Customer satisfaction

Source: Adapted from Sagar, 2013

One of the holistic frameworks, the Input-Impact framework, considers mission and vision of NGOs as a priority. It recognizes strategy, organizational structure and systems to be part of the inputs. This framework evaluates inputs, activities, outputs (internally and externally), outcomes and impacts through a causal linkage map. The model emphasizes that if the program staff can utilize the resources available, then they will be able to implement the activities. If the inputs are utilized efficiently then the activity will lead to the expected outputs. If the outputs from all the planned activities are achieved as expected then outputs will lead to expected outcomes and if the outcomes are achieved, then certain changes in populations' wellbeing or systems might be expected to occur (Epstein and Buhovac, 2009).

In 1992, Kaplan and Norton developed a comprehensive framework, Balanced Score Card (BSC) for strategic management purposes, since business environment has become more competitive and the organizations needed new techniques to improve their performance (Vukomanovic & Radujkovic, 2013). BSC is a collection of financial and non-financial measures, as shown in Figure 1. One of the main objectives behind developing BSC was to act as a framework for performance measurement that takes both financial and operational measures as consideration. BSC provides fitting values for satisfaction of customers, operational goals, the value and expectancy of shareholders, and the ambitions, abilities, and objectives of employees (Folan & Browne, 2005).

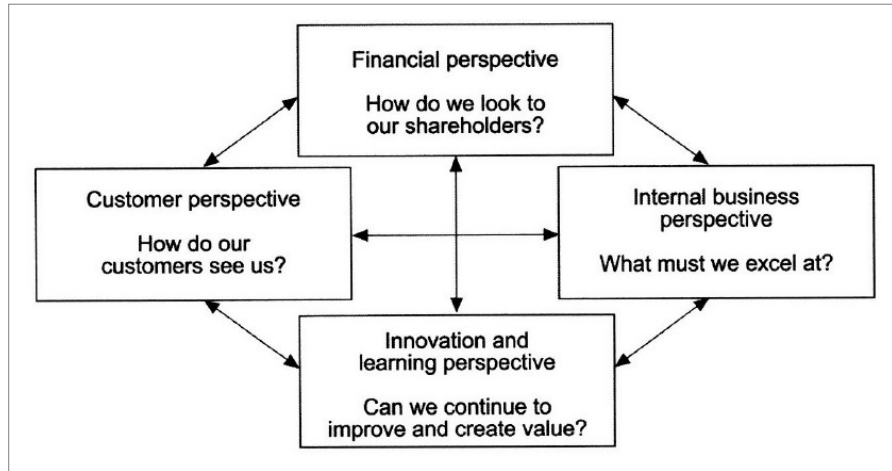


Figure 1: Balanced Score Card for an organization

The performance pyramid, called Strategic Measurement Analysis and Reporting Technique (SMART), tries to address the problems related to the traditional financial measures as profit, competency, and other variables related to these measures (Folan & Browne, 2005). The system was emphasized on the satisfaction of customers in a manner that the whole strategy of the enterprise was derived to be connected with it and also non- financial measures were identified as a complementary tool and directly interrelated to the financial measures. Figure 2 is an illustration of the SMART system.

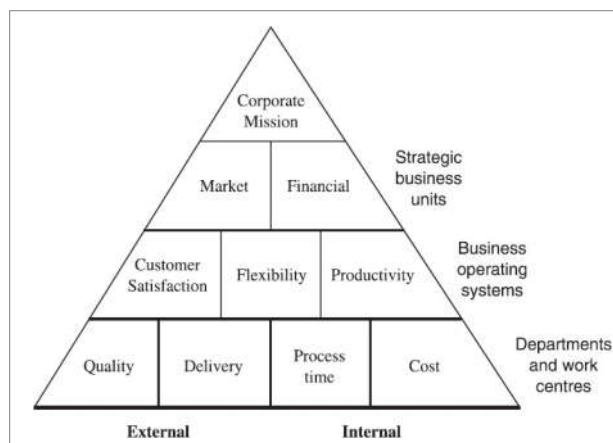


Figure 2: The SMART Performance Pyramid (Pun & White, 2005)

The key to performance management is its parameters. Parameters help studying and evaluating organization in line with its stated objectives or goals. There are many parameters which have to be measured to understand the organization's performance. Few of the parameters that are being frequently used in different models are indicated in Table 2.

**Table2: Parameters of Performance Measurement of NGOs**

Author	Parameter
Ammons, 1996	Productivity and workload
Fine and Snyder, 1999	Efficiency and effectiveness
Buckmaster, 1999	Inputs, processes, outputs and outcomes (Program Based)
Poole, Nelson, Carnahan, Chepenik & Tubiak, 2000	Resource, activities, outputs, outcomes, goals, indicators and evaluation plan
Ritchie and Kolodinsky, 2003	Fundraising efficiency, public support, expenses and cost efficiency
Poister, 2003	Resources, activities, outputs, initial outcomes, intermediate outcomes and long-term outcomes with the recognition of the external influences (Generic Program Logic)
Tom and Frentzel, 2005	Activities, outputs, outcomes and ultimate impacts (Hierarchy of cause and effect)
Benjamin and Misra, 2006	Inputs, outputs, outcomes and impact
Carman, 2007	Efficiency, effectiveness, fundraising, costs, audits and beneficiaries' satisfaction
Teelken, 2008	Efficiency, effectiveness, economy and efficacy
Niven, 2008	Partnership and quality
Epstein and Buhovac, 2009	Inputs, activities, outputs (internally and externally), outcomes and impacts (Input-Impact)

Apart from individual researchers, there are professional bodies who have proposed different frameworks for PMS. Standards for Charity Accountability of the Better Business Bureau proposed a framework for measuring NGOs performance in which the performance measures include the financial aspect, effectiveness and governance. The financial aspect is not only represented by fundraising efficiency but involves also managing and producing clear and accurate financial statements and budgets. Another framework has been proposed by American Association of Retired Persons (AARP) which is the biggest NGO membership institution for people who exceed the age of fifty in USA. The AARP foundation's framework

consists of Resources and stewardship, people, social impact value, organization leadership and integration as presented in table below. These measures of the AARP are matched with inputs, outputs, outcomes and social impact measures, (Table 3).

**Table3: Measures and Sub-Measures for NGOs**

Performance Measures	Sub-Measures
Resources and stewardship (inputs)	Amount of dollars generated, Percentage of fundraising costs and Level of operating reserves.
People (outcomes)	Employees' satisfaction and Gender diversity of employees.
Organizational leadership and integration (outputs)	Strategic plan and Number of volunteers.
Social Impact and Value (impact)	Number of beneficiaries served and Number of beneficiaries affected by various programs.

Source: Datar, Epstein and Goodwin, 2007

Another model, Performance Accountability Quality Scale (PAQS) gives a structure for getting experts feedbacks concerning the performance measurement in NGOs. The PAQS consists of twenty one-components that represent seven performance measurement indicators: resource, activities, outputs, outcomes, goals, indicators and evaluation plan as shown in table below, (Table 4).

**Table 4: Scales and Sub-Scales for NGOs**

Scale	Description	Sub-Scales
Resources	Project's ingredients (funds, personnel, community support and beneficiaries).	Resources identification, Comprehensiveness and Matching the type of the program.
Activities	Methods used to accomplish the program goals.	The logic link to outputs and Sufficient activities to achieve the outcomes.
Outputs	Results produced by the program.	The numbers of participants, The numbers of events/processes and The time frame of outputs.
Outcomes	Short term measures of progress toward achieving the goals.	The logical link to the goal(s), Change statements and Outcomes rather than activities or outputs.
Goals	Long-term desired effects.	The intended effect of the program on the need and The inclusion of wide community impact.
Indicators	Specific and observable measures regarding whether the program has achieved an intended outcome.	Specific and measurable indicators, Valid measures of the outcomes, Efficient measures and The indicators are important to the changes.
Evaluation plan	A systematic method to generate reliable and valid data to measure progress toward the outcomes.	The reliability of the data collection method, Available resources for implementation, Efficient measurement of progress toward the outcomes and Realistic evaluation plan.

Source: Poole, Nelson, Carnahan, Chepenik and Tubiak, 2000



A number of researchers have proposed Multi-Dimensional frameworks to evaluate NGOs performance. Kendall and Knapp (2000) proposed the Adapted Production of Welfare (POW) that consists of resource inputs, cost, non-resources inputs, outputs, short-term outcomes and the final outcomes. The model also defines four criteria of performance: economy (financial resources performance), effectiveness (outcomes), efficiency (inputs-outputs link) and equity. In this model, the working environment, which can be analyzed by the PEST (political, economic, socio-cultural and technological) analysis, has an effect on the main criteria of performance. The authors also expanded their model to take into account the leader choice and participation in the NGO's processes and outputs. Hence, they organized the performance measures for NGOs through economy, effectiveness, choice efficiency, equity, participation, advocacy and innovation. Kaplan (2001) developed the Adapted Balanced Scorecard for NGOs. This is a multi-featured framework for managing and measuring performance proposed originally for the private sector and has been adjusted to become appropriate for measuring performance of NGOs (Kaplan, 2001, Niven, 2008). The main assumption of this framework is that the guiding criterion, not profits, becomes the main principle that must be met by NGOs through the following perspectives:

- a. The financial perspective: funds growth, fundraising and funds distribution.
- b. The customer perspective: beneficiary's satisfaction, satisfaction of other stakeholders and market growth.
- c. The internal key processes perspective: internal efficiency, quality, volunteering development and information communication.
- d. The innovation and learning perspective: the organization's capability to adjust to changes required by the environment and producing innovative products.

Organizations have used these frameworks to strengthen their systems and processes. This has helped in developing and implementing strategies to fulfill organizational objectives, including financial and non-financial. However, there are few drawbacks of the frameworks used for NGOs. There is not enough clarity for application of the frameworks of performance measurement for NGOs in practice, and the frameworks are not context independent.

## **5. Existing Gaps**

The performance of the social sector is far from satisfactory in India and could have been much better (Dreze & Sen 1995). There has been always little consensus over how to define and measure performance in NGOs since these organizations have unclear goals and uncertain relationship between programs' activities and outcomes (Newman and Wallender, 1978; Fottler, 1981; Kanter and Summers, 1987).

Performance Management System for NGOs cannot be similar to 'For-Profit' Organizations. The parameters has to be different and context specific. As we studied in the earlier sections of this paper, NGOs have certain special characteristics. It cannot be generalized, unlike 'For-Profit' Organizations. The mission and vision of the NGOs have to be studied thoroughly and context specific parameters have to be framed accordingly. The parameters and targets for NGOs cannot be either qualitative or quantitative; it has to be the right mix of both quantitative and qualitative.

There are many conceptual frameworks available for 'For-profit-organizations' which have clear guidelines and parameters. These parameters are in line with the market demand, and it has been continuously evolving in due course of time according to the development happening in the world. Few frameworks have also been developed for NGOs in a quite similar pattern, but that might not be applicable for all the NGOs. The parameters considered in the frameworks for NGOs are more general and does not consider the context of each NGO which is distinct and vary from other NGO. The framework needs to look beyond the financial perspective, customer perspective, internal processes perspective and learning perspective. The Conceptual Framework should cover parameters from all three levels of the organization i.e. strategic, tactical and operational, including all the dimension of its scale of operations. The parameters have to be very specific, measurable, attainable, relevant and time-bound in the organizational context.

The major challenges that NGOs are facing these days include Lack of Funds, Absence of Strategic Planning, Poor Governance, Networking, Limited Capacity, Development Approaches, etc.

NGOs mobilize resources, in the form of financial donations, materials or volunteers, in order to sustain their projects and programs. This process requires quite complex organization structure and governance. Grants or Loans obtained from governments, foundations or companies, require time and expertise on planning, preparing applications, budgeting, accounting and reporting. Major fund-raising events require skills in advertising, media relations and motivating supporters. Many NGOs find it difficult to garner sufficient and continuous funding for their work. Gaining access to appropriate donors is a major component of this challenge. They may have limited resource mobilization skills locally, so instead they wait for international donors to approach them. There are high chances that donors may shift priorities and also withdraw funding. In such scenarios, NGOs might suffer from a general lack of project, organizational and financial sustainability.

Many NGOs suffer from the lack of a cohesive, strategic plan that would facilitate success in their activities and mission. This renders them unable to effectively raise and capitalize on financial support. A lack of effective governance is all too common in NGOs, probably that is one of the reason why NGOs are called as un-organized sector. Many have a deficit of understanding as to why they must have a Board and how to set one up. A founder may be too focused on running the NGO for their own purposes; however, governance is foundational to transparency.

Poor or disorganized networking is another major challenge, as it can cause duplicated efforts, time inefficiencies, conflicting strategies and an inability to learn from experience. The more NGOs communicate with one another, with International Non-Governmental Organizations (INGOs) and with the community at large, the more effective all of them can be. However, many NGOs perceive INGOs or other NGOs as hindering or even threatening to their goals and missions. Often NGOs do not maximize the use of current technologies that could facilitate better communication and networking. More effective use of technology can assist NGOs in staying abreast of important regional, national and global concerns.

Apart from Financial Resource and Technological Resource, one more important part of any organization is Human Resource. NGOs often lack the technical and organizational capacity to implement and fulfill their mission, and few are willing or able to invest in training for capacity building. Weak capacity affects fundraising ability, governance, leadership and technical areas. Many NGOs favor a “hardware” approach to development through building infrastructure and providing services instead of empowering people and institutions locally. Overall, their development approaches are not as flexible, sustainable and relevant to the community as they could be.

NGOs have always understood the importance and need to assess the individual and organization’s performance for growth and sustainability. Even the NGOs have been trying to implement few tools and frameworks of performance management for their respective organizations but due to growing internal -external pressures and priorities, they have been failing in the attempts to do so. NGOs also understand that implement PMS is one of the development approach for their organizations, but again, the concept of performance is not that simple when applied to NGOs as that is in the case of any profit making organizations or corporate. Different NGOs have different kind of activities and for developing and implementing any performance measuring tool, they need to profile themselves. It is possible to see the future if the mission and vision of the organization is clear. Hence, the performance criteria can be changed or developed accordingly but the change has to be a sustainable change. Identifying performance criteria is one of the very important tasks for NGOs to implement a sustainable performance management system.

The project mode of development sometimes called as blue print approach assumes that it is possible to pre-determine a set of cause effect relationships that will turn resources, knowledge or technology into desired and sustainable human change. In other words, that it is possible to predict and create a knowable future (Roling and de Zeeuw, 1987). Performance management system for NGOs has to be very practical by understanding the ground realities which determines the NGO’s effectiveness.

By nature of their social function, NGOs provide services to a segment of the population who are unable to meet the full cost of what they receive if they could afford then they could go to the market as consumers (Fowler, 1989). Unlike governments and businesses which can be assessed respectively in terms of political support or financial returns, non profits have no readily acknowledge bottom line. There are different stakeholders for different NGOs, and the context is different for different stake holders, and each stake holder has its own perspective. Hence it is not that simple to replicate any performance management frameworks to NGOs those are being used for profit organizations. Apart from outcome of the project as one of the criteria, the project impact and the spread of impact is equally important to measure for NGOs growth and sustainability. Performance must be determined and interpreted contextually, questions should form the base of the assessment approach, standards must derive from the various constituencies that the organizations serves and the process of organizational assessment should be participatory (Drucker, 1990).

It is very important for NGOs to understand their bottom line, neither it is profit nor their organizational growth. At best NGOs can facilitate and support the process of people’s own

development and hence they need to be assessed in how well they do this, in addition to what their work realizes in terms of tangible and intangible change. It is very important to engage multiple stakeholders structurally and systematically in the performance management system. The system should measure the influence on both progress and impact. To further define in NGOs context, performance is an expression of organizational capacities then the results. And an organization capability in NGOs context include ability to maintain its specific identity in line with its mission, vision and values, ability to achieve all the stakeholder satisfaction and ability to manage internal and external interactions while retaining its self-sufficiency.

## 6. Concluding Remarks

NGOs are growing in large numbers. Because of its purpose of existence, they play an important role in any country for its development. Its inception was due to the poor performance of government and market sector. It includes the areas where government could not focus adequately. NGOs are of diverse types. The mission, vision, objective and strategies could be entirely different and distinct for different NGOs. Therefore, each NGO has to be studied critically for developing any processes for its development, and the processes cannot be generalized.

In India, NGOs are operating on a complex and dynamic environment. Along with resource scarcity, they are closely monitored for social and legal accountability. To realize its mission and vision, they need to put in place right PMS. Based on the study of PMSs used in for-profit organizations and considering the unique requirements of NGOs, the need for an eclectic framework is suggested.

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