



LUND UNIVERSITY
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MEASURING WHAT DIRECTLY AND INDIRECTLY MATTERS

Challenges for nonprofits and for-profits
in measuring performance based on organizational purpose.

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Abstract

Key words: performance measurement, for-profits, nonprofits, organizational purpose, management control systems

- Purpose:** Our purpose for this study is to describe and analyze the problems and challenges linked to measuring performance in activities directly and indirectly related to organizational purpose.
- Methodology:** To map the issues and challenges connected to measuring performance based on organizational purpose we have used 8 case studies divided in following categories; 2 sectors (for-profit and nonprofit) and 4 types of organizations in total (for-profit + 3 types of nonprofits). Empirical data is obtained through a web-based survey and semi-structured interviews.
- Theoretical perspectives:** We have chosen to focus our theoretical research on authorities within relevant theoretical fields as well as literature with a focus on research review. Theories span among other rules and norms, management control systems and performance measurement.
- Empirical foundation:** Our empirical foundation shows examples of differences and similarities between the different types of organizations in the case studies. Each organization is presented according to the same disposition structure.
- Conclusions:** We found that the awareness of problems with measuring performance in activities directly and indirectly related to organizational purpose varies, and that organizational purpose might seem trivial but is actually very important when measuring what matters.
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Table of Contents

Abstract.....	i
List of Figures.....	viii
List of Tables.....	viii
List of diagrams.....	ix
List of abbreviations.....	ix
Preface and Acknowledgements	x
Chapter 1 - Framing the thesis.....	1
1.1 Introductory notes.....	1
1.2 Framing the problem.....	1
1.2.1 Background.....	1
1.2.2 Problematization.....	2
1.2.3 Research problem	4
1.2.3.1 Key question	4
1.2.3.2 Sub questions	4
1.2.4 Purpose of the thesis.....	4
1.2.5 Basic definitions used in the thesis.....	4
1.2.5.1 Organizational purpose.....	4
1.2.5.2 Activities.....	4
1.2.5.3 Directly related to organizational purpose	4
1.2.5.4 Indirectly related to organizational purpose	5
1.3 Positioning.....	5
1.3.1 Preconceived notion	5
1.3.1.1 Hypotheses	5
1.3.2 Previous research and research gap	5
1.3.3 Target audience and usability of the thesis.....	6
1.4 Disposition of the thesis	8
Chapter 2 - A Note on Methodology.....	9
2.1 Methodological overview.....	9
2.2 Character of the study	9
2.3 Case studies as means of illustrating and researching problem	9
2.3.1.1 Respondents in web-based survey and interviews	10

2.4	Methods for use of theory and collecting empirical data	11
2.4.1	Theory with a focus on authorities and research review.....	11
2.4.2	Collection and description of data	11
2.4.3	Consolidation and analysis of data	11
2.4.3.1	Statistical analysis	11
2.5	Presentation of the study.....	13
2.6	Limitations.....	13
2.6.1	Please see chapters 1.2.4 Purpose of the thesis	13
2.6.2	Basic definitions used in the thesis.....	13
2.6.2.1	Organizational purpose.....	14
2.6.2.2	Activities.....	14
2.6.2.3	Directly related to organizational purpose	14
2.6.2.4	Indirectly related to organizational purpose	14
2.7	Validity and reliability.....	14
2.7.1	Source criticism	14
2.7.2	Use of references	15
2.8	Methodological criticism.....	15
2.8.1	Problems relating to number research depth and number of respondents	15
Chapter 3 - Theoretical Frame of Reference		17
3.1	Theoretical introduction	17
3.2	Background to economic theory.....	17
3.3	Definitions of two organizational sectors	18
3.3.1	Definition of a for-profit organization.....	18
3.3.2	Definition of a nonprofit organization.....	18
3.4	Norms and rules	19
3.4.1	Legal system for economic and <i>ideell</i> associations	19
3.4.2	Reporting in for-profits and nonprofits.....	20
3.4.3	Governance for fundraising organizations.....	21
3.4.3.1	FRII (Frivilligorganisationernas Insamlingsråd - The Swedish Fundraising Council)	21
3.4.3.2	SFI (Svensk insamlingskontroll – Swedish Fundraising Monitoring Agency) 21	
3.5	Measuring organizations.....	21
3.5.1	Performance measurements	21
3.5.2	The aim of performance measurement.....	22
3.5.3	Common problems with performance measures	23

3.5.4	Financial measures in for-profit organizations	24
3.5.5	Non-financial measures in nonprofit organizations.....	25
3.6	Organizational performance management.....	25
3.6.1	Organizational performance needs to be analyzed from both financial and non-financial perspectives	25
3.6.2	Balanced scorecard	26
3.7	Management control systems	27
3.7.1	Definition of management control.....	27
3.7.2	The changing environment of management control systems.....	28
3.7.2.1	Design of a management control system	28
3.7.2.2	Difficulties in implementing management control systems	29
Chapter 4 - Empirical Frame of Reference		30
4.1	Case comparisons based on web survey results	30
4.2	Cancerfonden (The Swedish Cancer Society).....	33
4.2.1	Organizational overview and purpose	33
4.2.2	External reporting	33
4.2.3	Activities directly and indirectly related to organizational purpose.....	34
4.2.4	Performance measuring.....	34
4.2.5	Models and methods for management control.....	34
4.2.6	Challenges and problems connected to performance measuring.....	34
4.2.7	Ways to handle challenges and problems connected to performance measuring.....	35
4.3	Civilekonomerna (The Swedish Association of Graduates in Business Administration and Economics).....	35
4.3.1	Organizational overview and purpose	35
4.3.2	External reporting	35
4.3.3	Activities directly and indirectly related to organizational purpose.....	35
4.3.4	Performance measuring.....	35
4.3.5	Models and methods for management control.....	35
4.3.6	Challenges and problems connected to performance measuring.....	36
4.3.7	Ways to handle challenges and problems connected to performance measuring.....	36
4.4	Greenpeace Nordic	36
4.4.1	Organizational overview and purpose	36
4.4.2	External reporting	36
4.4.3	Activities directly and indirectly related to organizational purpose.....	37

4.4.4	Performance measuring.....	37
4.4.5	Models and methods for management control.....	38
4.4.6	Challenges and problems connected to performance measuring.....	39
4.4.7	Ways to handle challenges and problems connected to performance measuring.....	39
4.5	Lindab AB	40
4.5.1	Organizational overview and purpose.....	40
4.5.2	External reporting	40
4.5.3	Activities directly and indirectly related to organizational purpose.....	41
4.5.4	Performance measuring.....	41
4.5.5	Models and methods for management control.....	41
4.5.6	Challenges and problems connected to performance measuring.....	42
4.5.7	Ways to handle challenges and problems connected to performance measuring.....	42
4.6	LO (Landsorganisationen i Sverige - The Swedish Trade Union Confederation).....	42
4.6.1	Organizational overview and purpose.....	42
4.6.2	External reporting	42
4.6.3	Activities directly and indirectly related to organizational purpose.....	42
4.6.4	Performance measuring.....	43
4.6.5	Models and methods for management control.....	43
4.6.6	Challenges and problems connected to performance measuring.....	43
4.6.7	Ways to handle challenges and problems connected to performance measuring.....	43
4.7	SEB Retail	43
4.7.1	Organizational overview and purpose.....	43
4.7.2	External reporting	43
4.7.3	Activities directly and indirectly related to organizational purpose.....	44
4.7.4	Performance measuring.....	44
4.7.5	Models and methods for management control.....	45
4.7.6	Challenges and problems connected to performance measuring.....	45
4.7.7	Ways to handle challenges and problems connected to performance measuring.....	45
4.8	UNICEF Sweden (The United Nations Children's Fund).....	46
4.8.1	Organizational overview and purpose.....	46
4.8.2	External reporting	46

4.8.3	Activities directly and indirectly related to organizational purpose.....	46
4.8.4	Performance measuring.....	46
4.8.5	Models and methods for management control.....	47
4.8.6	Challenges and problems connected to performance measuring.....	47
4.8.7	Ways to handle challenges and problems connected to performance measuring.....	47
4.9	YFU (Youth For Understanding) Sverige.....	47
4.9.1	Organizational overview and purpose.....	47
4.9.2	External reporting.....	47
4.9.3	Activities directly and indirectly related to organizational purpose.....	48
4.9.4	Performance measuring.....	48
4.9.5	Models and methods for management control.....	48
4.9.6	Challenges and problems connected to performance measuring.....	49
4.9.7	Ways to handle challenges and problems connected to performance measuring.....	49
4.10	Summary – Empirical overview.....	51
Chapter 5 - Analysis.....		52
5.1	Analysis introduction.....	52
5.2	Analysis based on interpretation of web-based survey results.....	52
5.3	How organizational type affects organizational purpose.....	53
5.4	External reporting.....	54
5.5	Activities directly versus indirectly related to organizational purpose.....	55
5.6	Performance measuring.....	56
5.7	Models and methods for management control.....	56
5.8	Challenges and problems connected to performance measuring.....	57
5.9	Ways to handle challenges and problems connected to performance measuring.....	58
5.10	Examples of how our case organizations can get inspired by each other	59
5.11	Summary: analysis overview.....	60
Chapter 6 - Conclusions and Discussion.....		61
6.1	Reconnecting with the beginning of this thesis.....	61
6.1.1	Basic definitions revisited.....	61
6.1.1.1	Organizational purpose.....	61
6.1.1.2	Activities directly or indirectly related to organizational purpose.....	62
6.2	Conclusions.....	62
6.3	Discussion.....	63

6.4	Contribution of this study.....	64
6.4.1	Theoretical contributions.....	64
6.4.2	Practical implications.....	64
6.5	Suggestions for continued and further research.....	64
6.5.1	If the study is to be repeated.....	65
6.5.2	If continuing on direct results from study.....	65
6.5.3	If shaping new studies in other subjects based on this study.....	65
6.6	Final Notes.....	65
	References.....	66
Appendix A:	Web-based survey.....	A:1
Appendix B:	Interview guide.....	B:1

List of Figures

Figure 1. Typology of organizations in case studies. Based on Wijkström & Lundström (2002, p. 81).....	3
Figure 2. Typology of Swedish associations. Translated from Wijkström & Lundström (2002, p. 81).....	20
Figure 3. Measurement noise (Bouwens & Speklé, 2007, p. 249)	24
Figure 4. Distortion (Bouwens & Speklé, 2007, p. 250).....	24
Figure 5. Extended version of The BSC framework. (Nørreklit & Mitchell, 2007, p. 176)	27
Figure 6. Interpretation process for survey results.	31

List of Tables

Table 1. Respondents in case organizations.....	10
Table 2. Overview of methodologies with characteristics and empirical base.....	11
Table 3. Means comparison report from IBM Statistics 19 (formerly known as SPSS) on complete population.	13
Table 4. Basic Strategic Concepts in the Private For-Profit Sector and the Public Sector. (Moore, 2000, p. 189)	19
Table 5. Summary of external reporting for Cancerfonden.	33
Table 6. Summary of external reporting for Civilekonomerna.....	35
Table 7. Summary of external reporting for Greenpeace Nordic.....	37
Table 8. Summary of external reporting for Lindab AB.....	41
Table 9. Summary of external reporting for LO (Landsorganisationen i Sverige).	42
Table 10. Summary of external reporting for SEB Retail.	44
Table 11. Summary of external reporting for UNICEF Sweden.....	46
Table 12. Summary of external reporting for YFU (Youth For Understanding) Sweden.	48
Table 13. Overview of empirical results.	51
Table 14. Analysis of results from web-based survey.....	53
Table 15. Overview of learnings according to analysis structure.	59
Table 16. Overview of analysis.....	60

List of diagrams

Diagram group 1. Diagrams for questions on performance measurements in general ..	32
Diagram group 2. Diagrams for questions on performance measurements in activities directly related to organizational purpose.	32
Diagram group 3. Diagrams for questions on performance measurements in activities indirectly related to organizational purpose.	33

List of abbreviations

BFN	Bokföringsnämnden - Accounting Standards Board
BSC	Balanced scorecard
CFROI	Cash flow return on investment
EVA	Economic value added
FRII	Frivilligorganisationernas Insamlingsråd - The Swedish Fundraising Council
KPI	Key performance indicator
LO	Landsorganisationen i Sverige - The Swedish Trade Union Confederation
LUSEM	Lund School of Economics and Management
MW	Megawatt
SFI	Svensk Insamlingskontroll - Swedish Fundraising Monitoring Agency
UNICEF	The United Nations Children's Fund
YFU	Youth For Understanding

Preface and Acknowledgements

We are not new to thesis work, and now looking back at the work on this thesis, we feel our prior experience was helpful in many ways. On the other hand, ten weeks now have not been more than the ten weeks we used back in the day for our bachelor theses. To the contrary, it might have felt even shorter this time around. Through hard work but good fun our master thesis is a result of a study on performance measurements, particularly how organizational purpose affects different organizations when it comes to measuring performance in activities directly and indirectly related to the same organizational purpose. The thesis has given us deeper knowledge about the nature and challenges of performance measurement.

First off, we would like to thank the respondents in our case studies without which this thesis would still only be an idea. You have given us your time, thoughts and insights, and we hope we can give you something in return through our finished thesis. According to alphabetical order of case organizations; Ursula Tengelin (Cancerfonden), Benny Johansson (Civilekonomerna), Mads Flarup Christensen (Greenpeace Nordic), Niklas Johansson (Lindab AB), Kjell Ahlberg (LO – Landsorganisationen i Sverige), Mari Forander (SEB Retail), Véronique Lönnerblad (UNICEF Sweden) and Martin Lindecrantz (YFU (Youth For Understanding) Sweden); thank you.

Then we would also actually like to thank each other. This is the result of teamwork in which we've supported each other as well as held each other accountable for tasks that we've taken on respectively.

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Pontus Enander¹ and Marie Petersson²

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Chapter 1

Framing the thesis

This chapter presents the research issue as well as the purpose of this thesis together with research gaps and notes on audience and usability.

1.1 Introductory notes

Consider the following interaction:

"- How are you?
- I'm fine, and you?"

Perhaps it could be viewed completely off track to use a greeting phrase as analogy for performance measurement in organizations, but it is just as natural to ask how someone is doing today as it is to ask how an organization or organizational part is doing. We care³ both about other people and about organizational performance, and when we care our response to the returned measurement, be it "I'm very well, thank you" or a key performance indicator, will take shape from what we have just learned. We might feel pleased hearing about our friend's day just as it can be rewarding in many ways when an organization performs well. However, sometimes it might be harder to get performance measured in an organization than just asking "how are we doing?", especially if we want to know the status of something that is harder to measure. This is because knowing how we are doing depends on what we are doing and how we ask.

1.2 Framing the problem

1.2.1 Background

Some time ago a leading company within the renewable energy sector faced a problem in measuring performance within its Government Relations function. The function had been assigned a number of sold megawatts (MW) as one of their annual targets since number of MW is a common way of setting sales targets in the energy industry. It seemed appropriate to have the whole organization work for a common goal and since it was a for-profit company selling was of course a common denominator. The only problem was that the Government Relations function could only indirectly affect sales during a particular year since the function did not directly sell things, and thus the

³ The authors realize the motivation for asking "how are you" can often be based on courtesy and manners rather than interest, but that is a different story that will have to be discussed at another time.

realization that annual sales was perhaps a challenging way to measure performance began to grow. The question that followed naturally became; how should performance of the Government Relations function be measured, especially connected to the purpose of the organization?

1.2.2 Problematization

In the opening sentence of Lin Fitzgerald's essay *Performance measurement* she claims that *"The central question for the management of any organization is how well are we doing?"* (Fitzgerald, 2007, p. 223) She also concludes the essay by saying *"From the research it appears that organisations [sic] with formal performance management outperforms organisations [sic] without it. Beyond this, things become more confused."* (Fitzgerald, 2007, p. 239) By *confused* she argues that there are many different models (Andersson & Jönsson, 2009; Bouwens & Speklé, 2007) to base performance measurements on, but that they work with varying success in different organizations. One of the most widely known models is the Balanced Scorecard whose fathers, Kaplan and Norton, partly tried to take on the problem of past tense in performance measuring. According to them *"Financial indicators are lag indicators; they report on outcomes, the consequences of past actions. Exclusive reliance on financial indicators promoted short-term behavior that sacrificed long-term value creation for short-term performance."* (Kaplan & Norton, 2001, p. 3) They continue by asking, *"But what were the appropriate measures of future performance? [...] The answer turned out to be obvious: Measure the strategy! Thus all of the objectives and measures on a Balanced Scorecard—financial and nonfinancial—should be derived from the organization's vision and strategy."* (Kaplan & Norton, 2001, p. 3) However, the balanced scorecard has faced criticism over the years and Michael C. Jensen, author of the corporate finance classic *Theory of the firm: Managerial behavior, agency costs and ownership structure* (Jensen & Meckling, 1976), even says the balanced scorecard is indeed not a scorecard but instead more of a dashboard since it basically does not give a score but just presents lists of metrics. Jensen says *"The lack of a single one-dimensional measure by which an organization or department or person will score their performance means these units or people cannot make purposeful decisions."* (Jensen, 2001, p. 41) A keyword in Jensen's reasoning of *purposeful decisions* where the word *purpose* seems especially important to the authors of this thesis. Johnson & Scholes (2002, pp. 436-437) reasons, *"Performance targets can be an important process through which successful strategies are fostered. [...] these targets relate to the outputs of an organisation [sic] (or part of an organisation [sic]), [...] such as profit. The performance of an organisation [sic] is judged, either internally or externally, on its ability to meet these targets."* Could the purpose of the organization itself have something to do with performance measurement, or perhaps the question is how much it has to do with performance measurement? The Kaplan-Norton package of models is inspiring in many ways and they write about the components of their philosophy; *"The philosophy of the three components is simple: You can't manage (third component) what you can't measure (second component), and you can't measure what you can't describe (first component)."* (Kaplan & Norton, 2004, p. xiii) However, we are not convinced that their models should be followed literally according to the books but they do provide good inspiration – inspiration that can tag along as we try to frame the problem of measuring with a purpose.

Framing the thesis

If we return to the example of sales targets put on activities indirectly related to sales it is not crazy to start asking what happens if the problem is looked upon from another angle. Merchant & Van der Stede writes that *“The defining difference between for-profit and nonprofit organizations is the organization’s mission or goal. A nonprofit organization is an organization whose primary purpose is anything other than to make a profit (or more precisely, to create wealth for its owners).”* (2007, p. 781) It seems intriguing to look for answers in a sector, at least on the paper, very different to for-profit organizations. Merchant & Van der Stede continues to say, *“Even if a nonprofit organization’s goals are quite clear to all, managers of these organizations do not have at their disposal any single, quantitative bottom-line performance indicator, like the profit indicator in for-profit organizations.”* (2007, p. 783) On the other hand, it seems as though there might be issues in the nonprofit sector as well when it comes to performance measurements, as Merchant & Van der Stede states that, *“The boards of directors of nonprofit organizations have been specifically criticized for the inattention to performance measures. They are commonly unable to do their jobs effectively because they ‘have never determined what matters most.’ Thus, they do not have the performance measures they need to assess the organization’s health and to signal potential problems.”* (2007, p. 784)

To try to sort out these issues it seems only suitable to us to conduct a study on both for-profit and nonprofit organizations. To limit this study we choose to focus our research on organizations active in Sweden and by using a model illustrated by Wijkström & Lundström (2002, p. 81) and to much extent based on works by Carl Hemström (Hemström, 2010; Hemström, 2011) we have the following cases and categorizations as base for the thesis. For further explanation of the model please see 3.4.1 Legal system for economic and *ideell* associations.

		Engaged in economic activities	
		No	Yes
Promoting economic interests of primary stakeholders	No	Non-profit associations Type 1 YFU Sverige Greenpeace Nordic	Non-profit associations Type 2 Cancerfonden UNICEF Sverige
	Yes	Non-profit associations Type 3 Civilekonomerna LO - Landsorganisationen i Sverige	For-profit organizations SEB Retail Lindab AB

Figure 1. Typology of organizations in case studies. Based on Wijkström & Lundström (2002, p. 81)

Measuring what directly and indirectly matters

1.2.3 Research problem

Our research problem consists of a main key question from which we also derive a set of sub questions, which helps us shape the problem and make our study more targeted.

1.2.3.1 Key question

- What challenges and problems arise in nonprofits and for-profits concerning performance measurement based on organizational purpose, and how do organizational purpose affect performance measurement?

1.2.3.2 Sub questions

- What are and what is the difference between activities directly and indirectly related to organizational purpose?
- How do for-profits and different types of nonprofits measure performance, for instance in terms of management control?
- Are there obvious similarities and differences between what challenges and problems arise in nonprofits and for-profits concerning performance measurement in activities directly and indirectly related to organizational purpose?
- How can nonprofits and for-profits learn from each other?
- How could performance in activities in an organization that are not directly related to the purpose of the organization be measured?

1.2.4 Purpose of the thesis

Given the limitations (See 2.6 Limitations) our purpose for this study is to describe and analyze the problems and challenges linked to measuring performance in activities directly and indirectly related to organizational purpose. To illustrate different organizational purposes we choose to compare for-profit organizations with three different types of nonprofit organizations to see if they can learn from each other in working with the measurement issues described above. We aim to provide ideas on how to tackle these issues as well as ideas on how to further research on the matter.

1.2.5 Basic definitions used in the thesis

We start with the following basic definitions for our thesis. The definitions are then revisited in 6.1.1 Basic definitions revisited.

1.2.5.1 Organizational purpose

By organizational purpose we mean both business idea and overarching purpose, the latter being either profit maximization or purpose maximization.

1.2.5.2 Activities

By activities we mean parts of an organization's work/operations. It can both be specific departments as well as units.

1.2.5.3 Directly related to organizational purpose

By directly related to organizational purpose we mean activities belonging to the organizational core, i.e. sales functions in profit maximizing organizations and member

related functions or lobbying functions in member governed *ideell* associations⁴. This depends on the business idea/organizational idea as well as profit or purpose maximization.

1.2.5.4 Indirectly related to organizational purpose

By activities indirectly related to the organization's purpose, we mean those activities which could certainly be necessary for the success of the organization but play a more supportive role, such as government relations departments in profit and sales-focused organizations, or sales activities in member-owned nonprofit organizations. Our view is that since these activities are indirectly related to the organization's purpose, you cannot put performance measures on them from the organization's purpose. A concrete example of this would be if one were to use "items sold" as a measure of how well a government relations department is performing in a for-profit company where the problem arises in that the function does not have direct control over the sale, even if their work can have an indirect impact on it.

1.3 Positioning

1.3.1 Preconceived notion

Even though it has been debated (Bryman & Bell, 2007, pp. 30-32) how much personal values of the researcher(s) actually influence conducting studies we believe it is important to acknowledge that we are influenced by a number of things affecting at least basic hypotheses during our shaping of the study. We are both Swedish and have studied for the main part at Lund School of Economics and Management (LUSEM). Pontus Enander has about 10 years of volunteer experience from nonprofit organizations as well as a genuine interest in philosophy and ethics. Marie Petersson has prior to her studies at LUSEM worked in the insurance business and has a genuine interest in management control and accounting.

1.3.1.1 Hypotheses

We started out this thesis work with the following hypotheses:

- Organizational purpose affects performance measurements.
- Since at first glance, the purpose of for-profits and nonprofits seem to be opposites they would have each other's answers to measuring activities directly and indirectly related to organizational purpose.

We follow up on these assumptions, to evaluate how true or false they are, in chapter 6.3 Discussion.

1.3.2 Previous research and research gap

Performance measurement as a subject is not new and has been given a lot of thought in academia alongside of public debate. From the developments of double-entry bookkeeping system in Italy in the 15th and 16th century, management schools like Frederick Winslow Taylor's scientific management and later on e.g. the Balanced Scorecard by Robert S. Kaplan and David P. Norton to name a few. (Neely, 2007; Taylor, 1947; Kaplan & Norton, The balanced scorecard : translating strategy into action, 1996;

⁴ For explanation of *ideell association*, please see 3.4.1 Legal system for economic and *ideell* associations.

Measuring what directly and indirectly matters

Folan & Browne, 2005) The weight of this attention has been laid on performance measurement in for-profit businesses and the equivalent in nonprofit environments is less advanced. However, Ebrahim and Rangan (2010) discusses the issues of measuring social performance in nonprofit organizations shedding light on how difficult it can be to measure matters not related to for-profit purposes. Similar matters were exemplified through case studies in a McKinsey Quarterly article by Sawhill and Williamson (2001) showing possible approaches to the problems.

It seems though, that performance management in relation to organizational purpose has not been given enough attention since we have found little research on the subject. Our study naturally relates to performance measurement as a subject within management control theory. However, our research also strongly relates to subjects concerning organizational purpose spanning both profit maximization and nonprofit theory.

1.3.3 Target audience and usability of the thesis

Our wish as authors is to make our research useful for stakeholders relevant to both our thesis work in our education as and stakeholders relevant to the subject of our thesis. The table below serves as a reminder for us of who our audiences are as well as a simple reading guide for the different stakeholders. For usability please see the table below and also chapter 6.4 Contribution of this study.

<i>Stakeholder</i>	<i>Why is this thesis interesting to the stakeholder</i>	<i>Which parts/chapters could be of most interest?</i>	<i>How can the stakeholder use the thesis?</i>
Students	Theoretical interest in performance measurement and example of practical use in academic studies. General interest.	All chapters + references and appendices depending on need.	Base for further and other research within performance measurement and/or for-profit vs. nonprofit organizational purpose.
Supervisor	Theoretical interest in management control and its sub-fields. General interest.	Complete thesis.	Coaching throughout thesis work. Base for further research.
Grade setter	Examination of thesis work. General interest.	Complete thesis.	Determine and award grade.
Other researchers	Theoretical interest in performance measurement and example of practical use in academic studies. General interest.	All chapters + references and appendices depending on need.	Base for further and other research within performance measurement and/or for-profit vs. nonprofit organizational purpose.

Framing the thesis

Respondents in case studies	Specific interest in how to tackle challenges related to own organization Interest in how to improve and develop own performance measuring. General interest.	Primarily chapters 1, 4-6. Secondarily chapters 2-3 and appendices.	Feedback on own performance measurement and inspiration for improvement opportunities.
For-profit practitioners	Specific interest in how to tackle challenges in thesis concerning for-profits and improve and develop own performance measuring. General interest.	Primarily chapters 1, 4-6. Secondarily chapters 2-3 and appendices.	Inspiration for improvement opportunities on own performance measurements.
Nonprofit practitioners	Specific interest in how to tackle challenges in thesis concerning nonprofits and improve and develop own performance measuring. General interest.	Primarily chapters 1, 4-6. Secondarily chapters 2-3 and appendices.	Inspiration for improvement opportunities on own performance measurements.
Other practitioners	Specific interest in how to tackle challenges in thesis and improve and develop own performance measuring. General interest.	Primarily chapters 1, 4-6. Secondarily chapters 2-3 and appendices.	Inspiration for improvement opportunities on own performance measurements.
Practitioners in public/governmental organizations	Specific interest in how to tackle challenges in thesis that could be used also in public/governmental organizations (even though said organizations are not directly covered in this thesis) and improve and develop own performance measuring. General interest.	Primarily chapters 1, 4-6. Secondarily chapters 2-3 and appendices.	Inspiration for improvement opportunities on own performance measurements. Inspiration for further studies on this thesis problem applied to public/governmental organizations.
Grants and scholarship foundations	Furthering research within a certain field Example of work done in fields listed in grants/scholarships	Primarily chapters 1, 4-6. Secondarily chapters 2-3 and appendices.	Base for awarding grants and scholarships. Marketing example of studies awarded with grant or scholarship.

1.4 Disposition of the thesis

Chapter 1 – Framing the thesis

This chapter presents the research issue as well as the purpose of this thesis together with research gaps and notes on audience and usability.

Chapter 2 – A note on methodology

This chapter presents guidelines of our study and explains what action we have done to complete the thesis. We are also describing some issues that are relevant for our method.

Chapter 3 – Theoretical frame of reference

In this chapter we present the dominant theories from and related to performance measures. The theoretical references derive from books and scientific articles concerning performance measurement. The chapter also serves as a theoretical frame of reference for later analysis.

Chapter 4 – Empirical frame of reference

In our empirical section we present our 8 case studies. First we describe the results from our web-based survey from the organizations. Then we give a presentation of each case where we present the document study and then the interview with the respondent. In the end of this chapter there is a summary in a model of an empirical overview from all organizations.

Chapter 5 – Analysis

In the analysis we link the theoretical references with the empirical section to be a frame for our conclusions and discussions.

Chapter 6 - Conclusions and discussion

In this section we discuss and make conclusion based on the analysis. We also presenting suggestion for further research that we found interesting based on our study.

Chapter 2

A Note on Methodology

This chapter presents guidelines of our study and explains what action we have done to complete the thesis. We are also describing some issues that are relevant for our method.

2.1 Methodological overview

Even though it might be possible to study the issue of performance measurement in activities directly and indirectly related to organizational purpose without a thorough thought for methodology (Bell, 2006, pp. 17-18) we motivate the existence of this chapter with the following reasons:

- We have to plan our research project given limitations (see 2.6 Limitations).
- The validity and reliability (see 2.7 Validity and reliability) of our study and its results depend partly on providing base for repeating the study.
- Transparency on the research process enables and fuels source criticism.

Our empirical base for this study comes from our chosen case organizations and is gathered through three different methodologies where a web-based survey and a document study complement more in depth interviews.

2.2 Character of the study

Why choose one method when you can use multiple? At first it might seem as if we have taken our best swing at using everything in our books on methodology (among others Bell (2006), Bryman & Bell(2007) and Maxwell (2005). However, we started out with an inductive approach (Bryman & Bell, 2007, pp. 11-12; Alvesson & Sköldberg, 2000, pp. 15-19) to the research problem as it originated in practice rather than theory. From there the inductive approach turned into deductive methodology as we went back to theory and previous research to try to frame the problem.

For notes on qualitative versus quantitative approach, please see 2.4.2 Collection and description of data below.

2.3 Case studies as means of illustrating and researching problem

Given the research gap (1.3.2 Previous research and research gap) and our research problem (1.2.3 Research problem) we find case studies a natural way to take on the research since it enable us to study a limited aspect of our problematization during a

limited period of time. (Bell, 2006, p. 20) We agree with Maxwell (Maxwell, 2005, pp. 87-91) that sampling is an essential part of our study and we have developed our sampling model to span both the for-profit and nonprofit sector (it might seem as though a larger focus has been put on the nonprofit sector but the use of three types of nonprofit organizations are rather because of there being three types and having different types of examples eases mapping of or research question) as well as on rules and norms for the organization of nonprofits in Sweden (see chapters 3.4.1 Legal system for economic and *ideell* associations and 1.2.2 Problematization). Our structure for case studies thus corresponds to the following categorization:

- 2 sectors (for-profit and nonprofit)
- 4 types of organizations in total (for-profit + 3 types of nonprofits)
- 8 organizations/cases

2.3.1.1 Respondents in web-based survey and interviews

The respondents in the web-based survey are anonymous (apart from the fact that we have used the respondents in the interviews for sending out the survey questionnaire) within their respective case organization. Interviewees were chosen by *stratified sampling*, i.e. we chose to talk to people with extensive insight into performance measurements in the respective organizations as well as management perspective or equivalent. (Bryman & Bell, 2007, pp. 498-499) For the interviewees we believe it is fair to disclose their names and profiles here as they represent their respective case organizations but also contribute with their own individual thoughts. Further organizational presentations and organizational purposes can be found in Chapter 4 – Empirical Frame of Reference.

Organizational type	Case Organization	Name and Title
For-profits	SEB Retail (Business Control)	Mari Forander Controller Region Syd
	Lindab AB	Niklas Johansson Controller
Nonprofits Type 1	YFU (Youth For Understanding) Sweden	Martin Lindecrantz National Director
	Greenpeace Nordic	Mads Flarup Christensen Generalsekretær / Executive Director
Nonprofits Type 2	Cancerfonden (The Swedish Cancer Society)	Ursula Tengelin Generalsekreterare
	UNICEF Sweden (The United Nations Children's Fund)	Véronique Lönnblad Executive Director
Nonprofits Type 3	Civilekonomerna (The Swedish Association of Graduates in Business Administration and Economics)	Benny Johansson Förbundsdirektör
	LO (Landsorganisationen i Sverige - The Swedish Trade Union Confederation)	Kjell Ahlberg Kanslichef

Table 1. Respondents in case organizations.

2.4 Methods for use of theory and collecting empirical data

2.4.1 Theory with a focus on authorities and research review

Maxwell (Maxwell, 2005, p. 43) argues that “*Theory is a coat closet. [...] You can hang anything in it.*” and since we work with a problem where part of the task is to actually concretize the problem we have chosen to focus our theoretical research on authorities within relevant theoretical fields as well as literature with a focus on research review. This allows us to frame the problem on a high level (Bryman & Bell, 2007, p. 101).

2.4.2 Collection and description of data

To frame and describe our case organizations we have conducted a small document study (Bell, 2006, pp. 123-136; Bryman & Bell, 2007, pp. 566-568) with a focus on *organizational documents*, in particular annual reports. This provides an understanding of the respective organizations’ external reporting, which is a relevant part of management control.

In addition to the document study our empirical base primarily comes from a web-based survey and interviews. The web-based survey was conducted with Limesurvey (version 1.90+ Build 9642) and results were compiled and analyzed using IBM Statistics (version 19 – formerly known as SPSS). The web-based survey is further discussed below in 2.4.3.1 Statistical analysis.

Our interviews were conducted over the phone and follow a *semi-structured approach*. The interview guide can be found in Appendix B: Interview guide. According to discussion in Bryman & Bell (2007, pp. 474-496) we chose the semi-structured interview approach to both control the overall collection of empirical data while yet allowing for insights not foreseeable given our research problem. All interviews were recorded and interviewees were informed of this at the beginning of the interviews.

For an overview of the different methodologies, their characteristics and empirical base see Table 2 below.

Methodological part	Character of methodological part	Empirical base
Document study	Qualitative	External communication, primarily annual reports of case organizations
Web-based survey	Quantitative and qualitative	Interview respondents and other respondents of their choice in their respective case organizations
Interviews	Qualitative	Interview respondents in their respective case organizations

Table 2. Overview of methodologies with characteristics and empirical base.

2.4.3 Consolidation and analysis of data

2.4.3.1 Statistical analysis

Our thoughts in chapters 2.3 Case studies as means of illustrating and researching problem and 2.6 Limitations takes up the issue of deriving conclusions based on our empirical material. This issue becomes especially important in interpretation of the web-based survey results. We cannot claim *statistical significance* (Bryman & Bell, 2007,

Measuring what directly and indirectly matters

pp. 367-369; Körner & Wahlgren, 2002, pp. 14-15) due to the size of the population. Table 3. Means comparison report from IBM Statistics 19 (formerly known as SPSS) on complete population. Table 3 below shows a report on mean comparison from the software IBM Statistics (version 19). For cases including more than one respondent the standard deviations indicate a large spread which would lessen the statistical significance if such could be taken into account. Also, the total means are to an extent close to 5 which if true would suggest indifference in the views of our respondents to statements in the survey. Despite this we have chosen to include the survey in our study for inspiration and examples.

Report								
Which organization do you represent?		Our performance measurement systems and performance measures are clear from a functional perspective	Our performance measurement systems and performance measures are transparent and available at all levels in the organization	The purpose of my organization affects performance measurement systems and performance measures used	It is challenging/pr oblematic to measure activities directly related to our organization's purpose	Our organization has clear/concrete KPIs for activities directly related to the organization's purpose	It is challenging/pr oblematic to measure activities indirectly related to our organization's purpose	Our organization has clear/concrete KPIs for activities indirectly related to the organization's purpose
Cancerfonden	Mean	5,50	6,50	8,50	5,00	7,00	7,00	6,00
	N	2	2	2	2	2	2	2
	Std. Deviation	,707	2,121	2,121	4,243	2,828	2,828	1,414
	Minimum	5	5	7	2	5	5	5
	Maximum	6	8	10	8	9	9	7
	Range	1	3	3	6	4	4	2
Civilekonomerna	Mean	5,00	4,17	6,67	5,83	4,50	6,00	3,83
	N	6	6	6	6	6	6	6
	Std. Deviation	1,789	1,602	1,633	2,137	2,168	2,449	2,483
	Minimum	3	3	5	2	2	4	1
	Maximum	7	7	9	8	7	10	8
	Range	4	4	4	6	5	6	7
Greenpeace	Mean	7,00	7,00	7,00	10,00	7,00	2,00	10,00
	N	1	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.	.
	Minimum	7	7	7	10	7	2	10
	Maximum	7	7	7	10	7	2	10
	Range	0	0	0	0	0	0	0
Lindab Sverige AB	Mean	10,00	8,00	8,00	2,00	8,00	8,00	1,00
	N	1	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.	.
	Minimum	10	8	8	2	8	8	1
	Maximum	10	8	8	2	8	8	1
	Range	0	0	0	0	0	0	0
LO	Mean	5,00	5,00	5,00	8,00	2,00	6,00	3,00
	N	1	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.	.
	Minimum	5	5	5	8	2	6	3
	Maximum	5	5	5	8	2	6	3
	Range	0	0	0	0	0	0	0
Retail Sverige SEB	Mean	9,00	9,00	10,00	3,00	9,00	7,00	5,00
	N	1	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.	.
	Minimum	9	9	10	3	9	7	5
	Maximum	9	9	10	3	9	7	5
	Range	0	0	0	0	0	0	0
UNICEF Sverige	Mean	7,00	7,00	2,00	9,00	9,00	9,00	1,00
	N	1	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.	.
	Minimum	7	7	2	9	9	9	1
	Maximum	7	7	2	9	9	9	1
	Range	0	0	0	0	0	0	0
Youth For Understanding	Mean	5,00	2,00	8,00	2,50	6,50	8,50	3,50
	N	2	2	2	2	2	2	2
	Std. Deviation	2,828	1,414	,000	,707	2,121	,707	2,121
	Minimum	3	1	8	2	5	8	2
	Maximum	7	3	8	3	8	9	5
	Range	4	2	0	1	3	1	3
Total	Mean	5,93	5,20	7,00	5,47	5,93	6,60	4,13
	N	15	15	15	15	15	15	15
	Std. Deviation	2,086	2,366	2,138	2,900	2,549	2,354	2,696
	Minimum	3	1	2	2	2	2	1
	Maximum	10	9	10	10	9	10	10
	Range	7	8	8	8	7	8	9

Table 3. Means comparison report from IBM Statistics 19
(formerly known as SPSS) on complete population.

2.5 Presentation of the study

When working with a research question like ours that at times seem hard to frame it becomes inevitably important to present the study in a clear structure. For this reason we have chosen to present empirical results and analysis according to the same structure. Most of our analysis follows a sequential methodology showed in tables and figures (Bryman & Bell, 2007, pp. 646-647). The model for consolidating empirical material was developed based on the research problem, and the goal for consolidation of empirical material has been to present the empirical material as objectively as possible (given of course chapter 1.3.1 Preconceived notion).

2.6 Limitations

As always⁵ there are a number of limitations to the study. This has a restrictive function on the scope of the result but also helps to shape the study and keep the focus, something that is not valued enough when working with a set timeframe and resources.

Practical limitations:

- Study conducted during about 10 weeks spanning March to June 2011.
- Two authors

Empirical limitations:

- Only organizations primarily based in Sweden
- No governmental organizations (Even though Merchant & Van der Stede (2007, p. 781) lists governmental organizations as generally part of the nonprofit sector)
- Interviews as examples, not statistical ground

Limitations of the result of the study:

2.6.1 Please see chapters 1.2.4 Purpose of the thesis

Given the limitations (See 2.6 Limitations) our purpose for this study is to describe and analyze the problems and challenges linked to measuring performance in activities directly and indirectly related to organizational purpose. To illustrate different organizational purposes we choose to compare for-profit organizations with three different types of nonprofit organizations to see if they can learn from each other in working with the measurement issues described above. We aim to provide ideas on how to tackle these issues as well as ideas on how to further research on the matter.

2.6.2 Basic definitions used in the thesis

We start with the following basic definitions for our thesis. The definitions are then revisited in 6.1.1 Basic definitions revisited.

⁵ This is only fair, especially since this thesis deals with subjects relating to the word *economy* which comes from the Greek word *oikonomikós* with the broad meaning *scarce resources*.

2.6.2.1 *Organizational purpose*

By organizational purpose we mean both business idea and overarching purpose, the latter being either profit maximization or purpose maximization.

2.6.2.2 *Activities*

By activities we mean parts of an organization's work/operations. It can both be specific departments as well as units.

2.6.2.3 *Directly related to organizational purpose*

By directly related to organizational purpose we mean activities belonging to the organizational core, i.e. sales functions in profit maximizing organizations and member related functions or lobbying functions in member governed *ideell* associations. This depends on the business idea/organizational idea as well as profit or purpose maximization.

2.6.2.4 *Indirectly related to organizational purpose*

By activities indirectly related to the organization's purpose, we mean those activities which could certainly be necessary for the success of the organization but play a more supportive role, such as government relations departments in profit and sales-focused organizations, or sales activities in member-owned nonprofit organizations. Our view is that since these activities are indirectly related to the organization's purpose, you cannot put performance measures on them from the organization's purpose. A concrete example of this would be if one were to use "items sold" as a measure of how well a government relations department is performing in a for-profit company where the problem arises in that the function does not have direct control over the sale, even if their work can have an indirect impact on it.

- and 6.4 Contribution of this study

2.7 **Validity and reliability**

As Bryman & Bell (2007, p. 63) points out regarding *external validity* a single case study cannot claim universal truth for a whole subject. We are aware of and have discussed these aspects throughout this chapter. By using our multi-methodology approach we hope to secure *internal validity*, meaning our analysis is accurate at least for our respective cases. Even if total external validity may not be attainable we hope in accordance with the discussion in Alvesson & Sköldberg(2000, p. 60) that our work is coherent from a logically consistent perspective and has the appropriate comprehensiveness, thoroughness and potential to provide an answer to our research problem in accordance with the purpose of this thesis. This chapter in itself should hopefully be a good base for securing adequate *reliability* (Bell, 2006, pp. 117-118).

2.7.1 **Source criticism**

Both Bell (2006, pp. 130-132) and Bryman & Bell (2007, pp. 554-555) discusses the importance of source criticism in document studies, and we recognize that this is important. By only using *organizational documents* we can handle the issue with *external review*. An *internal review*, i.e. being aware of that type of documents we are working with (external communication) and making sure that documents used are complete and not damaged, has helped us to produce material we feel safe to use.

For source criticism in general we have thoroughly discussed the issues of being able to generalize based on case studies, not least in the section on Validity and reliability above.

2.7.2 Use of references

In accordance with discussions above on enabling replicability and source criticism we have used complete references throughout the thesis. The thesis in its complete and unabbreviated form also holds our bibliography and we hope this will serve both as base for transparency as well as inspiration.

2.8 Methodological criticism

At the beginning of this study we developed our problematization and research problem to which we tried to choose research methods appropriate both in terms of the character of the study and base for producing inspiring results. The limitations of this thesis have for sure shaped our research and one might argue that perhaps the statistical reliability in the results of the web-based survey could have been proven to a greater extent. We recognize this but as we have stated above, part of the goal with this thesis is to provide a better framing of the problem as well as inspiration for deeper investigation. Based on what we have learned we have tried to propose an initial list of topics for further research. This list can be found in chapter 6.5 Suggestions for continued and further research.

2.8.1 Problems relating to number research depth and number of respondents

Dealing with a field that is on some levels uncharted and thus hard to define clearly thickens the research fog. Limitations for the study leave us with a choice of either trying to go deep along a straight path or map a seemingly shallower area in a wider sense. However regretful that we cannot do both at this time we have, as we have pointed out earlier, chosen the wider mapping of challenges and problems relating to measuring performance based on organizational purpose in for-profits and different types of nonprofits. As far as possible given said limitations we have tried to provide depth where empirical data have allowed us so.

Closely linked to this is the issue with number of respondents in relation to conclusions drawn. In his book *The Philosophy of Science: Science and Objectivity* (1997) George Couvalis show both different approaches to objectivity of science as well as discusses the complexities of the same. Interesting in relation to this thesis is the statement that “Statements are justified if they have been inferred from other true statements by a procedure which ensures that they are at least likely to be approximately true.” (1997, p. 36) Couvalis mainly argues “that two problems underlie the criticisms of the credentials of science. The first problem is the critics are implicitly working with the false idea that the only kind of knowledge worthy of the name is knowledge that uses and is based on precise distinctions and statements, is absolutely unchallengeable, and is established by methods that conform to formal, law-like, patterns. [...] The second problem is that some philosophers take too little notice of common-sense principles of reasoning, allowing themselves to be seduced by a philosophical argument which uses apparently plausible premises and sound logical techniques to arrive at an absurd conclusion.” (1997, p. 9)

Measuring what directly and indirectly matters

We clearly understand that it is impossible to prove universal truths based on the material in this thesis, even if we reach conclusions that seem *approximately true*. We will not achieve knowledge that is *absolutely unchallengeable* and that in itself would actually go against the core of academia where debate and freedom to question knowledge is key. Instead we sincerely hope our work can be a base for further reasoning in a scientific manner.

Chapter 3

Theoretical Frame of Reference

In this chapter we present the dominant theories from and related to performance measures. The theoretical references derive from books and scientific articles concerning performance measurement. The chapter also serves as a theoretical frame of reference for later analysis.

3.1 Theoretical introduction

To do good you also have to do well. To achieve goals organizations today are working to great extents with performance measurement. Working with performance measurements is not a new idea (Poister, 2003). Performance management have evolved from a traditional role that only was looking at financial numbers to today's more strategic thinking where it is important to also look at non-financial measures (Kaplan & Norton, 1992).

Why is performance evaluation so important? An answer to this question can be "*What gets measured gets done*" (Giertz, 2000, p. 12). In today's changing environment we can see that performance measurement become more and more important, even in the nonprofit sector (Knutsson, Mattisson, Ramberg, & Tagesson, 2008). According to Theuvsen (2004) traditional management practices in nonprofit organizations have been very different from the same in for profit maximizing organizations. This has contributed to that we today can see more and more nonprofit organizations now adopting management techniques originally developed for-profit organizations to become more effective. We also can see the opposite for for-profit organizations, as they are using more and more non-financial measures (Lord, 2007). One of the big issues in organizations today is to improve performance clearly and there is also an increasing use of design with help of management control systems in these sectors (Poister, 2003). We are therefore in this part discussing the theoretical aspects of using performing measures in both for-profit and nonprofit sector.

3.2 Background to economic theory

The foundation of economic theory was put forth by the by Adam Smith (An inquiry into the nature and causes of the wealth of nations, 1976) when he argued free market economies' superiority seen from the perspectives of productivity and beneficialness to societies. Since this we have seen a large extent of this impacting economic theory.

There are many reasons to this; rapid change in society, globalization, technology changes, accounting scandals and corporate trends.(Burns & Baldvinsdottir, 2007)

3.3 Definitions of two organizational sectors

3.3.1 Definition of a for-profit organization

The aim of for-profit organizations is to create profit in the long run to their shareholders and they are therefore driven by financial measures (Anthony & Govindarajan, 2007). This does not mean that they do not care for other stakeholders such as customers, employees and suppliers or for non-financial measures for that matter, but the purpose in these organizations is to generate profit and therefore the shareholder is the most important stakeholder to the for-profit organization (Moore, 2000).

Because of the organizational purpose of creating shareholder wealth the financial measures and goals are very important to the for-profit organization.(Fitzgerald, 2007) The traditional measurement system is based on finance functions such as financial measures like EVA and CFROI. (Kaplan & Norton, 1992)

3.3.2 Definition of a nonprofit organization

A nonprofit organization's purpose is *purpose maximization* instead of *profit maximization*. The idea of nonprofit organizations is to focus on e.g. missions that are dear to societal stakeholders. This can be different needs or functions that can help the society. The nonprofit organizations requirements can also help members, users, or other beneficiaries' demands. (Theuvsen, 2004) Antony and Govindarajan (2007) mean that the purpose of the nonprofit organization is to only distribute the earnings within the organization. Another difference from for-profits is that the nonprofit sector does not have any outside equity interest as a profit organization does(Merchant & Van der Stede, 2007).

Most nonprofit organizations are not served by an external group of ultimate authorities like shareholders. The organization is instead governed by boards of directors. The boards of directors have been criticized because they have never determined what matter most. There is also a lack of using performance measures (Merchant & Van der Stede, 2007). Anthony and Govindarajan (2007) mean that it is more difficult to use performance measures in a nonprofit organization because it is harder to measure these performances.

One reason for the increased demand of nonprofit organizations is because services are not covered enough from the two other sectors of for-profits and governmental organizations (Helmig, Iegers, & Lapsley, 2004). Factors that can differ from the for-profit sector are the structure and the governance of the nonprofit organizations (Moore, 2000). Another issue is that it can become harder to measure a nonprofit organization because it is not as forced as a for-profit organization by financial performance because they focus more on needs and functions that the stakeholder demand.(Poister, 2003)

Theoretical Frame of Reference

	For-profit organization	Nonprofit and governmental organizations
Normative goals	Focus on shareholder wealth	Achieve social missions
Principal source of revenue	Revenues earned by sale of products and services	Charitable contribution or tax appropriation
Measure of performance	Financial bottom line or increased equity value	Efficiency and effectiveness in achieving missions
Key calculation	Find distinctive competences of the organization by positioning it in product/service market	Find better ways to achieve missions

Table 4. Basic Strategic Concepts in the Private For-Profit Sector and the Public Sector.
(Moore, 2000, p. 189)

3.4 Norms and rules

3.4.1 Legal system for economic and *ideell* associations

The legal system for associations in Sweden is based on civil law and specifies two basic forms of associations, the *ideell* and the economical association. The nonprofit sector in Sweden is divided into two types as well being the *ideell* association (*ideell förening*) and the foundation (*stiftelse*). In these two association forms there are four types of common organization forms. These are; popular movements, interest organizations, voluntary sector and *ideell* sector. The organizational forms are essential for Swedish society but they have different purposes. (Lundström & Wijkström, 1994)

To illustrate a model for categorization of nonprofit organizations in Sweden we use a typology of Swedish associations translated from Wijkström & Lundström (2002, p. 81) and originally based on Hemström (2011, p. 20; Hemström, 2010, pp. 96-97)⁶.

According to Hemström (2010, p. 79) Swedish association law has two requirements for an organization to qualify as an *economical association*: “It shall 1) through *economical activities* 2) promote its members *economical interests*.” Other combinations produce three different types of nonprofit organizations, as seen below.

⁶ It might seem odd to argue that something published in 2002 could be based originally on things published in 2010 and 2011. We understand this but chose a later edition due to availability of books as well as up to date accuracy of literature on law. The reference for the typology in Wijkström & Lunström (2002) points to the

Enander & Peterson 2011.

		Engaged in economic activities	
		No	Yes
Promoting economic interests of members	No	Non-profit associations Type 1 ("purely <i>ideell</i> ") (e.g. Interest associations without sales)	Non-profit associations Type 2 (e.g. Associations with charity-related sales)
	Yes	Non-profit associations Type 3 (e.g. Trade and labor unions)	Economic Associations

Figure 2. Typology of Swedish associations. Translated from Wijkström & Lundström (2002, p. 81)

There is no specific law governing *ideell* associations. An *ideell* association shall be non-material and is required to have a nonprofit purpose. Such purposes may be religious, charitable, scientific or political. (Näringsdrivande ideell förening, 2011)

3.4.2 Reporting in for-profits and nonprofits

According to the Swedish Accounting Act (Bokföringslag (1999:1078)) chapter 2 and paragraph 1 and 2 an *ideell* association is a legal entity (juridical person). The requirement for the reporting is properly drawn accordance with chapter 4 paragraph 2 that accounting obligation shall be discharged in a manner consistent with "*god redovisningssed*" (Swedish GAAP - Generally Accepted Accounting Principles).

Supervision of accounting is carried out by the Accounting Standards Board (Bokföringsnämnden (commonly abbreviated BFN)), which is an agency under the Swedish Ministry of Finance with their own self-instruction (Förordning (2007:783) med instruktion för Bokföringsnämnden) and has own appropriations. BFN has primary responsibility for the development of generally accepted accounting principles in corporate accounting and public accounting. This is accomplished by the board publishing general advice and information in their power. In the case of listed companies, it is instead the Council for financial reporting (Rådet för finansiell rapportering, 2011). It works for adapting and developing generally accepted accounting principles, and regular financial reporting for companies whose securities at the balance sheet date are listed on a regulated market in Sweden. (Rådet för finansiell rapportering, 2011)

The Swedish Annual Reports Act (Årsredovisningslag (1995:1554)) applies only to companies subject to the Swedish Accounting Act (Bokföringslag (1999:1078)) chapter 6 paragraph 1, which include companies and economic associations. There is however

no mandatory auditing of *ideell* organizations, but it is a voluntary commitment that every *ideell* organization may consider.

3.4.3 Governance for fundraising organizations

3.4.3.1 FRII (*Frivilligorganisationernas Insamlingsråd - The Swedish Fundraising Council*)

FRII (*Frivilligorganisationernas Insamlingsråd - The Swedish Fundraising Council*) is a trade organization which has the purpose of working for the Swedish fundraising organizations. The council has 125 members and some of the members are Cancerfonden, Rädda barnen (Save the Children), Röda korset (The Red Cross), Greenpeace, Amnesty International and the Swedish Church to name a few. FRII's aim is to promote a favorable climate in Sweden for voluntary work and for the collection to the public. Another function of FRII is to educate its collectors and to enhance the quality of collection work. FRII is involved in advocacy in these areas, and organizes seminars and fuels sharing of experience. In short FRII works for ethical and professional collection. (*Frivilligorganisationernas Insamlingsråd, 2011*)

3.4.3.2 SFI (*Svensk insamlingskontroll – Swedish Fundraising Monitoring Agency*)

SFI (*Svensk insamlingskontroll - Swedish Fundraising Monitoring Agency*) is a control and monitoring organization whose purpose is to promote advancement of the donor's interests. The organization's aim is to monitor the monetary collection from the public for humanitarian, charitable and cultural purposes, environmental protection, nature conservation and other public purposes. These are subject to satisfactory inspection, meaning that fundraising is not burdened with excessive costs, and that sound marketing techniques are used in the collection area. SFI also ensures that appropriate methods for collecting control are developed. (*Svensk Insamlingskontroll, 2011*)

To monitor this control the organization is working with the development of regulations and guidelines for owners of so called *90 accounts* (*90-konto innehavare*), and are therefore helpful with advice. (*Svensk Insamlingskontroll, 2011*)

Requirements for qualifying as 90 account holders are (*Startsida - Svensk Insamlingskontroll, 2011*):

- The organization must be registered in Sweden.
- The purpose of the collection must be so determined that it is possible to check.
- The collection will be managed by appropriate and on economic issues knowledgeable individuals.
- The organization must have an authorized or approved public accountant; so called office supervisor

3.5 Measuring organizations

3.5.1 Performance measurements

According to Ax, Johansson & Kullén (2005) companies are generally acting because they want to achieve their goals or visions. To achieve the goals inside the company performance measurements are being used. The aim of performance measurement is to give information to the organization and it relates to the need, vision, purpose and the main goal in the company. Poister (2003) is describing performance measurements as

objective, quantitative indicators of various aspects. He also describes it as processes were one can identify, observe and apply measures. A performance measure can therefore have different purposes like effectiveness, operating efficiency, productivity, quality, satisfaction and more. Catasús et al (2008) writes that performance measures can be described as goals or success factors. Ax, Johansson & Kullvén (2005) mean that there can also be other explanations for performance measures like KPI (key performance indicators), metrics, ratios and indexes. Fitzgerald (2007) argues that it has been a challenging issue for organizations to measure their goals. Therefore different performance measures have different weights based on their nature and content and usage. This has contributed to two different schools that have different approaches of the performance measurements – the *shareholder* and the *stakeholder* approach.

The shareholder approach is focusing on financial measures based on residual income and metrics like EVA and CFROI. This approach has been criticized to be too much single driven by hard measures like financial measures and have too much focus on the shareholder. Another issue is that the perspective is using a bottom line approach and only looking at historical numbers.(Fitzgerald, 2007)

The other approach is the stakeholder approach and it instead has a broader scope of stakeholders. This approach consists of multidimensional levels of metrics and is therefore focusing on both financial and non-financial measures, the latter so called softer measures. This approach tends to give better information because it is linked to the corporate strategy in the organization and it is focusing on both internal and external metrics. Other advantages with this approach are that it is not only focusing on financial metrics and therefore has a broader scope of stakeholder and it has resulted in larger focus on non-financial measures. This approach is also described as a more flexible and dynamic measurement.(Fitzgerald, 2007)

3.5.2 The aim of performance measurement

The saying “*What gets measured gets done*” summarizes the nature of performance measurement. (Giertz, 2000, p. 12) An organization can establish this to understand, manage and improve its processes in the organization. The purpose of performance indicators are to direct attention and are therefore an important tool for achieving the goals in the organization. Catasús et al (2008) describe performance measures as values of numbers whose aim is to describe a relationship. Performance measures are also numbers that can be compared with other goals. Performance measures do not have to be the amount of some metric. It can also be measured by soft indicators, like a purpose of an interest or a relationship according to Catasús et al (2008). Ax, Johansson & Kullvén (2005) indicates that the overall aim with performance measures is to implement the strategy into the organization. Poister (2003, p. 47) describes the purpose with performance programs as to identify “*who the customer are*” and “*what the outcomes are in the organization*”. The measures are therefore divided into different categories; *outputs, efficiency, productivity, service quality, cost- effectiveness and customer satisfaction*.(Poister, 2003, p. 100) The purpose is to turn the aim into performance measures so the strategy can be realized.

Theoretical Frame of Reference

Ax, Johansson & Kullvén (2005) and Poister (2003) argue that some of the advantages to work with performance measures are:

- Continues improvements so that the main goal is established in the organization.
- A tool for control in the organization and an indicator enabling making the best decisions for the organization.
- Give information to plan forward to create future goals.
- Be a communication tool to workers inside the organization so they can work towards the same goal.
- Motivate workers and support the decision making process.
- Give signals about deviation and expectations so you can change your strategy after the changing environment.
- Give information to external stakeholders.
- Compare information with other performance between other organizations (benchmarking).

Poister (2003) also relates performance measures to mission, goals and objectives. Mission relates to the aim of the organizations general program. The goal is more of a statement about the result and finally the objective is a more special indication of the measure.

One way to work with performance measures is to have a broad scope of measures from different levels in the organization. This contributes to a lower risk and can help the organization to not make wrong decisions. (Catasús, Gröjer, Högberg, & Johrén, 2008)

Poister (2003, p. 100) define the following criteria for choosing performance measurements:

- *Valid and reliable*
- *Meaningful and understandable*
- *Balanced and comprehensive*
- *Clear regarding direction*
- *Timely and actionable*
- *Resistant to goal displacement*
- *Cost-sensitive*

3.5.3 Common problems with performance measures

There is much challenge in working with performance measures. Some issues that can emerge are:

- It is hard to define clear indicators that everyone understands.
- Too much performance measuring
- The measure is not correlated to the purpose of the organization.

One common issue with implementing performance measurements is sensitivity. This means that the measures must be responsive to the manager's decisions and efforts. If the achieved performance influenced by the managers is not the same as the measured performance, then the measure is insensitive and accordingly do not serve the aim of

influencing decision making and also providing meaningful feedback.(Bouwens & Speklé, 2007)

Another problem related to establishing a good performance measurement is the presence of noise in the measures. In this case the measured performance can be influenced by several indications from the environment and this can cause that the managers become uncertain and the efforts become ambiguous and can therefore be determined in a wrong perception of their performance.(Bouwens & Speklé, 2007)

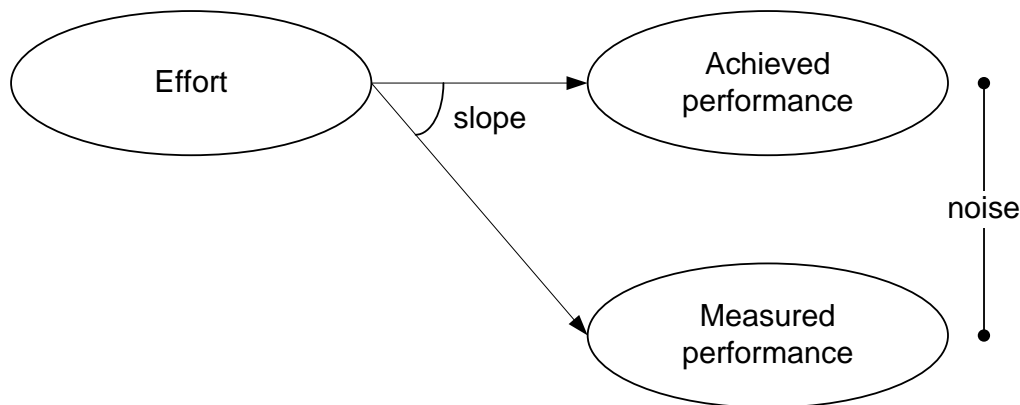


Figure 3. Measurement noise(Bouwens & Speklé, 2007, p. 249)

The performance measurements structure can also be affected by distortion. This problem occurs when the measured and achieved performance is not in accordance with the organization goal and achievement.

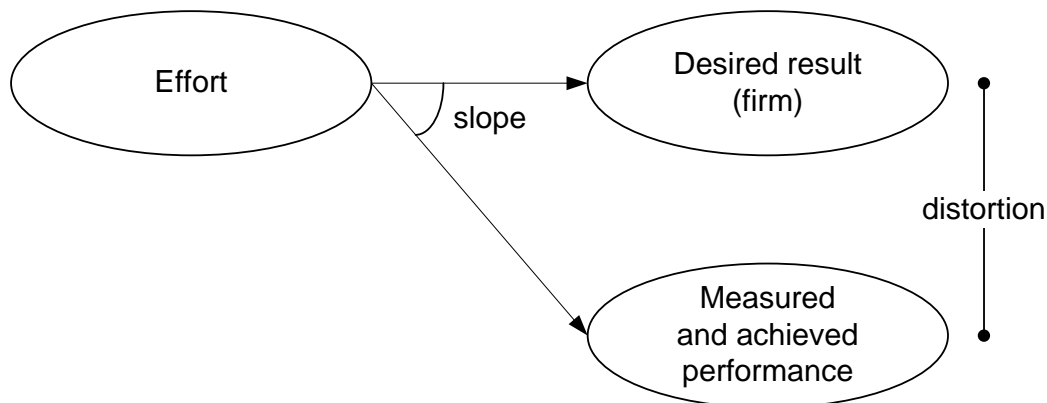


Figure 4. Distortion (Bouwens & Speklé, 2007, p. 250)

3.5.4 Financial measures in for-profit organizations

An important goal for profit maximizing organizations is to optimize their shareholder value. To optimize the shareholder value it is important for an organization to take financial responsibility for measures that are related to cost, revenue, profits and EVA. Often organizations plan these measures once a year while they at the same time plan the budget. One of the criticisms to relying solely on financial measures is that the focus is on short term goals and built on historical numbers. It is useful for managers today to not only focus on financial measures related to result of past decisions but also focus on non-financial measures. Another issue with financial indicators is that they are viewed as fundamental and major indicators are therefore related to the success of the

organization, especially indicators such as cost and revenue efficiency.(Anthony & Govindarajan, 2007)

3.5.5 Non-financial measures in nonprofit organizations

The non-financial measures are an opportunity for managers to improve entity evaluation and operations. When organizations start working with both financial and non-financial measures, they can easier communicate objectives and motivate managers to take actions towards the long-term strategy. In the past organizations were using non-financial measures on lower levels in the organization but today these measures are more used on all levels. The non-financial measures can be an indicator of future goals and planning. (Anthony & Govindarajan, 2007)

The traditional explanation of measuring goals is to generate profit. Anthony & Govindarajan (2007) argue that this goal does not exist in a nonprofit organization. In a nonprofit organization there is instead focus on measuring goals that are related to effectiveness by qualitative amounts. Public and nonprofit organizations' visions and missions are the driving forces in defining performance measures. (Poister, 2003)

One advantage with non-financial measures is that they are related to cause-and-effect(Kaplan & Norton, 1992). Another advantage is that the implementation of non-financial measures can give return not only for the organizational profitability, but for its stakeholders as well. Merchant & Van der Stede (2007) means that employee is more highly committed by the goal in the nonprofit organization. They find it easier to relate personally to the organizations aim.

An issue for the nonprofit sector is that they have to create performance measures that are related to their mission or need but they also have to take the cost and usefulness into consideration when they chose these goals(Poister, 2003). Ittner & Larcker (2000) mean that the non-financial measurements are less sensitive to noise and more of value in the long-run.

Some of the difficulties in nonprofit organizations concerning measuring the non-financial performance revolve around lack of numbers or trade-off to compare with as for financial measures. However there is also a complexity to evaluate or give feedback to these kinds of measures. There can be an issue in comparing the measure with the same in other organizations. Evaluating non-financial performance can be a time consuming and an expensive process. The costs can sometimes exceed the benefits, especially if the organization has to do investments in expensive IT systems, for example to measure this performance. (Poister, 2003)

3.6 Organizational performance management

3.6.1 Organizational performance needs to be analyzed from both financial and non-financial perspectives

Management control has both similarities and differences in nonprofit and for-profit organizations. One difference is that the for-profit and nonprofit organizations have different accounting rules and different regulation in legislation. The basic need is to do well but there is always a risk that performance measurement systems are being

Measuring what directly and indirectly matters

ignored. Poister (2003) support the difficulties with measuring performance listed by Merchant & Van der Stede(2007, pp. 8-11) being:

- Lack of direction
- Lack of motivation
- Lack of ability

They also have the same mechanisms (Merchant & Van der Stede, 2007, pp. 25-117) to control the organization:

- Action
- Result
- Personnel/cultural control

Management control has not been given the same amount of evaluation in nonprofit organizations as in for-profit organizations. Managers in nonprofit organizations are not so used to and experienced to work with performance measures as managers in for-profit organizations. (Merchant & Van der Stede, 2007) Relying too much on financial measures leads to an incomplete picture for management and planning. Therefore an organization today has to be analyzed from both financial and non-financial perspectives as they complement each other and ensure long-term health for the organization. When organizations starts working with both financial and non-financial measures, they can easier communicate objectives and motivate managers to take actions towards the long-term strategy.

3.6.2 Balanced scorecard

The most widely known performance measurement framework today is the balanced scorecard (BSC), developed by Robert S. Kaplan and David P. Norton. It is based on four organizational perspectives which are:

Theoretical Frame of Reference

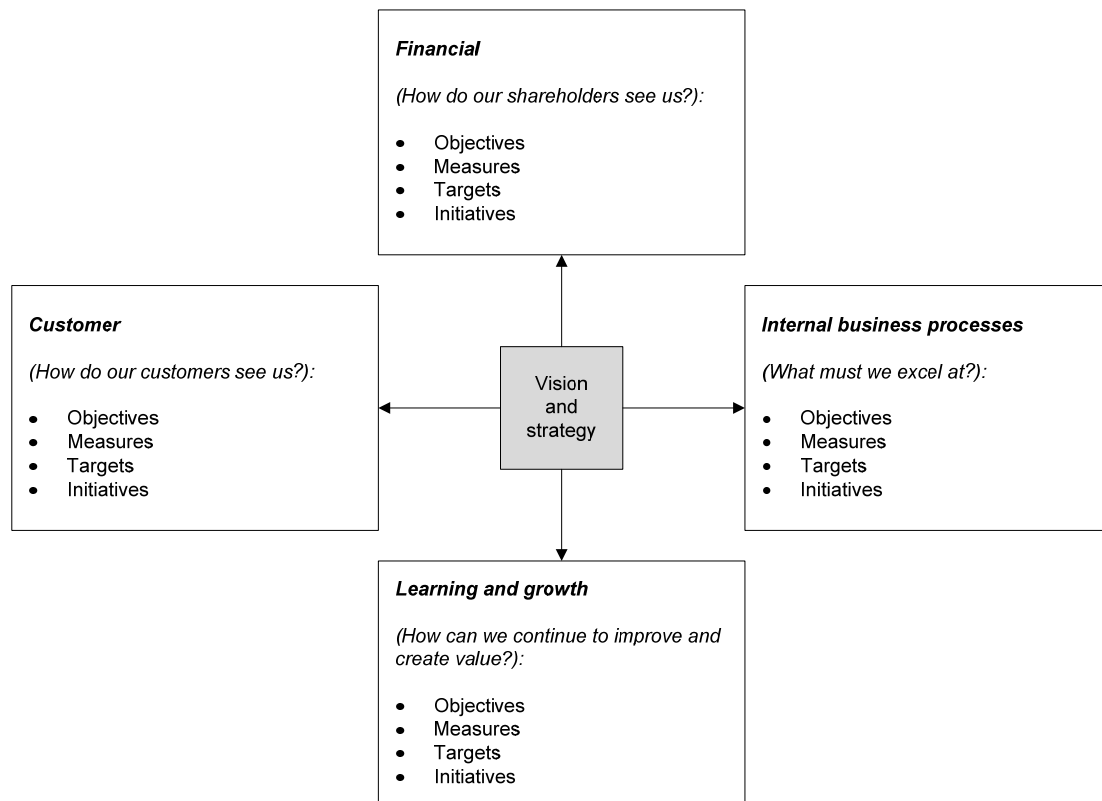


Figure 5. Extended version of The BSC framework.(Nørreklit & Mitchell, 2007, p. 176)

The balanced scorecard is a multi-dimensional approach closely linked to the strategy of the organization. Both financial and non-financial measurements are being used. The balanced scorecard consists of four perspectives of performance; financial, customer, learning and growth, and internal business processes (Otley, 1999). The scorecard puts the organization's vision and strategy as the main focus, in contrast to control as in traditional management. Instead the BSC focus on softer measures and the center in the system is to design measures to get people to work toward the overall vision and strategy. (Kaplan & Norton, 1992)

Critics of the balanced scorecard argue that it is not a system built on cause but rather on logical relationships which is based on invalid assumptions. This can lead to sub-optimal performance. There are also some issues concerning views that the model is too complex and it is hard to develop measures that exist outside the perspectives in the model. This can lead to the organization not thinking about and developing measures that are related to their organization.

3.7 Management control systems

3.7.1 Definition of management control

Management control is about the managerial process of providing information that can be useful to the performance of the organization as a whole. The term control can also be explained by inspection, check or verification.(Krauss & Lind, 2007) Anthony (1965) in Hoque (2006) developed the traditional framework for management control and his idea was about control and planning being a process were resources are obtained and used effectively and efficient so the organization's goals are achieved. After his work on

management control this approach has grown fast by the theoretical and the practical researchers. Otley (1999) mean that the traditional framework developed by Anthony (1965) was focusing on accounting information and therefore focusing too much on financial performance rather than non-financial performance.

Management control systems are about measuring “*how well we are doing*” (Fitzgerald, 2007, p. 223) and in today’s changing environment with different kind of management styles the non-financial measures have become more important than before to satisfy different kinds of stakeholders. Today the subject of strategic management focuses both on financial and non-financial performance. The strategic management control is more flexible and forward and outward looking than traditional management that is focusing on historical and internal numbers.(Lord, 2007)

3.7.2 The changing environment of management control systems

The changing environment has changed the focus on management control. The traditional organization has changed from focus on large hierarchies to smaller and more focused units. This has resulted in that organizations have developed more control systems that have a horizontal element into control structures and more relation to the supply chain and the internal elements. The complexity and uncertainty in the environment have made business plan with a wider focus on business strategy and strategic control processes. The aim of implementing performance measurement systems is to implement the strategy. Strategy defines the critical success factors for implementing a performance measurement system. If this is done in a useful way people are motivated and can therefore achieve the main goal. (Anthony & Govindarajan, 2007) Because of this fast-growing subject, organizations today have to focus more on non-financial measures and softer measures like culture and other internal elements to satisfy a wider group of stakeholders. (Berry, Coad, Harris, Otley, & Stringer, 2009)

This more integrated management approach is today necessary to examine the complexity of the nature and the relationships between strategy and management control systems, and to provide some insights into how integrated strategic control systems are used and implemented. Traditional management focused instead on linkages between strategy and specific elements of management control systems, often more operationalized elements, from a narrow focus usually formal financial control, with neglected mission of social control, clan control, culture and context. This has contributed in wider focus on management control system that are more focus on multidimensional measures in management control systems. (Berry, Coad, Harris, Otley, & Stringer, 2009)

3.7.2.1 Design of a management control system

There are different models for implementing performance measurement systems in organizations. Using performance measurement systems is a support to implement strategic planning and management. (Poister, 2003) Implementing strategy involves four steps that the organizations have to take into consideration(Anthony & Govindarajan, 2007, p. 467):

1. Define the strategy
2. Define measures related to the strategy

Theoretical Frame of Reference

3. Integrate the measures into the management system
4. Review measures and result

3.7.2.2 Difficulties in implementing management control systems

There is always a risk with performance measurement systems. Some of the issues can be that there is little correlation between financial and non-financial measures. According to Kaplan & Norton (1992) it is always hard to define a link and a cause-and-effect between the financial and non-financial measures. Anthony & Govindarajan (2007) mean there is no guarantee that future targets and results are correlated with each other as there are always many factors that can cause sensitivity, noise and distortion in these measures. (Bouwens & Speklé, 2007)

Another issue is that managers traditionally have a lack of non-financial measures. This is especially so in for-profit organizations where managers are driven by financial measures because the aim is to satisfy the shareholders. They are therefore behaving in accordance to satisfy this wealth. Some of the problems with this are if the reward system is connected too much to financial measures. This can cause the manager to act more to their own satisfaction instead of the organization's interest.(Anthony & Govindarajan, 2007)

Designing a performing measurement system is hard for organizations. Poorly designed mechanisms create pressure for the organization. One of these pressures can be that the performance is too old or not updated. Causes to this can be that the organization is not working with feedback or that there is a lack of evaluating the measures. Another reason to this problem can be communication problems inside the organization because the measures are not correlated with the strategy and therefore cause the problem that the measures are not fully understood from the employees. Another difficulty can be that the organization has too many measures or the measures are too overloaded. This can cause the organization to lose focus.(Anthony & Govindarajan, 2007)

Non-financial measures can stir trouble in organizations as these measures can be hard to measure and find trade-offs to. One issue especially with the balanced scorecard is that there are not explicit weights across measures and this causes problems to make trade-off between the financial and non-financial measures. (Anthony & Govindarajan, 2007)

Chapter 4

Empirical Frame of Reference

In our empirical section we present our 8 case studies. First we describe the results from our web-based survey from the organizations. Then we give a presentation of each case where we present the document study and then the interview with the respondent. In the end of this chapter there is a summary in a model of an empirical overview from all organizations.

4.1 Case comparisons based on web survey results

For motivation to why results from the web survey are presented in a section of its own, please see chapter 2.5 Presentation of the study. The complete survey structure can be found in Appendix A: Web-based survey.

Figure 6 shows our way of interpreting results from the web survey, yet diagrams below are presented according to the structure of the survey sections. Figure 6 below follows the structure of the web-based survey in terms of categories with their respective boxes correlating to questions in the survey. The connections between the boxes/questions are numbered and represent analysis steps further described and discussed in 5.2 Analysis based on interpretation of web-based survey results.

Empirical Frame of Reference

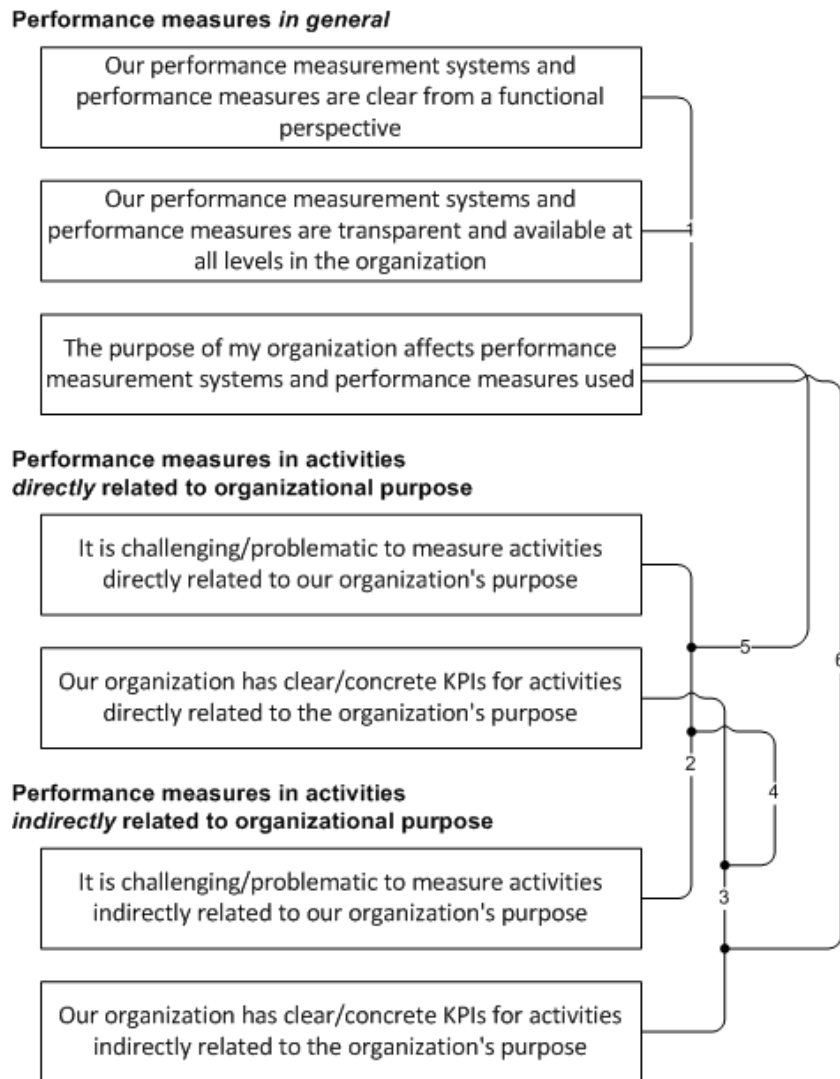


Figure 6. Interpretation process for survey results.

For the discussion on statistical reliability and validity see 2.7 Validity and reliability where we motivate why we interpret the results of the survey as examples rather than statistically grounded truths. The questions behind the diagrams below consist of statements with a ten point scale where 1 corresponds to *Do not agree at all* and 10 corresponds to *Agree fully*.

Important to point out is that diagrams will only be presented directly below in this chapter and not in Chapter 5 – Analysis. Also, the diagrams below are presented in groups. This is due to an attempt to not make this thesis too big page-wise. Also, given the use of results from the web-based survey as examples we feel this is reasonable.

The top left diagram in Diagram group 1 shows scattered responses suggesting that the clarity of performance measurement systems varies greatly depending on which organization you look at. The top right diagram in Diagram group 1 suggests performance measurements are fairly transparent and available to the whole organization. The lower diagram in Diagram group 1 suggests that purpose actually do affect performance measurements.

Measuring what directly and indirectly matters

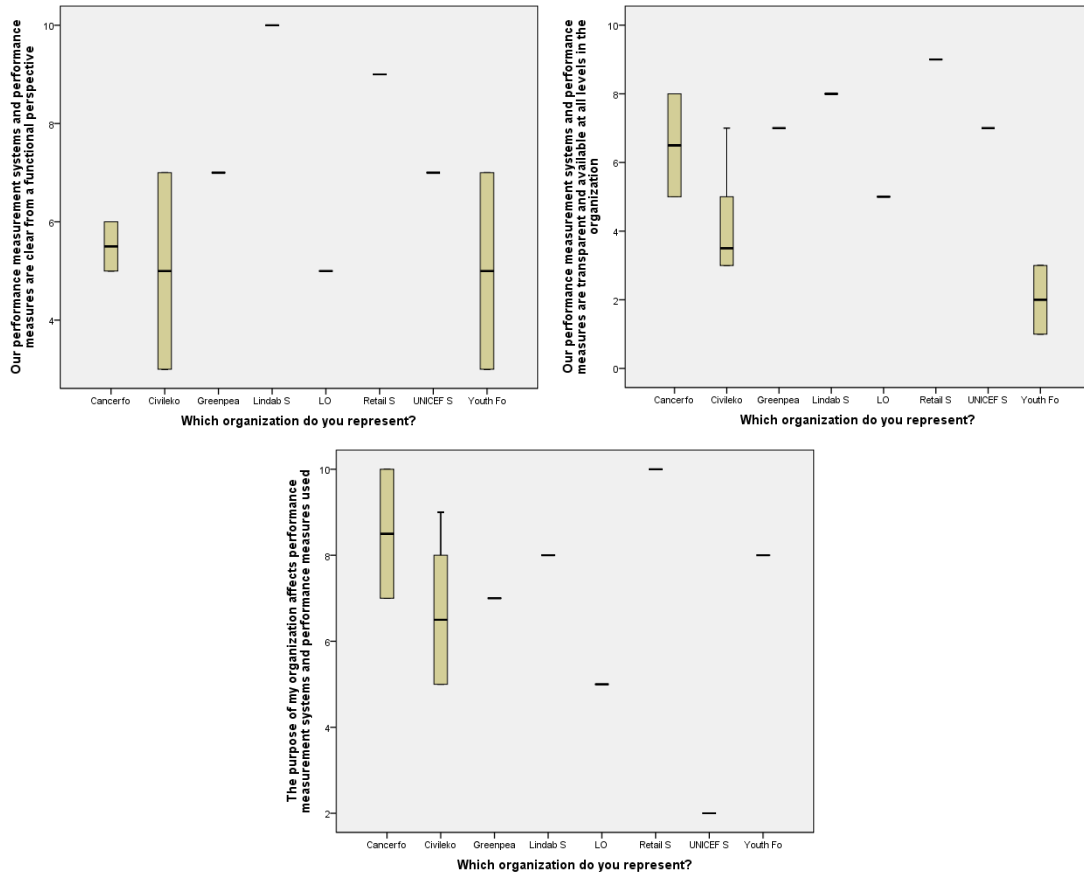


Diagram group 1. Diagrams for questions on performance measurements in general.

The left diagrams in Diagram group 2 and Diagram group 3 suggests that there is no unity on how challenging it is to measure performance in activities directly related to organizational purpose. However, the same diagrams also suggest that it is either challenging to measure performance in activities directly or indirectly related to organizational purpose.

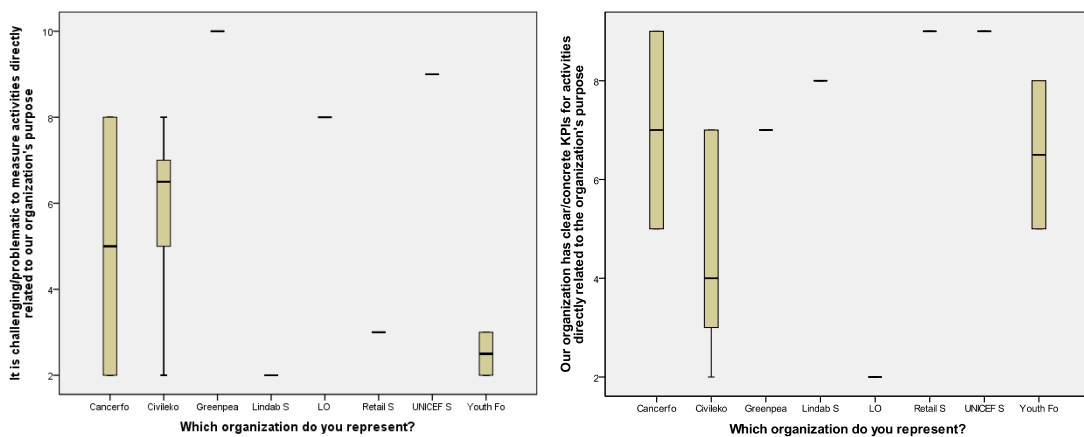


Diagram group 2. Diagrams for questions on performance measurements in activities directly related to organizational purpose.

The right diagram in Diagram group 2 suggests that there are clear and concrete key performance indicators in performance measurement in activities directly related to

Empirical Frame of Reference

organizational purpose whereas the right diagram in Diagram group 3 suggests it could be the opposite in activities indirectly related to organizational purpose.

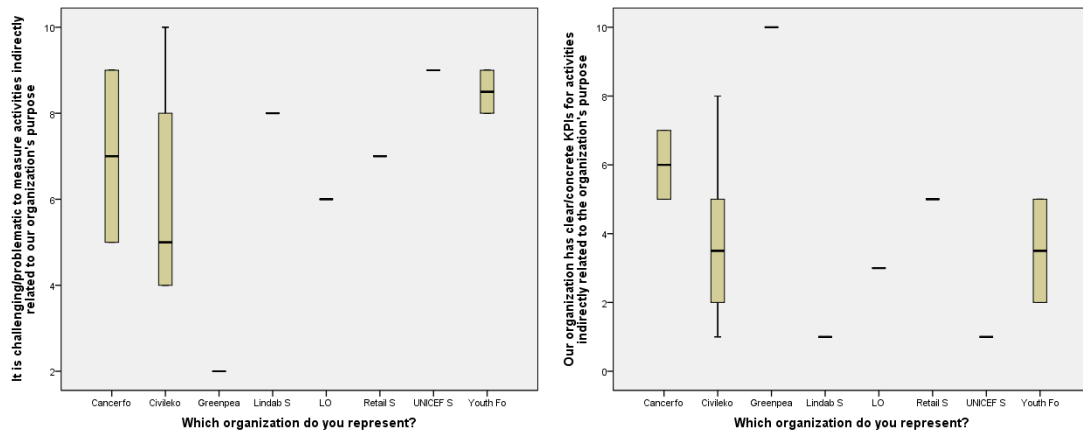


Diagram group 3. Diagrams for questions on performance measurements in activities indirectly related to organizational purpose.

4.2 Cancerfonden (The Swedish Cancer Society)

4.2.1 Organizational overview and purpose

Cancerfonden (The Swedish Cancer Society) is an independent nonprofit fundraising organization and is funded by contributions from donations coming from individuals and businesses. The organization's vision is that cancer will be cured. The organization is one of Sweden's leading research funders. Cancerfonden has two focus areas - Research Funding and Advocacy. In 2009 Cancerfonden took in a total of 433 million SEK in contributions. (Cancerfonden)

4.2.2 External reporting

Directly related information	Indirectly related information
Organization purposes	Government relations
Appropriations per cancer in SEK	Campaign Collection
Distribution of income	By creating a public opinion in the community and develop a campaign in connection with this, they can provide more money for their activities:
Distribution of research projects	Mustaschkampen, Rosa bandet
Breakdown by research institution	ISO 9001:2000,
Collecting distributed on fundraising	Quality stamp for organizations
Costs distributed in the organization	FRII and SFI member
Asset Allocation	Purpose of respect, transparency, credibility and quality to the public.
The proportion of shares, securities for which the organization owns	
Staff related targets	
Number of employees by gender	
Sick leave%, by gender	
Gender of the Board	

Table 5. Summary of external reporting for Cancerfonden.

Cancerfonden has a large share of performance measures that are related to their organizational purpose which is shown in Table 5. They do not account for many

financial measurements in the annual report. One of the organization's focus areas is to work with advocacy which is shown through performance measures. Cancerfonden works according to FRII, SFI and have ISO certification. The annual report is 84 pages.

4.2.3 Activities directly and indirectly related to organizational purpose

The purpose of the organization is that cancer will be cured. Activities within this purpose can be categorized as directly related to organizational purpose. Such are activities related to research funding and advocacy. Other activities can be categorized as indirectly related to organizational purpose being e.g. employee's activities.

4.2.4 Performance measuring

Cancerfonden's vision is that cancer could be cured. The aim is to decrease the sickness of cancer and increase the survival rate. To establish the aim they work with research funding and propagate knowledge by voicing public opinion.

Cancerfonden is working with campaigns to reach their aim, e.g. *Mustaschkampen* and *Rosa bandet*. To get out to the stakeholders they try to publish their campaigns in media. They also try to use different kinds of social media like Facebook. As the respondent say, *"We try to be innovative."*

When it comes to research funding this is not an issue for Cancerfonden to measure. The respondent says,

"The research funding is easier to measure because there are clear measures on how you measure a more financial perspective."

Cancerfonden have some issues when they try to define measures for research impact. As the respondent says, *"Research impact is hard to define and put a measure on"*. How you put a value or an output on research impact is therefore a big issue for Cancerfonden.

4.2.5 Models and methods for management control

Cancerfonden is not using any control system like a balanced scorecard. They try to develop an own control system that are focusing on performance measures.

Cancerfonden's respondent says,

"We try to evaluate a control system but we don't want to implement a balanced scorecard because it is too complex and you can be too forced by the performance measures that are correlated to the scorecards perspectives. Another issue is that there can be too many performance measures so it becomes hard to measure all performances".

Instead they want to evaluate an own control system that focuses more on soft measures related to their donors and employees.

4.2.6 Challenges and problems connected to performance measuring

Challenges and problems with measuring their organization is always a big challenge on Cancerfonden's agenda. Cancerfonden have some challenges and problems when they try to define how the measure research impact. As the respondent says, *"Research impact is hard to define and put a measure on"*.

How you put a value or an output research is therefore a big issue for Cancerfonden.

4.2.7 Ways to handle challenges and problems connected to performance measuring

To handle the challenges and problems in Cancerfonden the organization try to find sub targets so they can evaluate and quantify their goal in some way. They also try to find some performance measures that they can use to measure knowledge impact. They are looking at other organizations to see how they measure their purposes and they also try to collaborate inside the organization to get rid of the problem. They also give out reports about cancer to provide value for their work and increase their impact.

4.3 Civilekonomerna (The Swedish Association of Graduates in Business Administration and Economics)

4.3.1 Organizational overview and purpose

Civilekonomerna is the Swedish Association of Graduates in Business Administration and Economics. The purpose of the organization is to be a union and interest organization for professionals and students in business administration and economics in Sweden. The organizations have about 38 000 members. (Civilekonomerna)

4.3.2 External reporting

Directly related information	Indirectly related information
Staff related targets	.
Number of employees by gender	
Sick leave %, by gender and age	
Gender of the Board	

Table 6. Summary of external reporting for Civilekonomerna.

Civilekonomerna have a small percentage of performance measures. The report is only nine pages and gives no more information than what is necessary.

4.3.3 Activities directly and indirectly related to organizational purpose

The purpose of the organization is to be a union and interest organization for professionals and students in business administration and economics in Sweden. Activities within this purpose can be categorized as directly related to organizational purpose. Such are e.g. activities related to their members. Other activities can be categorized as indirectly related to organizational purpose being e.g. employee's activities.

4.3.4 Performance measuring

Civilekonomerna are not using that many performance measures because it hard to measure their purpose by using performance measures. They are using surveys to measure and evaluate the organization's work. They use some financial measures for their indirect activities when they do their annual report each year. They also measure sickness by their employees for example.

4.3.5 Models and methods for management control

Civilekonomerna are not using any management control system apart from planning budgets each year. They are instead using surveys to evaluate how their members think of the organization.

Measuring what directly and indirectly matters

4.3.6 Challenges and problems connected to performance measuring

A challenge for Civilekonomerna is that they are working a lot with research and education and it is hard to put a measure on and quantify it.

4.3.7 Ways to handle challenges and problems connected to performance measuring

Civilekonomerna is using surveys to handle challenges and problems when they try to evaluate their organization.

4.4 Greenpeace Nordic

4.4.1 Organizational overview and purpose

Greenpeace International describes themselves with the following on their international webpage (About Greenpeace | Greenpeace International):

“Greenpeace is an independent global campaigning organization that acts to change attitudes and behavior, to protect and conserve the environment and to promote peace by:

- Catalyzing an energy revolution to address the number one threat facing our planet: climate change.
- Defending our oceans by challenging wasteful and destructive fishing, and creating a global network of marine reserves.
- Protecting the world's ancient forests and the animals, plants and people that depend on them.
- Working for disarmament and peace by tackling the causes of conflict and calling for the elimination of all nuclear weapons.
- Creating a toxic free future with safer alternatives to hazardous chemicals in today's products and manufacturing.
- Campaigning for sustainable agriculture by rejecting genetically engineered organisms, protecting biodiversity and encouraging socially responsible farming.
- Greenpeace is present in 40 countries across Europe, the Americas, Asia, Africa and the Pacific.”

Apart from the international organization being a foundation registered in Amsterdam, The Netherlands, and Greenpeace consists of national and regional offices licensed to use the Greenpeace name within their territories. (Legal Structure | Greenpeace International) For this case study we have worked with Greenpeace Nordic.

4.4.2 External reporting

Directly related information	Indirectly related information
Organization purposes	Government relations
Contribution by country	FRII quality report
Staff related targets	Purpose of respect,
Number of employees by gender and by country	transparency, credibility and
Sick leave %, by gender	Quality to the public.
Staff in terms of their age.	

Empirical Frame of Reference

Table 7. Summary of external reporting for Greenpeace Nordic.

Greenpeace has a small percentage of performance measures in its annual report and a small percentage of financial performance. The annual report is very little only 17 pages. There is a quality report, which refers to how it presents as FRII but feels more like a record list for the measurements they use.

4.4.3 Activities directly and indirectly related to organizational purpose

According to above the purpose of Greenpeace is to “*change attitudes and behavior, to protect and conserve the environment and to promote peace*”. Activities within this purpose can be categorized as directly related to organizational purpose. Such are e.g. causes and campaigns. Other activities can be categorized as indirectly related to organizational purpose being e.g. internal finance.

4.4.4 Performance measuring

According to the Executive Director Greenpeace Nordic works with performance measuring of activities directly related to organizational purpose all the time but that it is also very difficult. It is easier to measure financial performance but when it comes to e.g. campaigns and social change then it is much more difficult. This is because it is difficult to isolate cause (for instance the cause for a given change in society).

For Greenpeace it is thus easier to measure financial areas, even though they are not a for-profit organization. The Executive Director says Greenpeace is very similar to a for-profit company or for-profit organization, meaning they do not get any money from government or equivalent but rather from member and supporters. These are things you can measure easily. On the other hand, when it comes to other types of financial indicators, e.g. how much change in society you’re getting a certain amount of money then it is very difficult to measure. Greenpeace has worked with this issue for many years trying to refine these measures, since it is very important to do it because it is one of the ways they can find out if they are efficient or whether their methods work.

Performance is measured in different ways depending on which part of the organization you are looking at. Some indicators are more key than others, partly due to how easy it is to measure them. The easiest to measure is media impact or how well the organization’s message is further carried by media, which is related to communication. It answers the question of how many have seen or heard what Greenpeace has done. Apart from being easy to measure it is also relevant. It is not showing how much change is created in society but it is certainly an important measure still since it has to do with brand value and what Greenpeace can measure against other organizations or players operating in the same field. Furthermore, indicators showing what kind of political legislative work has come from Greenpeace are also important. On the other hand the Executive Director points out,

“We cannot always say it’s directly from our work because other factors weigh in as well but we don’t care about that since our purpose is to get those legislative changes to happen. It’s more about that it happened than how it got about.”

Measuring what directly and indirectly matters

A third indicator is change in behavior, particularly political behavior and behavior in companies. For example, has company A changed something that Greenpeace has asked or campaigned for?

Even though Greenpeace works with change in society they use performance measuring for themselves. Greenpeace are accountable to the organization's supporters but the supporters are not that interested hard facts but rather the trust Greenpeace's ability to create change in society. Performance measuring is instead primarily used to become better at what they are doing and to try to find out if they are actually making a difference. The Executive Director says,

"I would like to believe that they are interested but I would also say that we don't feel a pressure from our financial supporters to get hard evidence. Many of our supporters seem to trust our ability to create change so much that they want to support us financially. Our supporter figures are growing. It is important to show what we do and we try to do this in our annual reporting, in our newsletters to supporters, but the primary reason of measuring performance is to try to get better in what we're doing."

For the Executive Director it is important to think about whether performance measuring makes the organization more successful in reaching its goals or if it is just a bureaucratic distraction. Greenpeace use a systematic approach with some kind of measurability in goal and performance setting to find out what methods work and what methods do not work, which method that is effective and which one is not. He says,

"Essentially it is about efficiency, it's about being aware that what we do needs to be done in a way that leads to concrete changes. It cannot be fluffy, very very long term work. It has to be work that also pays off in a short term."

Greenpeace works with this internally a lot to prove the way they work. Externally they describe what they have done and what has been achieved but not in the same detail as internally.

The quest for improvement is always present but there also needs to be a balance between measuring and actually doing.

The Executive Director remarks,

"Yes, we want to become better through transparency and measurability but we don't want to become slaves of it. We don't want to fundamentally stop doing specific things just because we can't measure them. There's a certain limit to how far we can go on the measurability of our performance"

4.4.5 Models and methods for management control

For Greenpeace the issue of management control is difficult because it has many facets and layers but on the income side, i.e. the fundraising side it is all included in the budgets and also in a number of key performance indicators for the income programs.

The cause side also has key performance indicators to some extent. The cause or program side, i.e. campaigns uses a project structure where people in Greenpeace

provide project proposals annually. In these proposals they are asked to list SMART⁷ objectives that will be evaluated in the end of the year to see how much change or effect the project has resulted in.

At the program/cause side Greenpeace have what they call a level 1 mission that is long term and moves into 2050. Under that there is a level 2 strategy that will take them into 2020. Below level 1 and 2 are level 3 and 4 more focused on projects spanning the next 12 months to 3 years. The goals lifted in level 3 and 4 should be milestones on the way to the mission as well as the 2020 goals.

“In that respect there’s a timeline that’s quite clear on what the strategy is and what immediate change we want to see. A key argument for our project proposals is of course how a specific project proposal advance the change we want to see in 2020 or 2050.”

4.4.6 Challenges and problems connected to performance measuring

The Executive Director says the main challenge is that they are dealing with social science and therefore it is hard to be certain that a specific strategy will lead to the change they want to see in 2020. One example is the global climate summit (COP15) in Copenhagen in 2009 where Greenpeace developed a strategy prior to the COP15 to influence a small number of important countries and get all heads of states to come to Copenhagen because if they came there would be a fair, ambitious and binding climate treaty. The problem was that even though they did succeed in bringing important heads of states to Copenhagen it turned out that having those people there actually decreased the chance to get a fair, ambitious and binding climate treaty. Greenpeace thus reached the goals of the strategy but it turned out that the underlying analysis was wrong. The Executive Director reflects on this by saying,

“You can say that is the problem with social science. There are no easy income KPIs... there are so many variables that you can measure all you want but whether you’re getting the social change you want is a completely different story. That is one of the challenges in putting up SMART and clear and transparent performance indicators. When it comes to the real world it might be much harder than that. This does not mean you shouldn’t strive for it and we are striving for it but there’s not a single core answer to an effective campaign organization like ours.”

4.4.7 Ways to handle challenges and problems connected to performance measuring

Very often Greenpeace attack the problem from another side, i.e. they measure output of the activity rather than the actual activity. On the other hand, the Executive Director admits that whether this actually says something about their ability to change society is very doubtful.

The global climate treaty is an example of a situation when it is hard to use specific measurables. The planet needs the treaty but no one can really point to the exact road to get there. Here the focus might have to be on other things perhaps not on the straight

⁷ SMART is an acronym for Specific, Measurable, Accepted, Realistic and Timebound (or equivalent words) used to shape goals and objectives in project management. For inspiration, see http://en.wikipedia.org/wiki/SMART_criteria

pathway to the climate deal. Since it is about changes in society it is very difficult to put up clear goals and measurables in a one to three year perspective.

The Executive Director exemplifies,

“If you were very strict you would insist that it should be dropped completely. If it doesn’t achieve anything, if it doesn’t give you results and you can’t pinpoint how to get there. Normally you would say that you would have to give it up. But maybe it is so important for the world we need to continue to work on it, to continue to push those who have not moved so far in the right direction, but we should also realize that it might take a few years before we can see what the next steps are. I think this is an example where we accept that even though we can’t measure progress or achievements in the short term we can measure output, i.e. how many articles you get in the newspaper or you can measure how many meetings you’ve had but you cannot really measure the change in society.”

He continues by saying that measurables and indicators can never be the only answer because then you might miss the bigger picture and lose sight on what’s really your long term goals to keep focusing on instead of just short term targets.

One way of working with these issues is to learn from others but the Executive Director says there is a lack of sharing and lack of information in the material communicated by different organizations concerning how to measure societal change. Overall the quality of annual reports from nonprofits varies. For for-profits there are laws and other requirements on at least a minimum of information in annual reports but this is not the same for nonprofits. Given that it is harder to measure how you change the world than internal finance many organizations become more cautious to put such material in annual reports and in writing.

4.5 Lindab AB

4.5.1 Organizational overview and purpose

Lindab AB is an international group working for simplified construction and improved indoor climate. Lindab manufactures, markets and distributes products and system solutions in sheet metal and steel. Lindab are divided in three business areas; ventilation, building components and building systems. The group has approximately 4 400 employees and was established in 31 countries 2010. Lindab is listed on the Stockholm stock exchange. (Lindab AB, 2011)

4.5.2 External reporting

Directly related information

Indirectly related information

Empirical Frame of Reference

Financial targets	Environment and sustainability
Return on equity	ISO 26000
Financial solidity	Certified for social responsibility
Debt-equity ratio	Global Compact
Earnings per share	Guidelines on Human Rights
Return on total asset	GRI index
	Sustainability Reporting guidelines
Staff related targets	Consumption of raw materials
Number of employees by gender	Waste and scrap
Reduce work-related injury	Greenhouse gas emissions
Geographic distribution of employees	Power Consumption
Distribution of Board fees	
Sales per employee	

Table 8. Summary of external reporting for Lindab AB.

Lindab has a high proportion of financial performing measures. Lindab shows in its annual report how they work with just-in-time in their supply chain process. Further they also show some indirectly related information in their annual report. They show how they work with environmental and human rights. There is also a detailed description of human resources, especially in terms of board and group management fees.

4.5.3 Activities directly and indirectly related to organizational purpose

The purpose of the organization is working for simplified construction and improved indoor climate by selling solutions in sheet metal and steel. Activities within this purpose can be categorized as directly related to organizational purpose. Such are e.g. financial measures like return on equity. Other activities can be categorized as indirectly related to organizational purpose being e.g. environmental and employee's activities.

4.5.4 Performance measuring

Lindab is working with financial performance measures when they plan their year budget. The company also uses a rolling forecast that is correlated to the budget.

Lindab have a lot of financial measures that are correlated to cost, revenues and market shares. The respondent point out that they do not use much non-financial measures by saying, *"We are a very traditional financial company driven by financial numbers"*.

The most important measure is according to the respondent, *"the revenue measures"*. Lindab is not using many soft measures but they measure some non-financial performances like environmental factors and employee measures.

4.5.5 Models and methods for management control

Lindab is not using any specific management control system like a balanced scorecard. The respondent says that they are trying to evaluate a management control system because they are in a changing process right now due to change of CEO. The old CEO that had built up the company had a lot of knowledge about the market and now when this knowledge is not there anymore the respondent think that they have to develop a control system to keep the control of the market.

4.5.6 Challenges and problems connected to performance measuring

Lindab have challenges to measure softer measures compared to financial measures perspectives like environmental and sustainability issues. This is primarily due to it being harder to get a hold of quality data that can be hard to get from suppliers.

4.5.7 Ways to handle challenges and problems connected to performance measuring

Lindab is working on developing an own management control system to handle their challenges and problem.

4.6 LO (Landsorganisationen i Sverige - The Swedish Trade Union Confederation)

4.6.1 Organizational overview and purpose

LO (Landsorganisationen i Sverige - The Swedish Trade Union Confederation) is a collaboration between fourteen Swedish trade unions. In total there are over 1,5 million members. The unions are working together to improve working life. Their work includes negotiations with employers on wages, working conditions and working hours. LO is a democratic feminist organization. (LO - Landsorganisationen i Sverige, 2011)

4.6.2 External reporting

Directly related information	Indirectly related information
Organization purposes	
The number of members in terms of their union	
The number of members in each union in terms of gender	
The number of members in terms of age	
Number of undergraduate courses	
The group's investments in shared world	
Staff related targets	
Number of employees by gender	
Sick leave %, by gender	
Gender of the Board	
The number of employees in different age groups	

Table 9. Summary of external reporting for LO (Landsorganisationen i Sverige).

LO have a small percentage of performance measures concerning activities directly related to organizational purpose. They are lacking information on activities indirectly related to organizational purpose in their report. There are no financial indicators in their annual report. The report is 93 pages long.

4.6.3 Activities directly and indirectly related to organizational purpose

The purpose of the organization is to be a confederation of unions working together to improve working life for their members. Activities within this purpose can be categorized as directly related to organizational purpose. Such are e.g. activities related to their members. Other activities can be categorized as indirectly related to organizational purpose being e.g. employee's activities.

4.6.4 Performance measuring

LO are measuring indirect activities like financial measures which they say are easy to measure for them. The organization also works with some employee measures.

When LO are measuring performance in their organization they use hypotheses. For example if they want to measure work climate inside the organization they try to think what they have to do to get the better working climate. Then they try to build a theory about the problem first and see if it is possible to achieve the goal by doing activities that are connected to the hypotheses.

4.6.5 Models and methods for management control

LO are not using any specific management control system. Instead they use an own model as they use for planning their organization. The model is focusing on some activities that LO are working on. LO makes a budget every year.

4.6.6 Challenges and problems connected to performance measuring

Challenges and problems for LO is that they are working a lot with long term goals and there are therefore hard for them to evaluate what results they get on their goal. There is also a challenge for them to establish hypotheses that fit their organization and correlate a measure to the hypotheses. Another problem is that is hard for them to find relevant and reliable measures that are easy to quantify for their purpose.

4.6.7 Ways to handle challenges and problems connected to performance measuring

LO is using hypotheses to handle their challenges and problems.

4.7 SEB Retail

4.7.1 Organizational overview and purpose

SEB is one of the leading banks in Sweden with a strong focus on corporate and investment banking. SEB provides financial services to individuals, businesses and institutions. The bank has a total of 2 500 customers in businesses and institutions and 400 000 corporate customers in small and medium-sized companies and 5 million private customers. Overall, the Bank has 21 000 employees in the world. (SEB, 2011)

4.7.2 External reporting

Directly related information

Indirectly related information

Measuring what directly and indirectly matters

Financial targets	Government relations
Return on Equity	Risk Breakdown by Division
P/E ratios	Basel 2 framework
Stock market price in relation to share	Environment and sustainability
Return on total asset	Carbon dioxide emission
Cost/income ratios	Power Consumption
Capital cover rate	Business travel and company cars
	Reduce traffic in the enterprise
Staff related targets	Resource efficiency
Employee turnover%	Reduce consumption of material
Sick leave%	
Number of employees by gender	
Education	
	The employee survey Voice is a tool to get an overall picture of how employees view the business

Table 10. Summary of external reporting for SEB Retail.

SEB has overall most financial performing measures which largely reflect their financial statements. The bank also presents other performance indicators that can be seen in the table but to a lesser extent, an example of these is the environmental dimension, which shows how they work towards sustainable development in their group. The annual report is 148 pages.

4.7.3 Activities directly and indirectly related to organizational purpose

The purpose of the organization is to provide financial services to individuals, businesses and institutions. Activities within this purpose can be categorized as directly related to organizational purpose. Such are e.g. financial measures like return on equity. Other activities can be categorized as indirectly related to organizational purpose being e.g. environmental and employee's activities.

4.7.4 Performance measuring

SEB is mostly working with financial measures that are direct relates measures to their profit purpose but they also try to measure other goals like non-financial goals if it is possible. It is important for SEB *“to get a red thread between the goals so every employee understands them”*.

SEB is also working with environmental measures like reducing the carbon dioxide emission by improve the travel policy in the bank. The bank also measures how the customers feel about the bank by asking them questions when the customer contacts the bank. They also use an external partner to do customer surveys.

SEB respondent says,

“that they are driven by financial measures. Even if they also point out that non-financial measures is important for them like employees and customer satisfactions. Without the customer and employees it is hard to generate profit.”

4.7.5 Models and methods for management control

SEB is using a balanced scorecard as a management control system. The scorecard is traditionally made based on Kaplan's and Norton's model but SEB has also developed it to also fit SEB organization more. SEB have clear guidelines on each division how each manager shall use the control system and what they shall measure. The bank is also using a rolling forecast and budget. On small divisions the respondent says *"We are using more a budget but on the operating division we are using a more rolling forecast model"*.

SEB points out

"that it is also important to see the performance measures also from a macro perspective like see what trend and treats it is on the market and take that into consideration when you plan your organization."

Voice is a requirement that SEB are using for internal control to activities that are not direct related to their purpose. Voice measure inside conditions in the organization to see and control how the employees are feeling and what they want to achieve. As the respondent says *"Voice is capturing a lot of soft goals"*.

They also have a bonus-system that is correlated to the employee's achievement to motivate the worker. SEB respondents say,

"Voice is a good requirement to use to identify problem inside the organization and what projects you shall put more time on. It also a system good for benchmarking with other organizations."

When they measure by the employees it is often less financial measures than when they measure on the financial performances. SEB are therefore using more non-financial measures when they measure the employees.

4.7.6 Challenges and problems connected to performance measuring

Challenges for SEB are that is hard to get everyone involved in the organization. It is also hard to put goals on some divisions, especially when it comes to measuring employees. SEB mean that it is *"easier to measure financial than non-financial perspectives"*.

Another problem for the bank is that

"sometimes you control wrong and then you might not get the measurements you want".

4.7.7 Ways to handle challenges and problems connected to performance measuring

SEB is using a balanced scorecard as a complement to control their organization and to handle their challenges with performance measures. They use Voice for controlling the employees and the internal conditions.

4.8 UNICEF Sweden (The United Nations Children's Fund)

4.8.1 Organizational overview and purpose

UNICEF (The United Nations Children's Fund) works on behalf of the United Nations to realize children's rights. The organization works in over 190 countries around in the world. UNICEF's aim is to work to improve children to survival, protection, development and empowerment. Their mission is to shape opinion, influence politicians, raising money and obtaining all the necessary elements to create a better world for children. (UNICEF, 2010)

4.8.2 External reporting

Directly related information	Indirectly related information
Organization purposes	
Revenue breakdown by revenue source / country	SFI and FRII members
Costs distributed on projects	

Table 11. Summary of external reporting for UNICEF Sweden.

UNICEF has a small percentage of performance measures in their annual report. However, there are a number of other reports on their international web site that discusses how UNICEF is working with various projects. The report is 52 pages.

4.8.3 Activities directly and indirectly related to organizational purpose

The purpose of the organization is to work to improve children to survival, protection, development and empowerment. Activities within this purpose can be categorized as directly related to organizational purpose. Such are e.g. related to shape opinion and influence politician's activities. Other activities can be categorized as indirectly related to organizational purpose being e.g. employee's activities.

4.8.4 Performance measuring

The aim of UNICEF is to inform about children's situation in the world. The primary goal is to get funding so UNICEF can establish their secondary goal to inform by influencing public opinion.

UNICEF is also working with some internal performance measures relating to their employees. But the respondent point out that they are not working so much with measures that are indirectly related to their purpose. Mostly every activity is correlated to their purpose.

Funding for UNICEF is easy to measure as the respondent say *"It's only a matter of looking if the number has gone down or up"*. However, impact on public opinion is harder for UNICEF to measure.

UNICEF is measure different kind of projects one is how the measure how much money of the turnover that gets to work in the world. They call it *"Contribution rate"*. They measure how much impact they have in media by looking at how many times they have been published or how many clicks they have on their homepage.

4.8.5 Models and methods for management control

UNICEF is using ROI (return on investment) on every campaign and activity they do. They are not using any control system but they are trying to evaluate one. UNICEF is using budgets. The organization want to develop a model that could measure both funding and opinion impacts.

4.8.6 Challenges and problems connected to performance measuring

One of the challenges for UNICEF is to measure public opinion impacts that are related to a value. It is hard to define impact and put a result on it, especially when there are a lot of actors involved that are working for the same cause. As the respondent say,

“You can see results but is hard to define a result to your own impact”

Another challenge is the time aspect for UNICEF. A big problem is that the organization is working with long term goals and processes and it is hard to evaluate what impact the organization have on the sustainability. However they are more and more forced by their stakeholders to develop short term goals that give more short term results and are therefore easier for the stakeholders to evaluate. On the other hand, there are some disadvantages according to the respondent because it is hard to measure sustainability with short term goals.

4.8.7 Ways to handle challenges and problems connected to performance measuring

To handle their challenges the organization tries to evaluate measures that you can quantify. UNICEF tries to develop a management control system that fit their purpose. They also do internal assessment by their employees to evaluate them.

4.9 YFU (Youth For Understanding) Sverige

4.9.1 Organizational overview and purpose

There is no organization called YFU (Youth For Understanding) International. Instead the YFU-network is made up of partner organizations in different countries. However, on their common webpage linking to the different partner organizations YFU writes,

“Youth For Understanding (YFU) is a nonprofit educational organization which offers opportunities for young people around the world to spend a summer, semester or year with a host family in another culture.” (Youth For Understanding) However, according to YFU USA the actual mission of Youth For Understanding is *“Youth For Understanding (YFU) prepares young people for their responsibilities and opportunities in a changing, interdependent world.”* (Youth For Understanding USA).

The National Director of YFU Sweden reflects on this saying that whereas some competitors of Youth For Understanding are profit maximizing companies YFU Sweden is a nonprofit organization governed by members. He also believes the organizational purpose helps driving the organization.

4.9.2 External reporting

Directly related information	Indirectly related information
Organization purposes	Prices for exchange programs

Measuring what directly and indirectly matters

Table 12. Summary of external reporting for YFU (Youth For Understanding) Sweden.

YFU Sweden does not have an annual report available freely to the public on their webpage. It is available to members at for example the general assembly but will not be counted as external reporting in this study. The main source of external reporting for YFU Sweden is their webpage (www.yfu.se) and their Facebook page (YFU (Youth For Understanding) Sweden).

4.9.3 Activities directly and indirectly related to organizational purpose

Activities within the organizational purpose can be categorized as directly related to organizational purpose and such are e.g. activities related to exchange programs. Other activities can be categorized as indirectly related to organizational purpose being e.g. internal finance and marketing.

4.9.4 Performance measuring

YFU Sweden works with performance management in mainly two ways, evaluation of day-to-day operations and evaluations of individuals. Outbound⁸ exchange student programs are important to evaluate against previous year's performance and the inbound⁹ program is evaluated by number of host families in relation to inbound students. Since each program at YFU Sweden has an employee at the central office in Stockholm tied to it the measures of performance for a certain program becomes an evaluation of individual performance to some extent as well. Complementing this, individuals also have feedback and personal development sessions once a year plus a smaller checkup once between the annual sessions.

Internal finance is important for YFU Sweden even though it is an activity indirectly related to the organization's purpose. This also becomes a way to measure performance of the National Director of the organization. The National Director says,

"We have financial goals and we work to meet a certain revenue level each year in order to have a working margin. In that respect we work towards financial goals just like profit maximizing companies, but it's not a purpose in itself to make as much money as possible. For us it's more a matter of strive for stability so that we can fulfill our purpose."

4.9.5 Models and methods for management control

The National Director says YFU Sweden does not use Balanced Scorecard since the office is fairly small and not formalized in that respect. There might be inspiration present in mind during feedback and personal development sessions for staff but not more formalized than that. Performance measuring on an individual level is more focused on personal development than historic evaluation. There are however clear and more formalized guidelines for staff in their job descriptions. Volunteers on the other hand don't have the same kind of formalized way of working and here performance measuring is conducted on a more overview level than linked to individuals.

⁸ Outbound implies students travelling from Sweden to another YFU partner country.

⁹ Inbound implies students coming from another YFU partner country to Sweden.

To follow up and control day-to-day operations YFU Sweden uses budgets and annual pricing of exchange programs. Some models are also built using applications like Excel. These models are developed internally.

One of the most important key performance indicators is number of inbound and outbound students. The National Director remarks that YFU Sweden is a nonprofit volunteer-based association that lives on income from its programs. There is thus a certain level of inbound and outbound students required. This is in turn broken down to other measures.

To communicate performance and fuel volunteer work the organization tries to complement personal interactions with recurring communication in newsletters. Members receive a member magazine four times a year and volunteers get a volunteer newsletter once a month. YFU Sweden also tries to have a continuing presence on social media like Facebook to interact with stakeholders like members and volunteers as well as potential new exchange students and host families.

4.9.6 Challenges and problems connected to performance measuring

A big issue in YFU Sweden is a very high workload on staff which results in lack of time to work with performance measuring. Also, since the central office is fairly small staff-wise it is hard to find time and resources for development of new models.

Another challenge is to develop models capable of working both with employees as well as volunteers. On the volunteer side many people do smaller tasks compared to the central office where few people do more tasks. This adds complexity to measuring performance across the organization. The National Director says that it can sometimes be hard to follow exactly which volunteer does what and how much work it consists of. In some cases the same task can be performed by many different people. An example of this is interviews with potential outbound exchange students and host families for inbound exchange students.

Since the organization engages a lot of people it is easy to find a situation where the wheel is being re-invented over and over. It is hard to put too much management control on volunteers and it is hard to control the organization with very little management control. This is thus a dilemma of the volunteer-based organization. Lack of information is one of the keys in this.

4.9.7 Ways to handle challenges and problems connected to performance measuring

To get more information about organizational performance YFU Sweden conducts recurring evaluatory surveys on stakeholders in the organization, spanning exchange students and their respective families to volunteers and schools that students go to.

The collaboration with schools for exchange students is very important since it can be hard to find school placements for students corresponding to location of a suitable host family. One simple but very concrete way to overcome lack of information is to use the phone as a tool. The National Director points to how important it is to actually talk to stakeholders to hear how things are going. There is a limit to how much can be aggregated within a certain measuring system. This goes for the volunteer organization

Measuring what directly and indirectly matters

as well since it is much easier to get people to do things through direct communication. E-mail can play one part in this but actually talking to each other is important.

Another factor that makes talking to each other important is that most of the recruitment for exchange students and host families is catalyzed by recommendation by a friend or family member.

4.10 Summary – Empirical overview

	Organizational overview and purpose	External reporting	Direct and indirect activities	Performance measures	Models and methods for management control	Challenges and problems	Ways to handle challenges and problems	
For-profits	SEB Retail	SEB provides financial services to individuals, businesses and institutions	Mostly financial measures in their annual report	Direct activities are financial performances and indirect activities are customer and employees satisfaction	SEB is mostly working with financial measures that are direct relates measures to their profit purpose	Using balanced scorecard and Voice, Useing budget and rolling forecast	Hard to get everybody involved and to measure non-financial measures. Hard to know if you measure right	Use balanced scorecard to control the organization.Use Voice to control the internal conditions
	Lindab AB	Lindab develops, manufactures and distributes products and system solutions in sheet metal constructions	Mostly financial measures in their annual report	Direct activities are financial performances and indirect activities are envIRONMENTAL and employees activities	Lindab is mostly working with financial measures that are direct relates measures to their profit purpose	Dont use any control system try to evaluate one.Useing budget and rolling forecast	Challenges to measure softer measures	Lindab is working on to develop an own control system
NPO Type 1	YFU Sverige	Prepares young people for their responsibilities and opportunities in a changing, interdependent world	YFU Sweden does not have an annual report available freely to the public on their webpage	Direct activities are activities related to exchange programs. Indirectly activities is finance and marketing	Works with PM in mainly two ways, evaluation of day-to-day operations and evaluations of individuals	Little formalized management control systems Budget and pricing for one year ahead	Challenge to develop models capable of working both with employees as well as volunteers	More information about organizational performance conducts recurring evaluatory surveys on stakeholders
	Greenpeace Nordic	Org that acts to change attitudes,behaviour,protect, conserve the environment and promote peace	Greenpeace has a small percentage of performance measures in its annual report	Direct activities are causes and campaigns. Indirectly related activities are internal finance	Performance is measured in different ways depending in organization Media impact is an important measure	Budget. SMART goal setting for causes Mission, strategy and goals broken down into a 4-level model	Hard to measure change in society Balance between measuring and doing	Measure output from an activity rather than performance in it Break down and link mission to strategy goals
NPO Type 2	Cancerfonden	The organization's vision is that cancer could be cured	Mostly measures that are related to their purpose. Funding and researsh measures in their report	Direct activities are funding, opinion and research indirekt activities are Sfii, frii and ico activities	Mostly showing performance measures that are related to funding and research in their report	Dont use any control system try to evaluate one.Useing budget	Research impact is hard to define and put a measure on	Try to find sub target.Looking at other organization and see how they measure their purposes
	UNICEF Sverige	The organization works for all children to survival, protection, development and empowerment	UNICEF has a small percentage of performance measures in their annual report	Direct activities are funding and opinion and indirekt activities are employees activities	UNICEF has a small percentage of performance measures	Dont use any control system try to evaluate one.Useing budget	Opinion impact often long term goals is hard to define and put a measure on	Tries to evaluate measures that you can quantify. Tries to develop a control system that fit org
NPO Type 3	Civilekonomerna	Civilekonomerna are working together whit unions to improve working life	Civilekonomerna have a small percentage of performance measures in their annual report	Direct activities are member statics. Indirect activities are employees and financial activities	Civilekonomerna have a small percentage of performance measures. The report is only nine pages	Using survey s to evaluate their organization.Useing budget	Research and education impact is hard to define and put a measure on	Using survey s to handle their challanges their organization
	LO	Lo are working together whit unions to improve working life	Lo have a small percentage of performance measures in their annual report	Direct activities are member statics. Indirect activities are employees activities	Mostly showing performance measures that are related to member statics and employees	Lo use hypotheses as a method. Useing budget	Long term goals hard for them to find relevant and reliable measures that are easy to quantify for their purpose	Lo are using hypotheses to handle their challenges and problems

Table 13. Overview of empirical results.

Chapter 5

Analysis

In the analysis we link the theoretical references with the empirical section to be a frame for our conclusions and discussions.

5.1 Analysis introduction

Theory suggests that the traditional management practices in nonprofit organizations have been very different from those in for-profit organizations. This has contributed to that we today can see that more and more nonprofit organizations adopting management techniques originally developed for for-profit organizations to become more effective. We also see the opposite in for-profit organizations as they are using more and more non-financial measures.

5.2 Analysis based on interpretation of web-based survey results

In 4.1 Case comparisons based on web survey results we consolidated results from the web-based survey. Below we try to further the analysis and weave theory into it also. The number of analyses in the table follows the processes in Figure 6. Interpretation process for survey results.

	Interpretation of results	Theoretical comments
Analysis 1	<ul style="list-style-type: none">- Functional clarity of performance measurement systems could vary greatly depending on which organization you look at.- Performance measurement systems are suggested to be fairly transparent and available to the whole organization in our cases.- Organizational purpose is suggested to affect performance measurements.	<ul style="list-style-type: none">- Shareholder or stakeholder focus depending on the purpose.- Performance measurement theory.- Theories relating to organizational purpose.
Analysis 2	<ul style="list-style-type: none">- Suggested that there is no unity on how challenging it is to measure performance in activities directly related to organizational purpose.- Suggested that it is either challenging to measure performance in activities directly	<ul style="list-style-type: none">- There is no theoretical explanation of what activities directly and indirectly related to organizational purpose is.- Performance measurement theory.

Analysis

or indirectly related to organizational purpose.

Analysis 3	<ul style="list-style-type: none"> - Suggested that there are clear and concrete key performance indicators in performance measurement in activities directly related to organizational purpose - Suggested it could be the opposite in activities indirectly related to organizational purpose. 	<ul style="list-style-type: none"> - There is no theoretical explanation of what activities directly and indirectly related to organizational purpose is. - Theory on performance indicators.
Analysis 4	<ul style="list-style-type: none"> - From analysis 2 and 3 it could be suggested that how challenging it is to measure performance in activities directly or indirectly related to organizational purpose depends on which organization you look at. - On the other hand, it seems that it is easier to put performance indicators, i.e. quantify activities directly related to organizational purpose. 	<ul style="list-style-type: none"> - There is no theoretical explanation of what activities directly and indirectly related to organizational purpose is. - Theory on performance indicators.
Analysis 5	<ul style="list-style-type: none"> - Even though organizational purpose is suggested to affect performance measurement it is also suggested that challenges vary from organization to organization which seems fair since the ambition for performance measurement also varies. 	<ul style="list-style-type: none"> - Theories relating to organizational purpose. - Theory on performance measurement.
Analysis 6	<ul style="list-style-type: none"> - If organizational purpose affects performance measurements and this purpose is different in different organizations, then it seems fair that it would be easier to put performance indicators on activities directly rather than indirectly related to organizational purpose. 	<ul style="list-style-type: none"> - Theories relating to organizational purpose. - Theory on performance measurement. - There is no theoretical explanation of what activities directly and indirectly related to organizational purpose is.

Table 14. Analysis of results from web-based survey.

5.3 How organizational type affects organizational purpose

The findings of our empirical results indicate that all organizations try to maximize something according to their goals and in some way achieving their purpose. All organizations are purpose maximizing since profit maximizing is a form of purpose maximizing. This is important to realize. The principle of profit maximization is driven by shareholder value focus on financial measures to satisfy shareholders by creating profit.

Measuring what directly and indirectly matters

Then what about nonprofits? Is nonprofit the purpose? No, it is not. Nonprofits are generally mission maximizing meaning they exist to fulfill a certain mission. The concept of maximizing nonprofit mission focuses on different needs and functions that are related to satisfying different stakeholders to fulfill the purpose of the organization instead of focus on stakeholders.

This means if drawn to its edge that *"hardcore"* profit maximizing organizations would only be interested in profit no matter how it's made. According to for-profit organizations Lindab and SEB they are driven by financial measures. Though, SEB also points out that

"non-financial measures are important focus, e.g. employee and customer satisfaction. Without the customers and employees it is hard to generate profit".

We can also see that the for-profit organization have more financial performance in their annual reports than the nonprofit organizations in our case studies. Another interesting point from looking at the annual reports in the external reporting is that to satisfy their shareholders the reports from for-profit organizations are more comprehensive with more financial numbers than in the nonprofit organizations. Lindab says,

"We are a very traditional financial company driven by financial numbers".

Greenpeace says,

"Many companies are much more transparent about their results than we are because they are required by law and they want to appeal to their shareholders to get a good share price which becomes a very big incentive to do so. Given that it's harder to measure how you change the world many organizations become more cautious to put these kind of reporting's in annual reports and in writing."

To continue on the thought of drawing conclusions to their edges mission maximizing organizations on the other hand would only care about their mission and depending on how the mission is written they could actually go out of business if their mission was fulfilled. As shown from our respondents in the nonprofit sector they all are driven by their purpose. However, this does not mean that they do not care about financial measures. It is important to point out that they care about the financial measures because without them they could not fulfill their purpose.

5.4 External reporting

We can see in the annual reports from these organizations that there is more focus on communicating information to their stakeholders on what they are doing to give a view of the work for their purpose. As said above, the annual reports for the nonprofit organizations in our case studies were also shorter than those in the for-profit organizations. This can of course vary depending on which organization you include in your case study, but one explanation to this could be that nonprofit organizations are not so forced by regulation and rules when it comes to annual reports.

There are also differences between how big the external reports are. Nonprofit organizations such as Cancerfonden, UNICEF and LO have a lot of information about their work in their reports that aims to communicate work on fulfilling their purpose.

5.5 Activities directly versus indirectly related to organizational purpose

It is hard to say from a theoretical perspective what activities directly and indirectly related to organizational purpose are. We believe it depends on the purpose of the organization, also shown in our empirical results.

Our analysis of the organization shows that for-profit organizations mostly develop measures for activities that are directly related to their organizational purpose. We can therefore draw some parallels to the theory of the shareholder view that the important goal for for-profit organizations is to optimize their shareholder value. The theory says that to optimize shareholder value it is important for an organization to have a financial responsibility for measures that are related to cost, revenue, profits and EVA. One of the criticisms to financial measures is that it is short term goals and built on historical numbers.

When we look at the nonprofit organizations we can see that they have more focus on activities that are driven by mission and vision. As shown from our empirical results LO's and Civilekonomerna's purposes are similar, revolving around working together with unions to improve working life and they therefore primarily have measures that are related to this mission. As Civilekonomerna says,

"We are not so much working with performance measures because it is hard for us to develop and performance measures that are related to our purpose".

They instead try to develop a relationship to their purpose as an alternative of measure it.

UNICEF and Cancerfonden have more informative aims as parts of their purposes. UNICEF's purpose is to inform and create opinion about children's situation in the world. Cancerfonden's purpose is to work to cure cancer. Greenpeace' purpose is to improve the environment, and YFU's purpose is to prepare young people for their responsibilities and opportunities in a changing interdependent world.

Theory says public and nonprofit organization's visions and missions are the driving forces in defining their performance measures. One difference between for-profit organizations and nonprofit organizations is that nonprofit organizations have more forward and future focused activities than for-profit organizations. UNICEF argues that it becomes more and more common stakeholders such as donors and auditors put pressure on them to create short-term goals, and according to UNICEF this is not always a good idea because they are working with long term goals with different projects and processes that aim to create sustainability and change. With short term goals it is hard to achieve that.

One advantage with non-financial measures is that they are related to cause-and-effect. Another advantage is that the implementation of non-financial measurements can give return not only for the organizational profitability, but for its stakeholders as well.

UNICEF and Lindab claim to have very few measures that are not related to their purpose. We can see both from the annual reports and the interviews that there are some activities that are not directly related to their purpose. For example SEB and Lindab have some environmental measures. Other measures are employee measures that all organizations are measuring. As shown in our theoretical chapter employees are more highly committed by goals in nonprofit organizations, since they find it easier to relate personally to the organization's aim.

5.6 Performance measuring

For-profit organizations are mostly driven by financial performances. SEB and Lindab are measuring the financial measures when they evaluate a new budget for a new year, or when they do their rolling forecast. They often look at what the number was the last year and compare from a historical perspective. SEB points out,

"It is also important to see the performance measures from a macro perspective, e.g. seeing what the trends are on the market and take that into consideration when you plan your organization".

Some of the difficulties in nonprofit organizations are that it is hard to measure the non-financial performance, since there are not numbers to compare with as in financial measures. However, there is also a complexity in evaluating or giving feedback to these kinds of measures. It can also be hard to compare the measures with other organizations. Evaluating non-financial performance can be a time consuming and an expensive process and sometimes the costs can exceed the benefits. As LO says,

"It is hard for us to evaluate and see result for us for long term goals".

UNICEF, Greenpeace and Cancerfonden is supporting this saying it is hard to measure what impact the organization has had on the change in society, e.g. change in public opinion. Instead they try to measure the output of their activities but it is hard to measure the output of the change and relate the result to one organization because there are often many organizations working for the same cause.

It is easier instead for UNICEF, Greenpeace, LO, Civilekonomerna, YFU and Cancerfonden to measure indirect related measures because these are related to financial numbers and as UNICEF says, *"It's only a matter of looking if the number has gone down or up".*

5.7 Models and methods for management control

Management control is not as evaluated in nonprofit organizations as it is in for-profit organizations. Managers in nonprofit organizations are not so used to and experienced in working with performance measures as managers in profit organizations. Our case organizations are using different kinds of management control systems. SEB is the only one using a traditional balanced scorecard. Instead the nonprofit organizations Civilekonomerna and YFU Sweden are using surveys to evaluate their organizational performance. Greenpeace uses so called SMART goal setting when putting objectives on their campaigns. LO are using hypotheses testing that they decide on beforehand for a project and after they measure if they achieved the hypothesis. All organizations use budgets. Only SEB and Lindab are using rolling forecasts.

Some of our respondents are not using any formalized management control systems but any of them say they plan on evaluating a management control system for their respective organization. Cancerfonden's respondents say,

"We try to evaluate a control system but we don't want to implement a balanced scorecard because it is too complex and you can be too forced by the performance measures that are correlated to the scorecards perspectives. Another issue is that there can be too many performance measures so it becomes hard to measure all performances".

There are some authors that criticize the balanced scorecard saying it is not a system built on cause but rather on logical relationships which is based on invalid assumptions which can result in sub-optimal performance.

There is always a risk with performance measurement systems. Some of the issues can be that there is little correlation between financial and non-financial measures. Another issue is that managers have a lack of non-financial measures. This is especially so in for-profit organizations where managers are driven by financial measures because the aim is to satisfy the shareholders and the managers are therefore behaving in accordance to achieve this. Relying too much on financial measures leads to an incomplete picture for management and planning. Therefore organization today has to be analyzed from both financial and non-financial perspectives as they complement each other and ensure long-term health for the whole organization.

Voice is a requirement that SEB are using for internal control on activities that are indirectly related to their organizational purpose. Voice measures inside conditions in the organization to see and control how the employees are feeling and what they want to achieve. They also have a bonus-system that is correlated to the employees' achievements to motivate the worker.

5.8 Challenges and problems connected to performance measuring

What challenges and problems concerning performance measurement arise in nonprofits and for-profits? Are there obvious similarities and differences? Our empirical result shows that organizations have a lot of different challenges and problems in measuring performance in activities directly and indirectly related to their organizational purpose. Based on theory we can see some parallels to this when looking at common issues when measuring performance. It is hard to define clear indicators that everyone understands. There might also be too much performances measuring and the measure are not always correlated to the purpose of the organization. As shown from our empirical result it is a challenge for Lindab and SEB to measure softer goals than financial goals. SEB says it is hard to put goals on some divisions, especially when it comes to measures relating to employees. There can also be other issues that cause problems like sensitivity, noises and distortion.

Other challenges we can see is that there are some similarities between the nonprofit organizations. A common issue for them is to quantify their impact on society. Cancerfonden says they have some problems to define how you measure research and

opinion and knowledge sharing. UNICEF says, *“You can see results but is hard to define a result to your own impact”*.

Greenpeace have problems measuring the change in society and especially to quantify it. LO mean that long-term goals are hard to quantify and it is also hard to see what results and effects it has. It is also a challenge for LO to develop relevant and reliable measures that you can use for long-term goals. Some of the difficulties in nonprofit organizations are that it is hard to measure the non-financial performance since there are no numbers or trade-offs to compare with as there are in financial measures. There is also a complexity in evaluating or giving feedback to these kinds of measures.

Another challenge is the time aspect. The nonprofit organization has more long-term goals than the for-profit organization. There is also the difference in for-profit organizations looking more on historical numbers compared to nonprofit organizations looking more forward focusing on the future. A big problem for UNICEF, Cancerfonden and Greenpeace is that the organizations are working with long-term goals and processes and it is hard to evaluate what impact the organization have on e.g. sustainability.

UNICEF say they are more and more forced by their stakeholders to develop short-term goals that give more short-term results and are therefore easier for the stakeholders to evaluate. The respondent brings up the problems with this and this is also illustrated theoretically in the stakeholder and shareholder view.

Another issue for organizations is to get everybody involved in the process. SEB says it is sometimes hard to get everybody involved. For YFU Sweden this is an issue stemming from the fact that the organization has few employees but a lot of volunteers. It is hard for them to evaluate a management control model that fit both employees and volunteers. Lindab have some problems when measuring non-financial measures because they are dependent on data from suppliers and it is a problem for them to know if they are using the right data for their measures.

5.9 Ways to handle challenges and problems connected to performance measuring

Relying too much on financial measures leads to an incomplete picture for management and planning. Therefore organizations today have to be analyzed from both financial and non-financial perspectives as they complement each other and ensure long-term health for the whole organization. When organizations starts working with both financial and non-financial perspectives, they can easier communicate objectives and motivate managers to take actions towards the long-term strategy. SEB is using balanced scorecard for their organization to balance both financial and non-financial measures. Some of our respondents Lindab, YFU, Cancerfonden, UNICEF and Civilekonomerna do not use any specific management control system. Instead they use surveys to develop their organization. LO are using hypotheses and Greenpeace are using SMART goal setting for causes and the mission, strategy and goals are broken down into a 4-level model.

Analysis

Design a performing measurement system is always a hard issue for organization. As we have stated before, poorly designed mechanisms creates pressure for the organization. It is therefore important to look at what has happened in the market and benchmark goals for the organization enabling the organization to have the best development and practice which can lead to continues improvement.

5.10 Examples of how our case organizations can get inspired by each other

Table 15 below is an attempt to analyze and show examples of how our case organizations can get inspired and learn from each other.

For-profit		Non-profit					
		NPO Type 1		NPO Type 2		NPO Type 3	
SEB Retail	Lindab AB	YFU Sverige	Greenpeace Nordic	Cancerfonden	UNICEF Sverige	Civilekonomerna	LO
A) For-profits: Voice measure requirement (employee survey). for control internal condition. Use BSC as a control system by develop a own model that fit your organization purpose by develop the perspectives		B1) Non-profits Type 1: YFU could make annual report publicly available on webpage. Use SMART goal and target setting		B2) Non-profits Type 2: Try to find sub target Looking at other organization and see how they measure their purposes		B3) Non-profits Type 3: Using surveys to handle their challenges their organization Using hypotheses to handle their challenges and problems.	
		B) Non-profits: Use SMART goal and target setting Try to find sub target Looking at other organization and see how they measure their purposes Using surveys to handle their challenges their organization Using hypotheses to handle their challenges and problems					
AB) For-profits vs. Non-profits: Use Voice measure requirement for control internal condition. (employee survey) Use BSC as a control system by develop a own model that fit your organization purpose by develop the perspectives. Use SMART goal and target setting Try to find sub target Looking at other organization and see how they measure their purposes Using surveys to handle their challenges their organization Using hypotheses to handle their challenges and problems							

Table 15. Overview of learnings according to analysis structure.

5.11 Summary: analysis overview

		Organizational overview and purpose	External reporting	Direct and indirect activities	Performance measures	Models and methods for management control	Challenges and problems	Ways to handle challenges and problems
For-profits	SEB Retail	Profit maximize. Shareholder focus	Mostly financial measures in their annual report. To satisfy the shareholders.	Empirical study shows this depends on organizational purpose	Mostly financial measure. Shareholders theory	Using balanced scorecard and Voice, Useing budget and rolling forecast	Hard to get everybody involved and to measure non-financial measures. Hard to know if you measure right	Use balanced scorecard to control the organization. Use Voice to control the internal conditions
	Lindab AB	Profit maximize. Shareholder focus	Mostly financial measures in their annual report. To satisfy the shareholders.	Empirical study shows this depends on organizational purpose	Mostly financial measure. Shareholders theory	Dont use any specific control system try to evaluate one. Useing budget and rolling forecast	Challenges to measure softer measures	Lindab is working on to develop an own control system
NPO Type 1	YFU Sverige	Mission maximizes. Stakeholders focus	YFU Sweden does not have an annual report available freely to the public on their webpage	Empirical study shows this depends on organizational purpose	Mostly performance measures that are related to their mission purpose. Stakeholder theory	Little formalized management control systems Budget and pricing for one year ahead	Challenge to develop models capable of working both with employees as well as volunteers	More information about organizational performance conducts recurring evaluatory surveys on stakeholders
	Greenpeace Nordic	Mission maximizes. Stakeholders focus	Greenpeace has a small percentage of performance measures in its annual report. To satisfy the stakeholders	Empirical study shows this depends on organizational purpose	Mostly performance measures that are related to their mission purpose. Stakeholder theory	Budget. SMART goal setting for causes Mission, strategy and goals broken down into a 4-level model	Hard to measure change in society Balance between measuring and doing	Measure output from an activity rather than performance in it Break down and link mission to strategy goals
NPO Type 2	Cancerfonden	Mission maximizes. Stakeholders fokus	Mostly measures that are related funding and research measures in their report. To satisfy the stakeholders	Empirical study shows this depends on organizational purpose	Mostly performance measures that are related to their mission purpose. Stakeholder theory	Dont use any control specific system try to evaluate one. Useing budget and rolling forecast	Research impact is hard to define and put a measure on	Try to find sub target. Looking at other organization and see how they measure their purposes
	UNICEF Sverige	Mission maximizes. Stakeholders focus	UNICEF has a small percentage of performance measures in their annual report. To satisfy the stakeholders	Empirical study shows this depends on organizational purpose	Mostly performance measures that are related to their mission purpose. Stakeholder theory	Dont use any specific control system try to evaluate one. Useing budget.	Opinion impact often long term goals is hard to define and put a measure on	Tries to evaluate measures that you can quantify. Tries to develop a control system that fit org.
NPO Type 3	Civilekonomerna	Mission maximizes. Stakeholders focus	Civilekonomerna have a small percentage of performance measures in their annual report. To satisfy the stakeholders	Empirical study shows this depends on organizational purpose	Mostly performance measures that are related to their mission purpose. Stakeholder theory	Using surveys to evaluate their organization. Useing budget	Research and education impact is hard to define and put a measure on	Using surveys to handle their challenges their organization
	LO	Mission maximizes. Stakeholders focus	Lo have a small percentage of performance measures in their annual report. To satisfy the stakeholders	Empirical study shows this depends on organizational purpose	Mostly performance measures that are related to their mission purpose. Stakeholder theory	Lo use hypotheses as a method. Useing budget	Long term goals hard for them to find relevant and reliable measures that are easy to quantify for their purpose.	Lo are using hypotheses to handle their challenges and problems.

Table 16. Overview of analysis.

Chapter 6

Conclusions and Discussion

In this section we discuss and make conclusion based on the analysis. We also presenting suggestion for further research that we found interesting based on our study.

6.1 Reconnecting with the beginning of this thesis

What was it actually that we set out to do? As stated at the beginning of this thesis, the purpose of this research was to describe and analyze the problem of measuring what directly and indirectly matters, and framing challenges for nonprofits and for-profits in measuring performance based on organizational purpose. We also wanted to find examples of how for-profits and nonprofits can learn from each other in handling these problems.

Have we done this? We choose to compare for-profit organizations with three different types of nonprofit organizations to see if they can learn from each other in working with the measurement issues. We found examples of various concrete different ways of controlling organizations and measuring performance. Then we analyzed our findings against our theoretical base that was focused mainly on authorities in relevant theoretical fields as well as review oriented theoretical works. We now move into summing up the work with conclusions and discussion.

6.1.1 Basic definitions revisited

In 1.2.5 *Basic definitions used in the thesis* we defined basic concepts used in our thesis. After having worked with them we revisit them and try to sharpen the definitions in order to increase usability of the concepts.

6.1.1.1 Organizational purpose

Organizational purpose may differ in application among organizations. Our study leaves with the following definitions of organizational purpose:

- 1) Organizational purpose is why an organization exist and affects the whole organization, from mission and vision to strategy and structure.
- 2) Seen from a strict perspective organizational purpose in for-profit organizations is to maximize profit.

Measuring what directly and indirectly matters

- 3) Seen from a strict perspective organizational purpose in nonprofit organizations is to maximize purpose in the organization's mission and vision.
- 4) In broader views both for-profits and nonprofits can dress and translate their organizational purpose into different shapes and meanings, but no matter what the appearance is organizational purpose must not be ignored.

6.1.1.2 *Activities directly or indirectly related to organizational purpose*

The definition of *activities* remain parts of an organization's work and operations. It can both be specific departments as well as units.

The following can be said about activities directly or indirectly related to organizational purpose:

- 1) Activities directly related to organizational purpose are those whose result has a direct effect on the organization living up to its organizational purpose.
- 2) Activities indirectly related to organizational purpose are those whose result has an indirect effect on the organization living up to its organizational purpose.
- 3) Both activities directly and indirectly related to organizational purpose are part of the organization, and whether an activity is directly or indirectly related to organizational purpose does not imply that one or the other is more important.

We will return to activities directly and indirectly related to organizational purpose in 6.4.1 *Theoretical contributions*.

6.2 Conclusions

These are our main conclusions:

- Awareness of the problems with measuring performance in activities directly and indirectly related to organizational purpose varies.
- Awareness of the importance of organizational purpose varies and is often overlooked since it seems almost trivial.
- Time is an aspect too often forgotten in theoretical models of management control.
- It is hard to fit organizations into squared models (e.g. for management control) while at the same time there is a need to make management control and performance measurements concrete.
- It is easier to measure activities that are quantitative of nature from the start.
- It is not as easy as saying financially oriented activities are directly related to organizational purpose in for-profits and vice versa. Whether activities are directly or indirectly related to organizational purpose must be decided based on organizational purpose (nonprofits can have financially oriented purposes).
- Hard to include everyone in an organization in performance measurements as well as hard to make strategy reach out though the whole organization.
- Hard to measure issues related to societal changes (who is responsible/the source for societal change etc – only way to manage this is to start with looking at the organizational purpose).

6.3 Discussion

In chapter 1.3.1.1 Hypotheses we noted that our work started with the following hypotheses:

- Organizational purpose affects performance measurements.
- Since at first glance, the purpose of for-profits and nonprofits seem to be opposites they would have each other's answers to measuring activities directly and indirectly related to organizational purpose.

We have no doubt that organizational purpose do affect performance measurement and that this has not been given the proper attention before. Our findings also indicate that there the awareness of the problems with measuring performance in activities directly and indirectly related to organizational purpose varies. One problem is that it is hard to say from a theoretical perspective what activities directly and indirectly related to organizational purpose are. Our study show that this depends on the purpose of the organization.

Awareness of the importance of organizational purpose varies and is often overlooked either because it seems almost trivial or because organizational purpose is not a concrete and common part of models in management control. This is not saying that there are no models including strategy or even mission and vision but we dare say all of this originates from the organizational purpose. Sometimes big changes can come from small adjustments and perhaps defining organizational purpose could make it even clearer what the work of an organization is about, thus also opening up for ways of measuring performance.

This study also reveals that there are some similarities and common challenges with measuring activities directly and indirectly related to organizational purpose. This is illustrated in our cases through examples of how hard it is to measure issues related to societal changes. These issues concern determining who is responsible, i.e. who is the source for the societal change? This issue stems partly from looking more at measuring output of an activity rather than the performance within the activity. The reason for measuring output is that it seems easier than measuring performance within the activity. If we could find a way to measure according to organizational purpose we argue that this would be less of an issue. Once again, a start is to define the organizational purpose and try to cascade the performance measures down from there.

The time aspect is certainly an issue and we feel it is too often forgotten in theoretical models of management control. Time seems so trivial but we all know that it is vital in at least Western societies. Even our organizations run on, or perhaps have the aim to run "on time".

Another issue is that it is hard to fit organizations into squared models (e.g. for management control) while at the same time there is a need to make management control and performance measurements concrete. This has even been a base for some of the criticism to the balanced scorecard model. In our case studies we have seen that even though management control systems like the balanced scorecard could be to some inspiration many of our case organizations want to develop something tailored to their

own respective organizations. We think this is very wise and hope that this thesis can be of inspiration for possible ways of working.

A challenge voiced in our case studies is also to include everyone in an organization in performance measurements. Support for this can be found in theory as well and even though it might be hard to claim to have found the universal answer to this we believe including the organizational purpose in communication can help.

The thesis show that it is easier to measure activities that is quantitative of nature from the start. However it is not as easy as saying that financially oriented activities are directly related to organizational purpose in for-profits and vice versa. Whether activities are directly or indirectly related to organizational purpose must be decided based on organizational purpose (nonprofits can have financially oriented purposes).

So, what about performance – how can it actually be measured? Compared to our study there is hard to say how you should measure your organization or if there are any best practices. We think there are some good practices and we think it depends on the organization purpose once again.

As a conclusion of this thesis we can share some share learning's and structure identification that we have seen in the study. When measuring performance it must be connected to something. Cause and effect are therefore important. We also think that it is important that measures must be given the right timeframe. It is therefore important to both have short-term financial focuses versus long-term objectives to create a sustainable purpose.

6.4 Contribution of this study

6.4.1 Theoretical contributions

- An organization's work can be categorized through activities directly and indirectly related to organizational purpose. We would like to propose the following naming of this concept.

Purpose core activities: Activities directly related to organizational purpose.

Purpose supporting activities: Activities indirectly related to organizational purpose.

6.4.2 Practical implications

- Don't ignore organizational purpose or time.
- Recognize that all organizations are different but still have many similarities and that time spent on learning from others can be time well spent.

6.5 Suggestions for continued and further research

Based on what we have learned we are in an excellent position to share ideas about how to further the development of the issues discussed in this thesis as well as suggest topics that we for one or more reasons could not cover in this work.

Conclusions and Discussion

6.5.1 If the study is to be repeated

1. Apply the study on other countries since this thesis only deal with organizations based in Sweden/Nordic countries.
2. A deep dive in one organization or working with a longer period of time for the research to enable a larger study.
3. Repeat the study on governmental/public organizations as cases.

6.5.2 If continuing on direct results from study

1. Study in-depth how organizations can benefit from classifying *purpose core activities* and *purpose supporting activities*.
2. Develop a management control system based on organizational purpose

6.5.3 If shaping new studies in other subjects based on this study

1. Develop intelligence- and future forecasting models to quantify societal change

6.6 Final Notes

Thesis work is a learning adventure and like we say on the front page, this is "A thesis submitted in partial fulfillment of the requirements for the Degree of Master of Science". Thus, being able to write these final notes is quite satisfactory.

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Measuring what directly and indirectly matters

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Appendix A: Web-based survey

Swedish

Prestationsmätningssystem och mått i direkt och indirekt relaterade verksamheter

- Bakgrund och information om studien:
- Vi, Pontus Enander och Marie Petersson - studenter vid Ekonomihögskolan i Lund, skriver masteruppsats inom ekonomistyrning och undersöker hur man kan mäta prestation i förhållande till organisationens syfte genom att jämföra prestationsmätning i aktiviteter direkt relaterade till organisationens syfte med aktiviteter indirekt relaterade till organisationens syfte.
- Utgångspunkten är att det är lättare att mäta prestation i aktiviteter direkt relaterade till en organisations syfte än de som är indirekt relaterade till detsamma. Vi frågar oss alltså hur man hanterar de prestationsmätningar som inte är lika enkla.
- Målet med vår studie är att se vilka problem och utmaningar som finns i vinstdrivande respektive icke vinstdrivande organisationer kopplat till prestationsmätning i förhållande till organisationssyfte, samt att se om och hur de kan lära av varandra.
- Givet de tidsmässiga restriktioner som finns för vår masteruppsats kommer resultatet av denna enkät såväl som intervjuer inom studiens ram kommer användas som exempel snarare än statistiskt säkerställda allmängiltiga slutsatser.

Om dig som respondent

Till att börja med behöver vi ställa några administrativa frågor för undersökningen.

- För vilken organisation svarar du på enkäten?
 - [fritext]
- *Kön?¹⁰
 - Female Male
- *Vilken roll har du i organisationen?
Välj ett av följande svar
 - Ledare
 - Specialist
 - Annan

Prestationsmätning och prestationsmått i allmänhet

Vi vill nu ställa några frågor om prestationsmätning och prestationsmått i allmänhet.

- *Ta ställning till följande påståenden:
(1 = Instämmer inte alls, 10 = Instämmer helt)

¹⁰ The answers to the gender question in the survey were predefined in the survey tool which is why genders in the Swedish version of the survey are presented in English.

Measuring what directly and indirectly matters

- | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|----|
- Våra prestationsmätningssystem och prestationsmått i organisationen är tydliga i sin funktion
 - Våra prestationsmätningssystem och prestationsmått är transparenta och genomgående i hela organisationen
 - Syftet med min organisation påverkar vilka prestationsmätningssystem och prestationsmått som används

Prestationsmätning och prestationsmått i aktiviteter direkt relaterade till organisationens syfte

Vi vill nu ställa några frågor om prestationsmätning och prestationsmått i aktiviteter direkt relaterade till organisationens syfte.

- Med organisationens syfte menar vi både affärs-/verksamhetsidé men också övergripande syfte i form av vinstmaximering eller syftesmaximering.
 - Med aktiviteter menar vi delar av en organisations verksamhet. Det kan vara specifika avdelningar såväl som verksamhetsområden.
 - Med direkt relaterade till organisationens syfte menar vi till aktiviteter som hör till organisationens kärna, till exempel säljfunktioner i vinstdrivande organisationer eller medlemsfunktioner eller påverkansfunktioner i medlemsägda ideella organisationer. Detta beror alltså av organisationens affärsidé/verksamhetsidé såväl som vinstmaximering eller syftesmaximering.
 - (Motsatsen till detta är aktiviteter indirekt relaterade till organisationens syfte vilka behandlas senare i den här enkäten.)
 - Ta ställning till följande påståenden:
(1 = Instämmer inte alls, 10 = Instämmer helt)
- | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|----|
- Det är utmanande/problematiskt att mäta aktiviteter direkt relaterade till organisationens syfte.
 - Vår organisation har tydliga/konkreta nyckeltal för aktiviteter direkt relaterade till organisationens syfte.

Prestationsmätning och prestationsmått i aktiviteter indirekt relaterade till organisationens syfte

Vi vill nu ställa några frågor om prestationsmätning och prestationsmått i aktiviteter indirekt relaterade till organisationens syfte.

- Med aktiviteter indirekt relaterade till organisationens syfte menar vi sådana aktiviteter som förvisso kan vara nödvändiga för organisationens framgång men som spelar en mer stödjande roll, till exempel government relationsavdelningar i vinstdrivande och försäljningsfokuserade organisationer eller försäljningsaktiviteter i medlemsägda ideella organisationer. Vår tanke är att eftersom att dessa aktiviteter är indirekt relaterade till organisationens syfte går det inte att sätta prestationsmått på dem utifrån just organisationens syfte. Ett konkret exempel på detta vore om man skulle använda "antal sålda enheter" som mått på hur väl en government relationsavdelningen presterar i ett

vinstdrivande företag där problemet uppstår i att den funktionen inte har direkt kontroll över försäljning, även om deras arbete kan ha en indirekt påverkan på detsamma.

- Ta ställning till följande påståenden:
(1 = Instämmer inte alls, 10 = Instämmer helt)
- | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|----|
- Det är utmanande/problematiskt att mäta aktiviteter indirekt relaterade till organisationens syfte.
 - Vår organisation har tydliga/konkreta nyckeltal för aktiviteter indirekt relaterade till organisationens syfte.

Utmaningar och problem kopplade till prestationsmätande och prestationsmåttanvändning

- Till sist har vi några frågor om utmaningar och problem kopplade till prestationsmätande och prestationsmått användning.
 - Hur påverkar din organisations övergripande "syfte" din organisation?
 - [fritextfält]
 - Ge gärna exempel på problem/utmaningar relaterade till mätande och mått i din organisation.
 - [fritextfält]
 - Hur hanterar ni de problem/utmaningar som du gav exempel på i föregående fråga?
 - [fritextfält]

English

Performance measurement systems and performance measures in directly and indirectly related activities

- Background and information about the study:
- We, Pontus Enander and Marie Petersson - students at Lund School of Economics and Management, are writing our master's thesis within the area of management control. We are studying how one can measure performance in relation to organizational purpose by comparing performance measurement in activities directly related to organizational purpose and activities indirectly related to organizational purpose.
- The assumption is that it is easier to measure the performance of activities directly related to an organization's purpose than those that are indirectly related thereto. We ask ourselves how to manage the performance measurements that are not so simple.
- The aim of our study is to see what problems and challenges that exist in for-profit and nonprofit organizations linked to performance measurement in relation to organizational purposes, and to see whether and how they can learn from each other.
- Given the time constraints for our master's thesis the results of this survey as well as interviews within the frame of the study will be used as examples rather than statistically significant general conclusions.

About you as respondent

To start with we need to ask a few administrative questions for the survey.

- Which organization do you represent?
 - [free form text]
- *Gender?
 - Female Male
- *What is your role in the organization?
Choose one of the following answers
 - Leader
 - Specialist
 - Other

Performance measurement and performance measures in general

We would now like to ask a few questions about performance measurement and performance measures in general.

- *Consider the following statements:
(1 = Disagree, 10 = Strongly agree)
1 2 3 4 5 6 7 8 9 10

Web-based survey

- Our performance measurement systems and performance measures are clear from a functional perspective
- Our performance measurement systems and performance measures are transparent and available at all levels in the organization
- The purpose of my organization affects performance measurement systems and performance measures used

Performance measures in activities directly related to organizational purpose

We would now like to ask a few questions about performance measures in activities directly related to organizational purpose.

- By organizational purpose we mean both business idea and overarching purpose, the latter being either profit maximization or purpose maximization.
- By activities we mean parts of an organization's work/operations. It can both be specific departments as well as units.
- By directly related to organizational purpose we mean activities belonging to the organizational core, i.e. sales functions in profit maximizing organizations and member related functions or lobbying functions in member governed *ideell* associations. This depends on the business idea/organizational idea as well as profit or purpose maximization.
- (The opposite of this is activities indirectly related to organizational purpose which are covered later in this survey.)
 - *Consider the following statements:
(1 = Disagree, 10 = Strongly agree)

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

 - It is challenging/problematic to measure activities directly related to the organization's purpose.
 - Our organization has clear/concrete KPIs for activities directly related to the organization's purpose.

Performance measures in activities indirectly related to organizational purpose

We would now like to ask a few questions about performance measures in activities indirectly related to organizational purpose.

- By activities indirectly related to the organization's purpose, we mean those activities which could certainly be necessary for the success of the organization but play a more supportive role, such as government relations departments in profit and sales-focused organizations, or sales activities in member-owned nonprofit organizations. Our view is that since these activities are indirectly related to the organization's purpose, you cannot put performance measures on them from the organization's purpose. A concrete example of this would be if one were to use "items sold" as a measure of how well a government relations department is performing in a for-profit company where the problem arises in that the function does not have direct control over the sale, even if their work can have an indirect impact on it.

Measuring what directly and indirectly matters

- *Consider the following statements:
(1 = Disagree, 10 = Strongly agree)
- | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|----|
- It is challenging/problematic to measure activities indirectly related to the organization's purpose.
 - Our organization has clear/concrete KPIs for activities indirectly related to the organization's purpose.

Challenges and problems connected to performance measuring and the use of performance measures

- Lastly we would like to ask a few questions about challenges and problems connected to performance measuring and the use of performance measures.
 - How does your organization's general purpose affect your organization?
 - [free form text]
 - Please give examples of problems/challenges related to measuring and measurements in your organization.
 - [free form text]
 - How do you deal with the problems/challenges listed in the previous question?
 - [free form text]

Appendix B: Interview guide

Swedish

Kort beskrivning av vad syftet med studien är till respondenten.

Frågor:

- Beskriv lite om dig själv, din bakgrund och hur länge du arbetat inom organisationen?
- Använder ni någon speciell styrmodell för att mäta prestationer i er organisation?
- Är styrmodellen till hjälp för prestationsmätning?
- Hur påverkar din organisations övergripande syfte din organisation?
- Kan du ge exempel på utmaningar och problem kopplade till prestationsmätande och prestationsmåttanvändning?
- Hur hanterar ni dessa problem/utmaningar?
- Hur arbetar ni med prestationsmätning och prestationsmått i aktiviteter direkt relaterade till organisationens syfte?
- Hur arbetar ni med prestationsmätning och prestationsmått i aktiviteter indirekt relaterade till organisationens syfte?
- Hur arbetar ni med uppföljning och feedback i er organisation?
- Hur gör ni för att kommunicera information inom organisationen; intranät, nyhetsbrev etc.?
- Har ni några så kallade "best practices" för prestationsmätning, det vill säga metoder som är beprövade och som fungerar? Hur fungerar de och varför fungerar de?

English

Short description of the purpose of the study to the respondent.

Questions:

- Describe a little about yourself, your background and how long you have worked within the organization?
- Do you use any particular management control model for measuring the performance of your organization?
- Is the management control model to help in measuring performance?
- How does your organization's overall purpose affect your organization?
- Can you give examples of challenges and problems linked to performance measurements and use of performance metrics?
- How do you deal with these problems/challenges?
- How do work with performance measuring and performance indicators in activities directly related to the organization's purpose?

Measuring what directly and indirectly matters

- How do you work with performance measuring and performance indicators in activities indirectly related to the organization's purpose?
- How do you work with follow-ups and feedback in your organization?
- How do you communicate information within the organization; intranets, newsletters, etc?
- Do you have any so-called "best practices" to measure performance, that is, methods that are tried and that works? How and why do they work?