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The institutionalisation of private sector performance measurement in an Australian not-for-profit organisation

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Southern Cross University

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The Institutionalisation of Private Sector Performance Measurement in an Australian Not-for-Profit Organisation

A thesis submitted in fulfilment of the requirements of the degree of
Doctor of Business Administration at
Southern Cross University

by

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Bachelor of Economics/Bachelor of Engineering (Honours)

May 2015
I certify that the work presented in this thesis is, to the best of my knowledge and belief, original, except as acknowledged in the text, and that the material has not been submitted, either in whole or in part, for a degree at this or any other university.

I acknowledge that I have read and understood the University's rules, requirements, procedures and policy relating to my higher degree research award and to my thesis. I certify that I have complied with the rules, requirements, procedures and policy of the University.

Print Name:.............................................................................

Signature:.............................................................................

Date: 28/05/2015......................................................................
ABSTRACT

Environmental, charitable, religious, health, educational, sport, and recreational organisations, together with political parties, have grown and established themselves in Australia over the last 100 years, turning the not-for-profit sector into a significant part of the country’s economic, cultural, social, and political systems. For a very long time not-for-profit organisations have been considered as a third sector and have not been receiving enough attention by the researchers. Although the not-for-profit sector has grown very large it was not properly controlled or regulated by the federal or state government until the end of 2011 when the Australian government released its ‘Review of not-for-profit governance arrangements’ paper. This document stipulated the need for reform, with the aim of improving government funding, not-for-profit sector quality management, establishing best practices, reviewing old and introducing new accounting standards, and re-visiting taxation arrangements and legal structures. It became clear that the level of reform required would have a major impact on the sector as a whole.

As a result of introducing these government reforms, the Australian not-for-profit organisations’ operating environment became unstable and unpredictable. By 2014, the whole not-for-profit sector showed a significant decline in operational performance as well as a decline in organisational performance. From the first days of introducing the reforms, most not-for-profit organisations showed a desperate need for developing systems and measures to evaluate performance and for greater accountability. The increasing interest among not-for-profit organisations in improving performance has been very encouraging. The current research was conducted during the peak of introducing the reforms, and developed an analytical framework to examine the factors that influenced the researched organisation to introduce and even change its performance measurement systems. The Australian government’s reforms of the not-for-profit sector also revealed that the institutionalisation of the not-for-profit organisations was important for the development of the sector; however, there was a gap in the literature and in the practices of how to measure that development. To fill the gap, and to bring a new insight into the literature of institutionalisation, my research looks at the institutionalisation of performance measurement systems in not-for-profit organisation in Australia by drawing on institutional theory.
DiMaggio and Powell’s (1983) notion of institutional isomorphism and Laughlin’s (1991) framework of organisational change highlight the stability of a chosen not-for-profit Australian organisation. The current research developed an analytical framework for examining the factors that influenced the chosen not-for-profit case organisation to look at implementing or changing its performance measurement system.

To achieve a deeper understanding of institutional change and of the process of institutionalising performance measurement in my case organisation, three separate and parallel analyses were carried out. The results were combined to generate a richer understanding and more reliable results.

The first panel of data used for the longitudinal and historical analysis of the case study consisted of publicly available documents. The reasons for setting up this panel of data were to examine the organisation’s financial and non-financial performance measurement systems; to track the organisation’s historical timeline and development, and to examine the impact of the government’s reforms on the organisation.

The second panel of data consisted of the organisation’s internal and external documents. Content analysis was applied to these sets of documents in order to test theoretical issues and to enhance understanding of the data.

The third panel of data consisted of two surveys that had been conducted by management consultants since 2007. The objective of the research is to explore the institutionalisation of performance measurement systems, and to achieve this an interpretive method is used to analyse the third panel of data. This method is the second most commonly used analytical method for studying organisations, and arguably the first to be applied to the study of institutionalisation in organisations. All the panels of data were analysed using thematic analysis, MindManager, and NVivo analytical software.

The thesis finds that the case organisation operated in an institutional environment and responded to mimetic, coercive, and normative pressures. The board, the public, and the government were all environmental agents of the organisation. The institutionalisation of a performance measurement system in the not-for-profit case organisation is explained by three forms of isomorphism. The results show that these forms of isomorphism existed at various periods and times of the case organisation’s growth and development. Coercive isomorphism appeared to be more dominant during the early period of the government’s
reforms of the not-for-profit sector. Mimetic isomorphism appeared to be dominant in the organisation between 2007 and 2010, during and after the global financial crisis, and normative isomorphism was apparent in late 2012, during the preparation of the accruals and applications for government funding.

The results suggest that the extent to which the performance measurement system had been institutionalised in the not-for-profit case organisation was very limited. The case organisation’s responses to institutional isomorphism resulted in the formal practice of performance measurement becoming decoupled from the organisation’s activities, implying that the existence of formal rules and procedures for performance measurement were for ceremonial purposes only.

This research has several practical and theoretical contributions. Its main practical contributions are that the findings could be used by senior personnel of other not-for-profit organisations, and researchers could continue the study and examine changes in performance measurement systems which could then lead to the successful and effective establishment and implementation of performance measurement systems. The theoretical contribution of this research is that it attempts to bring a new approach to the systematic analysis of changes to a performance measurement system. The research not only draws on institutional isomorphism and organisational change, but also touches on the strategic responses to change. This is very different to the approaches suggested by Burns and Scapens (2000) or Greenwood and Hinings (1996) in the management accounting literature. Therefore, this framework can be used by other researchers in other sectors. Finally, this research highlights the importance of the not-for-profit sector in Australia, the sector’s needs, and the areas for its improvement.

Keywords: Performance measurement systems, institutionalisation, not-for-profit organisations
ACKNOWLEDGEMENTS

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# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAS31</td>
<td>Australian Accounting Standard 31</td>
</tr>
<tr>
<td>ABR</td>
<td>Australian Business Register</td>
</tr>
<tr>
<td>ACNC</td>
<td>Australian Charities and Not-for-profits Commission</td>
</tr>
<tr>
<td>ACSS</td>
<td>Australian Community Services Sector</td>
</tr>
<tr>
<td>ANAO</td>
<td>Australian National Audit Office</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Tax Office</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief executive officer</td>
</tr>
<tr>
<td>CLERP</td>
<td>Corporate Law Economic Reform Program</td>
</tr>
<tr>
<td>DBA</td>
<td>Doctor of Business Administration</td>
</tr>
<tr>
<td>FACS</td>
<td>Family and Community Services</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>MAC</td>
<td>Management Advisory Committee</td>
</tr>
<tr>
<td>NCP</td>
<td>National Competition Policy</td>
</tr>
<tr>
<td>NDIS</td>
<td>National Disability Insurance Scheme</td>
</tr>
<tr>
<td>NFP</td>
<td>Not-for-profit</td>
</tr>
<tr>
<td>NPM</td>
<td>New Public Management (framework)</td>
</tr>
<tr>
<td>OH&amp;S</td>
<td>Occupational Health &amp; Safety</td>
</tr>
<tr>
<td>PM</td>
<td>Performance management or Performance measurement</td>
</tr>
<tr>
<td>RBA</td>
<td>Results Based Accountability</td>
</tr>
</tbody>
</table>
1

INTRODUCTION
This chapter starts with the study’s background and the importance of the Australian not-for-profit sector. It looks at the questions being researched and discusses the research methodology and the theoretical framework. The chapter concludes by describing the main contributions of the research and the organisation of the thesis.

1.1 Background of the study

The late 1970s saw dramatic changes in organisational structures due to contextual pressures, evolving technologies, and competitive opportunities. Organisations had been centralised with a strict hierarchy, but the innovations of the 1970s changed and transformed them into a leaner, decentralised type (Clegg 1990; Castells 1997). Middle management was severely reduced and much of its control function became outdated. A critical need arose for new management systems that could replace structural supervision. The old ways had lost their relevance as systems became more important than structure (Johnson and Kaplan 1987). Any new performance measurement tool had to produce significant, unique, and appropriate information, not only for control purposes but also for organising, planning, and resolution-making (Otley 1999). Thus, methods were needed to capture both internal and external transformations and changes.

The private sector responded rapidly to the changes of the late 1970s and adopted systems such as the Balanced Scorecard, benchmarking, Six Sigma, Activity-Based Management, Total Quality Management, and Value Based Management (Clark and Corbett 1999). However, it was not until the mid-1990s that public sector performance measurements received significant interest, particularly when applied to charities and community service organisations (O’Faircheallaigh et al. 1999), and to education, employment, health, and social welfare (Parker and Guthrie 1993). Articles about new public management, balanced scorecards, and benchmarking then proliferated.

New public management reforms were introduced into the accounting processes of private sector-style management to improve effectiveness, accountability, and, more importantly, efficiency in the public sector (Hoque and Moll 2001). This new style of public management emphasised systems mimicry (Di Maggio and Powell 1991) and management by outcomes (Lapsley 1999). Its legitimation related to the contemporary political instinct to reduce public expenditure and to make public services contestable (Lapsley and Pallot 2000). The Australian government, first at state level, then at local and federal level,
prosecuted the ideal of managing by measurable outcome, and required not-for-profit organisations to adopt these new tools (Hood 1995).

With the new century, pressure to manage by outcomes and to reduce public expenditure had reached a state of hegemony in many developed nations. Politically, more efficiency from public expenditure was said to be the main concern. This was exhibited sociologically by the belief, or the rhetoric of the power elite, that only contestability and mimicry of the private sector’s market-based ways could achieve this efficiency. It intrigued me to find out how public sector organisations responded to the challenge, so in this study I examine why and how one large Australian not-for-profit organisation changed its performance measurement systems over a period of 25 years.

1.2 Australian not-for-profit organisations

Australian not-for-profit organisations totalled 700,000 in 2010 (Productivity Commission 2010, p. 53). In 2007, the Australian Bureau of Statistics confirmed that Australian not-for-profit organisations contributed about A$43 billion (4.1%) to Australia’s economy, as measured by gross domestic product.

![Figure 1-1 The not-for-profit sector’s impact on the economy](image)

Source: Australian Bureau of Statistics, 2010

There are some sectors in the Australian economy that are dominated by community organisations. Approximately 90% of the organisations operating in the community sector are not-for-profit organisations which focus on providing assistance and help to individuals, communities, and families in need. The rapid growth of this sector is primarily driven by not-for-profit organisations.
In 2012-13 not-for-profit organisations employed 1,081,900 people. The majority of these employees (413,100) were full-time employees.

Figure 1-2 NPI employment 2012-13 - percentage contribution to total employment

Funding
Not-for-profit organisations received A$76 billion in income in the 2006-07 financial year. Funding from federal, state, and local government, which accounted for just over a third (33.5% or A$25.5 billion) of total income, was the main source of income for these organisations. Primarily, recipients of this funding were research and education organisations (32.1% or A$8.2 billion), and social services organisations (25.2% or A$6.4 billion).

Figure 1-3 Sources of income: not-for-profit organisations, Australia
Sources of revenue, 2006–07

Table 1-1 Sources of revenue from economically significant organisations (2006-2007)

<table>
<thead>
<tr>
<th>Type of revenue</th>
<th>Amount a</th>
<th>Proportion of total b</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A$ billion</td>
<td>per cent</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government — volume based</td>
<td>17.6</td>
<td>23.0</td>
</tr>
<tr>
<td>Government — non-volume based</td>
<td>7.2</td>
<td>9.4</td>
</tr>
<tr>
<td>Government — for specific capital items</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total government</strong></td>
<td>25.5</td>
<td>33.2</td>
</tr>
<tr>
<td><strong>Philanthropy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations from philanthropic trusts/foundations</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Donations from businesses/organisations</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Donations from individuals a</td>
<td>4.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Other fundraising</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total philanthropy</strong></td>
<td>7.2</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Self-generated income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership fees</td>
<td>3.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Sales of goods</td>
<td>6.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Income from services</td>
<td>23.4</td>
<td>30.5</td>
</tr>
<tr>
<td>Rent, leasing and hiring</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Investment income</td>
<td>2.6</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total self-generated</strong></td>
<td>38.0</td>
<td>49.6</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from related or affiliated organisations</td>
<td>3.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Other</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>76.6</td>
<td>100</td>
</tr>
</tbody>
</table>

a Includes donations, bequests, and legacies from individuals.

b Totals may not add due to rounding.

Sources: ABS (2009c, 2009g).

Current issues faced by the sector

The sector has experienced positive developments in recent years. Nevertheless, there are a number of issues that restrict the sector’s ability to improve its efficiency and effectiveness and fulfil its potential.

Growing calls for accountability and demonstration of impact
There is a push from government and the community for greater accountability in not-for-profit organisations. Business and other major donors increasingly want evidence of the effectiveness of the activities, and prefer to fund not-for-profit organisations that can provide robust business cases for the investments they seek. However, overheads, which include spending on evaluation and planning, are often seen as a ‘bad’ investment.

Most not-for-profit organisations who provide significant financial support want to see accountability (such as audited accounts and business plans) and demonstrable results. However, many argue that current requirements are not appropriate, that they impose compliance costs without commensurate benefits, and that they lack any sense of proportion with regard to the size of the organisation or the scale of the undertaking.

Purchasing arrangements for services are putting pressure on government not-for-profit organisation relations

The shift to competitive tendering and contracting to procure government-funded services has brought greater transparency, and in many cases enhanced efficiency in the delivery of services. Yet it has also demanded greater and greater prescription of how agencies are to function and deliver services. While the aim has been to drive improvements in service delivery, not-for-profit organisations report being swamped by contractual regulation, a multiplicity of reporting requirements, micro management, restrictions on other activities, and significantly greater compliance burdens.

Governments often adopt a partial funding model for a range of services, even for contracts that are deemed to be purchase agreements. This requires not-for-profit organisations to subsidise service costs from other revenue sources. A significant consequence, especially for community services, has been that wages have been squeezed to the point where many not-for-profit organisations find it difficult to attract or retain professional staff, with implications for the quality of services.

Contracts requiring the return of any surplus mean that little funding is available for investment to improve effectiveness or efficiency, such as investment in information technology. In addition, governments have moved away from making grants for capital, contributing only about 7.6 per cent of the funding for new capital expenditure in 2006-07. This presents problems for not-for-profit organisations, many of which find it difficult to access finance, or to build a surplus to fund investment.
Workforce pressure and a changing environment for volunteers

In some human service sectors, such as disability, mental health, and aged care, not-for-profit organisations make up a high proportion of providers. Wages in these sectors have tended to remain relatively low, despite a significant increase in the qualifications required of workers. This could be a result of a low wage history, the predominantly female and part-time labour force, and heavy reliance on public funding of services in these sectors.

For not-for-profit organisations in these sectors, gaps between the wages they can offer and similar positions in government, makes retaining workers more difficult. The problems of workforce retention are compounded by uncertainty associated with short-term contracts. As the demand for services rises with an ageing population, workforce shortages are likely to become profound, requiring major adjustments. This problem goes beyond the not-for-profit organisation sector and affects all human service providers.

More generally, generic regulations, such as occupational health and safety requirements, are imposing disproportional costs on not-for-profit organisations. These, and more specific qualification requirements, are raising the costs of using volunteers. These additional costs come at a time when volunteers are tending to volunteer for fewer hours on average, with younger volunteers preferring episodic and work-based volunteering.

Some not-for-profit organisations have dealt well with the changing environment for volunteers, but others have struggled. There is also evidence that increasing professionalisation, which also corresponds with employment growth, crowds out voluntary effort in community services and education.

Tax arrangements for philanthropy are outdated

Public support is available for eligible not-for-profit organisations through tax concessions offered by Australian governments. While generous in many respects, there are longstanding issues to be resolved. The failure to introduce a statutory definition of charities is one. A second is the complex nature of endorsement requirements and processes. Third, as our understanding of the nature and causes of disadvantage has developed, is that some of the eligibility criteria appear outdated. A specific concern is that public support of not-for-profit organisations engaged in preventative activities may be restricted.

Cross-jurisdictional differences impose unnecessary burdens
Regulatory reforms have assisted business to take a more national market focus, regardless of the size or area of commerce. The same options are not available to not-for-profit organisations. Differences across jurisdictions in regulatory requirements, including incorporation and fundraising legislation, raise compliance costs. The current arrangements are not coherent, are complex to navigate, do not allow for easy migration of legal form, and do not provide sufficient transparency to the public. There are multiple reporting requirements and few are proportionate to the size and scope of the not-for-profit organisations.

*The evolution of government support for the sector in Australia*

Historically, Australia fits into the ‘liberal’ category, where accessing and funding human services has traditionally been the responsibility of the household. Households purchased these services from the for-profit business sector and not-for-profit organisation (often ‘mutuals’ established for the purpose). Not-for-profit organisations and ‘community social welfare organisations’ supplied services to those who lacked a capacity to pay. An implicit bargain between for-profit business and government on industry support underpinned paying workers a ‘living wage’ and workers accepting responsibility for purchasing their own human services. The 1970s saw a major shift towards a welfare state, with government taking on a greater role in funding human services. Much of this expansion was achieved through increased public support for not-for-profit organisations service delivery (Smyth 2008).

In the 1980s and 1990s, the Australian government put a greater reliance on competitive market mechanisms for allocating resources and driving production efficiency. Described as ‘new public management’, this move saw the privatisation of government-owned enterprises across a range of industries, starting with banking in the 1980s and moving through to utilities and the application of a competitive neutrality test to government trading enterprises (Banks 2008). Despite government moving away from producing goods and services, community expectations of what government is willing to fund appear to have risen. Therefore, as noted by Lyons (2009b) there has been a shift to greater utilisation of segments of the not-for-profit organisation sector by governments for the delivery of services.

Government has provided indirect support to the sector in the form of tax concessions from before federation. The access to concessions varies across jurisdictions, but most
concessions are based on a common law definition of charity (established in the United Kingdom in 1891 in Pemsel’s case). The Extension of Charitable Purpose Act 2004, sought to clarify that certain purposes (childcare, self-help groups, and closed or contemplative religious orders) were indeed charitable.

More recently, there has been a growing interest in the ‘third sector’ as an alternative way to organise production and to allocate resources (see for example, Blond 2009; Shergold 2009a). Not-for-profit organisations are seen as being able to harness network governance for addressing social issues that markets and governments cannot harness (Barraket 2008). Interest in alternatives to market and government allocation is also seen in the increase in philanthropy, the rising participation in volunteering, and growing engagement by businesses with not-for-profit organisations.

Funding sources

Not-for-profit organisations obtain funding from three broad types of sources: philanthropy, government, and self-generated income. For economically significant not-for-profit organisations, about 50 per cent of all income is self-generated, while a further 33 per cent comes from government (see Table 1-1). A little over 9 per cent of income is obtained from philanthropic sources.

1.3 Research questions

To be in an environment of ‘expectations of measurement’, according to Paton (2003), is quite common for not-for-profit organisations. These organisations became interested in finding the best way to develop, evaluate, test, and introduce new performance measurement frameworks into their organisations. As a result of considerable work, new performance measurement frameworks, including new evaluation strategies which account for conflicting cultural differences and contextual distinctions, are being established across all three sectors: private, public, and not-for-profit.

The characteristics of performance measurement frameworks were summarised by Kennerley and Neely (2000). Performance measurement frameworks:

1 My work adopts the position that people organise and socially construct their affairs in a reflexive manner. Nevertheless, I have continued the expedient of reifying organisations, at least grammatically, for efficiency’s sake.
• are the measures used by an organisation to provide a stable and more controlled view of an organisation’s activities.
• are used to provide a concise overview of an organisation’s performance.
• are represented as a multi-dimensional set of performance measures for the planning and management of a business. The set of measures is multi-dimensional as it includes financial and non-financial measures, internal and external measures of performance, and it often includes measures which quantify what has been achieved, as well as measures which are used to help predict the future (Bourne and Neely 2000).
• can be, and are recommended to be, joined and implemented through an organisation’s hierarchy and across its functions.
• can provide data for analysing past performance, and for monitoring and planning future performance. Performance measurement frameworks can therefore measure both the results and the drivers of performance.

The main focus of this study is to analyse what effect government initiatives, such as the not-for-profit sector reforms, have had on one not-for-profit organisation: Verus. The study also examines how reforms and government funding have specifically affected the performance measurement of the organisation. My study reveals how Verus has transformed over a period of more than 20 years, and provides answers on how the performance measurement in Verus became institutionalised. By specifically examining the performance measurement system in a research case (described in Section 1.4), the study examines the processes of organisational transformation (as embodied in accounting and performance measurement change) in the organisation I researched.

From the study’s stated focus, therefore, the research questions can be formulated as:

1. What factors affect the evolution of performance measures within the case organisations (what factors cause change to be necessary)?
2. How have not-for-profit government reforms affected performance measurement in Verus?
3. What has been the impact of not-for-profit government reforms on not-for-profit Australian organisations?

The study aims to answer the next questions:
1. What guidelines have been followed in the research case organisation?
   i. What was Verus’ board’s and senior management’s involvement in implementing the changes?

2. What are the ways of measuring the performance measurement system in the organisation?
   i. What happened to the performance measurement system practices after introducing the reforms?
   ii. How did the process of development and the introduction of a performance-based culture take place?
   iii. How did the organisation respond to the performance-based culture?
   iv. Did any forms of isomorphism appear in the organisation?
   v. How did performance measurement become institutionalised in Verus?

1.4 Research case

I chose an Australian not-for-profit organisation established in 1980s, as my research case, and conducted a longitudinal and historical study of its performance measurement systems. The organisation had faced significant government reforms, provided a wide range of services, and had been continually growing and expanding since its establishment more than 30 years ago.

At the request of the case organisation, I agreed that my thesis would not identify the organisation, nor divulge its employees’ names or the specific location of the organisation. Hence, to preserve this anonymity, the case organisation has been disguised as Verus. The names and locations of the organisation’s head office, department and organisation’s projects and programmes have also been changed to fictional names. The bibliography in the thesis contains references to documents from the case organisation but they also use the alias instead of the organisation’s true name.

Verus is a not-for-profit organisation that employs more than 250 paid employees and over 300 voluntary employees. Its main activity is to assist people to find employment and accommodation, to assist in developing their skills, and to participate in community. Verus provides accessible, quality services for children, couples, families, and individuals. The organisation delivers innovative and flexible high quality support to enhance the lifestyle, learning and vocational opportunities for people with disabilities, their families and carers. Verus’ broad network allows the organisation to help disadvantaged people to connect
with multiple services which support individuals and improve their community’s wellbeing.

1.5 Theoretical framework

A good management research project will always be based on knowledge of sociology, philosophy, and political economics. A person whose ideas profoundly influenced social theory and social research was Max Weber. Weber’s most important work, *Economy and Society* (Weber 1968), originally published as *Wirtschaft und Gesellschaft* (Weber 1921), was a collection of notes which was never published in his lifetime. Weber begins *Economy and Society* by defining sociology as the science which attempts to interpret social action to arrive at an explanation of its course and effects. Social action, according to Weber (1921), can be social only by advantage of the subjective understanding and explanation attached to it. Being independent and separated from other actions, social action can easily interpret the behaviour of others and therefore can concentrate purely on its main tasks.

Thus, economy is a social phenomenon according to Weber. Weber is therefore the most influential foundational institutionalist. Contemporary institutional works which posit that institutions are independent and non-epiphenomenal variables, are indebted to Weber’s theorising about a political realm that is autonomous and independent of economics and ideas. In his discussion of the state and bureaucracy, he proposes a macro sociological theory of institutions.

Institutionalist insights are another phenomenon presented in Weber’s theory of authority. Weber states that charismatic authority is a naturally temporary moment as application drains itself and becomes routinised, and traditional or rational-legal methods of power can be established. With routinisation, public relations and communications become ever more consistent, foreseeable, and objective. Some uses of the term *institutionalisation* are thus a subclass of Weber’s process of routinisation (Johnson-Cramer 2007).

Therefore, institutional theory is particularly apt for my research. It originated in studies of public sector not-for-profit organisations (Weber 1948; Selznick 1949), and has emphasised those studies that are values-based (DiMaggio and Powell 1991; Hinings, Brown and Greenwood 1991; Scott 1995). Institutional theory is the main theoretical lens
for this study, which takes a social constructivist turn, and intensively examines the process of habituation of the performance measurement systems in the organisation.

Institutionalisation of performance measurement systems usually happens when the organisation’s personnel adopt the activities related to performance measurement in their daily routines. In this way, the activities of the performance measurement system become part of the organisation’s day-to-day life. In my thesis, I refer to institutional theory as being both the old institutional economics and the new institutional sociology.

Institutional economics, also widely known and accepted as institutionalism, was very popular in the United States in the late 1920s and 1930s when economic institutions were considered to be a part of the larger development of cultural growth. The American economist and social scientist Thorstein Veblen (1909) became the pioneer of institutional economics by criticising traditional static economic theory (Johnson-Cramer 2007).

New institutional sociology contains in its theory a clarification of the institutionalisation of new accounting innovations (performance measurement systems). This explanation, according to Jepperson (1991), is considered to be standard and widely accepted from a public point of view (social), rather than from political, economic or financial perspectives. Jepperson (1991) argues that the new institutional sociology accepts the theory that the public (individuals) exist in a communally (socially) created environment in which values are underestimated and are not appreciated enough. Quite often, people’s actions are just everyday routines and are performed either unconsciously or automatically.

The new institutional sociology is insufficiently detailed for describing organisation-specific processes of change. However, without the support of other frameworks it is difficult to clarify and explain the complete process of transformation and change. Therefore, the old institutional economics is used here broadly to support the new institutional sociology because it mainly examines the internal processes of change. The old institutional economics views accounting activities as everyday practices in organisations. This view complements and supports the new institutional sociology framework.

My research examines the institutionalisation process of the practices of performance measurement systems, and therefore I am going to use institutional theory to explain the institutionalisation process. Laughlin’s (1991) framework will be adopted for clarifying,
analysing, and describing the internal processes of organisational change. This is a sketchy framework for understanding process changes in organisations although it does not disregard the significant details of the changes or the organisations’ practices (Broadbent and Laughlin 2005). Critical theory is the basis of this framework and explains why organisations are comprised of ‘subsystems’, ‘interpretive schemes’, and ‘design archetypes’, all of which are consistent with a social constructivist approach.

Equipment and buildings are considered to be the physical or tangible aspects of an organisation, and are usually considered to be subsystems. Interpretive systems are characterised by principles, shared vital beliefs, and cultures, and are the insubstantial features of an organisation (Alwi 2009). The design archetypes, therefore, place themselves between these two opposites (Hinings and Greenwood 1988). The structure of design archetypes is comprised of ‘structures and (management) systems [that are] given coherence and orientation by an underlying set of values and beliefs’ (Broadbent and Laughlin 2005).

According to Laughlin’s framework, for an organisation to be in its perfect state, the subsystems, interpretive schemes, and the design archetypes must be in balance. Any internal or external form of disturbance of the environment could shake the organisation’s stable state. There are various forms of disturbance, however, and Laughlin’s (1991) framework demonstrates that organisations are prone to change only if they are forced, pushed, or disturbed into producing, making, or doing something.

Therefore, in my thesis, the not-for-profit government reforms are analysed as environmental disturbances that change and challenge Verus’ stable position. Implementing multiple perspectives during the analysis of my case study enhances the research outcomes. By using institutional theory I explain how the practices of performance measurement systems became institutionalised in the researched organisation, and by using Laughlin’s (1991) framework I answer the questions about what changed in the organisation. Combining these two theories, I can analyse thoroughly the process of performance measurement in Verus as well as the organisational change itself.

In the past decades, institutional theory has concentrated on not-for-profit organisations such as art museums (DiMaggio 1991), humanitarian groups (Christiansen and Molin 1995), colleges and universities (Brint and Karabel 1991; Kraatz 1998), drug abuse units (D’Aunno, Sutton and Price 1991), and associations (Halliday 1993). At the same time,
there are many studies that describe the implementation of the institutional approach in for-profit organisations, including railroads (Dobbin 1995), large corporations (Davis and Greve 1997; Galaskiewicz and Wasserman 1989; Haunschild and Miner 1997; Holm 1995), law firms (Tolbert 1988), and high-tech companies (Powell 1998; Suchman 1995).

Public sector organisations have been researched as well (Meyer et al. 1987; Tolbert and Zucker 1983). In summary, research into organisational theory has inclined to view public sector organisations more as catalysts and triggers of institutionalisation in other organisations, than as objects of institutional pressure. Through oversight, regulation, accreditation, and funding relations, public sector organisations have been defined as forces which push not-for-profit organisations and commercial and business firms towards greater levels of homogeneity.

The new institutionalism in organisational analysis has made substantial contributions to the understanding of the dynamics of organisations, even though the public administration literature has provided little explanation of it to date. Based on my literature review in Chapter 2, I have steered my research away from excessively rationalistic explanations of organisational behaviour towards arguments that recognise that not-for-profit organisations are embedded in larger cultural and political contexts. This knowledge has shifted the focus of my research away from explaining why not-for-profit organisations are so heterogeneous to exploring why organisations are so alike.

Therefore, to develop the framework for examining changes in performance measurement systems in an Australian not-for-profit organisation, I draw mainly from DiMaggio and Powell (1983) with support from Oliver (1991). My framework identifies not only a number of factors that influence accounting, management, and the organisational side of a not-for-profit organisation, but it also identifies the subsequent institutional pressures which led to changes in that organisation’s performance measurement systems.

In the following chapters, I also discuss the institutional pressures that could lead to changes of the performance measurement systems, and the environmental factors that have an impact on performance measurement systems. I conclude my research with the analysis of the case organisation’s responses to those changes.
1.6 Research methodology

A considerable amount of time has been spent on researching the adoption of the new performance measurement systems and on the output of their implementation. In other words, the adoption of the performance measurement system is judged on whether the implementation has failed or has been successful (Brewer 1998). The positivistic approach adopted by most researchers is based on concentrating on certain variables in order to explain the relationship between the performance of the organisation and the performance measurement systems themselves.

There is a lack of research into understanding the causes of how new performance measurement systems, such as the Balanced Scorecard and Key Performance Indicators, have failed to emerge, or have emerged through time, and the relationship of those processes with organisational routines. Kaplan (1998) pursued an explicit action research programme in which the observations and conclusions of his research have arisen from the researcher’s active involvement in developing the scorecard in case organisations, although some organisations implemented the Balanced Scorecard without outside assistance during the period of the research. However, the understanding of the problems relating to the processes of performance measurement and organisational change were much more profound than the understanding acquired through the use of numeric methods such as experiments and surveys (Flyvbjerg 2001).

Case studies allow researchers to theorise about different phenomena as they do not just search for knowledge by describing simple, universal relationships between concrete variables. Therefore, by using the case study method in my research I aim to get a better understanding of how performance measurement systems are used on a daily basis in my case organisation, and I aim to collect more information, and thus obtain more knowledge, about the historical aspects like its administrative and organisational context, and about its present situation. Dawson (1997) and Dent (1991) mention in their papers that the case study is the kind of enquiry that allows interesting processual subjects to emerge. Therefore, by using a case study, I might be able to answer the questions of ‘what’ and ‘how’ in my research (Yin 1994).

By adopting an explanatory case study method in my study, I aim to gain a deeper understanding of the processes of performance measurement and organisational change in my case organisation. A single case study was chosen for the research, primarily because
the case organisation is unique, salient, and revelatory to the understanding of institutionalisation of performance measurement. Tellis (1997) examined researchers working on the institutionalisation of performance measurement systems and concluded that Levy (1988) used a single-case design for the study at the University of Arizona. Single cases may be used to confirm or challenge a theory, or to represent a unique or extreme case (Yin 1994). Single-case studies are also ideal for revelatory cases where an observer may have access to a phenomenon that was previously inaccessible. These studies can be holistic or embedded, the latter occurring when the same case study involves more than one unit of analysis.

Multiple-case studies follow a replication logic. This is not to be confused with sampling logic, in which a selection is made out of a population, for inclusion in the study. This type of sample selection is not appropriate for a case study. Each individual case study consists of a ‘whole’ study, in which facts are gathered from various sources and conclusions drawn from those facts (Tellis 1997, p. 78).

Using an explanatory case study in my research also serves to test cause-and-effect relationships. Case study may also be used for theory testing, and according to Yoon and Hwang (1995), can be used for quantitative data sampling or in replication logic, if the research team investigates ‘whether similar causal events—within each case—produce these positive outcomes’. Theory testing is done in a qualitative manner however, and as in traditional hypothesis testing, specifications for the cause-impact chain have to be formulated before case analysis.

Yin (1984) summarised in his study that the case study method refers to a group of procedures which emphasise qualitative analysis. Data is collected from a small number of organisations through methods such as participant observation, in-depth interviews, and longitudinal studies. The case study approach seeks to understand the problem being investigated. It asks specific and important questions and shows the richness of organisational behaviour. At the same time, the conclusions drawn ‘may be specific to the particular organisations studied and may not be generalisable’ (Gable 1994, p. 112-126). Therefore, my research can also be classified as an interpretive case study, with subjective or multiple realities. This approach assumes that performance measurement practices can be changed by social factors, and are themselves socially constructed. Performance measurement system practices are regarded as organisational and social practices. In
addition, the interpretive approach rejects the idea of studying performance measurement in isolation and separated from the study of its organisational and social contexts.

DiMaggio and Powell (1983) also draw attention to the powerful cognitive or ideational forces that derive from common understandings and which form the engine for institutional isomorphism. The central idea spawned by interpretive assumptions is that institutional change is invariably accompanied by shifts in meaning, understanding, and values. In this study, I implement a longitudinal case study as well as content analysis of the documents (Fligstein 1990; Greenwood and Hinings 1988; Suddaby and Greenwood 2005; Zilber 2006) as techniques to analyse shifts in meaning.

Having access to very rich data from 1980 to late 2013, and with a desire to critically evaluate the data sources and offer an analysis that goes beyond simply ‘confirming or refuting the efficiency of some contemporary causal relationship’ (Jacques 2006, p. 31), I decided to use the historical research technique in addition to the longitudinal case study. To understand institutional change and the process of institutionalisation of performance measurement in my case organisation, I attempt to mix the levels of analysis. Institutional change should be theorised broadly, involving the use of multiple methodological paradigms (Suddaby and Greenwood 2009).

To adopt pluralistic methods for studying institutionalisation, and in order to accomplish the goal of encouraging more pluralistic methods in researching institutional change, I have adapted the traditional model of writing and presenting management research in my thesis. I analyse reports of attitude surveys (a technique that employs both multivariate and interpretive elements that seems ideally suited for the study of institutional logics), as well as historical and contemporary qualitative data.

The preliminary case study work started in July 2011 with my first visits to senior personnel at Verus’ head office. The idea of the visits was to collect the first panel of data and to ensure that Verus had made some changes to its performance measurement systems. Verus’ CEO (in discussion with the board of directors and senior personnel) gave me consent to conduct research but with very limited access to the information I was interested in. For instance, I did not have access to board minutes, directorate minutes, or some of the financial information at that stage.
A review of the documents confirmed my assumption that since its establishment in the 1980s Verus did have some form of performance measurement system. Customer satisfaction measures were used to assess its performance, although the process of identifying, clarifying, and setting targets was rather lax. There was no benchmarking and no strategic planning during the process. As a result, Verus’ performance was neither analysed nor compared against other not-for-profit organisations.

The exploratory case study was encouraging and access to further information was requested, which resulted in creating two more panels of data. The first, and main, panel of data consisted of the organisation’s internal and external documents: board committee meeting minutes, work, health and safety committee publications, monthly finance meeting minutes, media and communications documentation, monthly HR meeting minutes, annual reports, strategic plans, memos etc. This panel of data covered the period from 1980 to 2013. The second panel of data consisted of the results of two surveys conducted by management consultants during the same period.

I had three panels of abstract data that needed to be concrete and there was therefore an need for a charting and graphing tool to help me see, explore, and understand large amounts of information; a graphical tool ‘to think with’. This is exactly the strength of a ‘mind mapping’ and ‘concept mapping’ tool like the MindManager software which I used to map all the documents I collected.

The choice of software to analyse the data was enormous but I decided to use NVivo™ software as it is widely used and very popular among qualitative researchers. NVivo™ has three built-in products which allow its users to store, record, code, and then retrieve all information and data. It also has a feature for developing theory construction and modelling. According to Jones (2007), NVivo™ allows researchers to reproduce a ‘pen-and-paper’ way of data analysis and has many other useful features.

1.7 Benefits of the study and its contributions

The theoretical contribution of the study is that it extends institutional theory by providing an understanding of ‘internal and external factors to the organisation that simplify and prevent the introduction of new measures, the change of existing measures and deletion of unnecessary measures’ (Kennerley and Neely 2002). The study also offers an explanation of the different types of isomorphism and their contribution to the institutionalisation of
performance measurement systems in not-for-profit organisations. In addition, the study gives a different perspective on understanding performance measurement and organisational change.

In this study, contextual and historical data is taken into consideration, and the findings of the research rely heavily on institutional theory and on Laughlin’s (1991) framework, rather than on the rational choice theory. This is the more traditional way of conducting research, particularly in accounting systems such as performance measurement.

The practical contribution of the study is the understanding of the impact of the government reforms on performance measurement systems, and the issues affecting organisational transformation. This study could contribute to better management and to the configuration of better control systems in future years, particularly in the areas of performance measurement and management systems, top management, and system designers of not-for-profit organisations. The results of this case study would add to the collection of case study materials which could then be compared with case studies of other not-for-profit organisations.

1.8 Delimitations

As previously stated, Verus requested that the research be conducted with the strict condition of confidentiality, specifying that only documentation issued before 2013 could be analysed. Data which would help answer the research questions was not widely available either. The difficulty in accessing data due to the organisation’s reluctance to provide access to its inner workings, coupled with time constraints, could have placed serious limitations on the thesis. It is recorded, therefore, that limited data was available for this thesis and that the research is a snapshot in time.

The following steps were taken before and during the collection of the case study material:

1. Ethics clearance (low risk research) obtained from the Human Research Ethics Committee of the Southern Cross University.

2. A Contest Form allowing the researcher access to the case organisation was obtained from the chief executive officer.

3. Detailed reviews, analyses, and summaries of the confidential documents were kept on the case organisation’s server.
1.9 Organisation of the thesis

The thesis consists of six chapters, followed by a reference section, and six appendices. Chapter 1 introduces the background and the objectives of the study. It broadly sets out the research questions, the research methodology, the theoretical framework, and the potential contributions of the study.

Chapter 2 is a literature review chapter. It describes the not-for-profit sector, looks at the evolution and re-evaluation of institutionalisation, and touches upon performance measurement. This chapter covers the main ideas from existing literature in the area of not-for-profit organisations, institutionalisation, and performance measurement. It highlights the importance of further research in this area, and explains the benefits of this study and its potential contribution to the literature. I explain why I use institutional theory as the main theory in my study, and why I use Laughlin’s (1991) framework for data analysis.

Chapter 3 introduces and discusses the research methodology adopted for the study. Ontological and epistemological assumptions of the research are introduced and explained, followed by the reasons for using the interpretive case study method for my research. I justify the suitability of historical and longitudinal study methods and conclude the chapter with a summary.

Chapter 4 deals with data generation and the data analysis of the case study. The chapter starts with the process of how data was obtained from Verus, and introduces the organisation. This chapter also provides details of the history of the case organisation, and shows how it has evolved since its establishment in the early 1980s. It analyses how a performance-based culture was introduced into the organisation, and what changes have taken place in the organisation since the introduction of the not-for-profit government reforms. The chapter continues with data analysis, presented as NVivo tables, mind maps and concept maps, and explanations.

Chapter 5 concentrates on the theoretical analysis of the research findings, using Laughlin’s (1991) framework and institutional theory. Institutional theory is used to discuss how the performance-based culture was institutionalised in Verus. Evaluation of the level of organisational transformation is done by using Laughlin’s (1991) framework.
Chapter 6 discusses the limitations of the study, and both its theoretical and its practical contributions. I conclude the chapter with the limitations of the study and suggestions for future research.

Appendices A to F provide information to support my analysis and to validate my conclusions. The appendices provide additional or supporting information, which, while not essential for understanding the main facts and recommendations, may be of interest to the expert reader, and is evidence of my research and analysis.
2 LITERATURE REVIEW
The not-for-profit sector has become a valuable and entrenched feature in Australian contemporary society (Productivity Commission 2010). It has been argued that not-for-profit organisations are more like for-profit organisations in disguise (Horwitz 2007), which has led to many attempts to produce a widely accepted definition of a not-for-profit organisation.

My previous research concentrated on the commercial and business sector. This thesis provided an opportunity to apply the knowledge gained from my for-profit organisations’ studies to other sectors. Since I had an interest in the not-for-profit sector, some experience and a desire to learn how the not-for-profit sector distinguished itself from the business sector, this study was a logical choice for my thesis.

The main reason I chose to study performance measurement in the not-for-profit sector was the increasing attention in the media on how not-for-profit organisations perform, and in particular how they respond to government reforms and to changes in the sector. In addition to this, I worked in a not-for-profit organisation and experienced performance measurement systems’ changes caused by government reforms.

This chapter defines and classifies not-for-profit organisations; looks at the differences between private and public not-for-profit organisations; explains what a performance measurement system is; introduces institutionalisation and its theories, and discusses the Laughlin (1991) framework. It finishes with a justification for using institutional theory and Laughlin’s framework, and explains both performance measurement and institutionalisation.

2.1 Not-for-profit organisations

When public officials make cuts to programmes that help the needy, they generally expect the not-for-profit sector and volunteer labour partly to offset those programme reductions. According to Luckert (2008), not-for-profit organisations provide a broad spectrum of services to the community and various programmes to individuals, and are often formed or expanded in reaction to a community need not being met by the government. Not-for-profit organisations also tend to have the ability to act faster than government in response to a need as they do not have to wait for a majority of citizens to agree on a proposed solution. Rather, they have the ability to react to a specialised need or to a request by a small group of citizens. Weisbrod (1977) adds to this statement by highlighting that the
not-for-profit organisations’ quality of services surpasses the quality provided by both for-profit companies and public benefactors when there is a varied demand for services. In addition, Hansmann (1996) contends that proficient and adequately sophisticated consumers may endorse effective competition among the services that the not-for-profits might be able to offer while securing a reasonable benefit over their for-profit competitors. Krashinsky (1986, p. 114) continued this idea in his transaction cost theory which proposes that ‘the non-distribution constraint reduces monitoring costs by the consumers’ (Krashinsky 1986, p. 114). Ben-Ner and van Hommissen (1991, p. 519) concentrate their analysis on not-for-profit organisations in which ‘service recipients decide to produce the services themselves’. Trust, with its element of reciprocal beneficial behaviour, is one facet of their argument for the comparative advantage of the not-for-profit form of organisation.

What kind of organisation does the public trust more than government, or more than for-profit organisations? What is a not-for-profit organisation, and what organisations in Australia can be considered to be not-for-profit? As the literature suggests, these questions still attracts ongoing debate and further research (Johns 2004; Logue 2014). The terms ‘not-for-profit sector’ and ‘not-for-profit organisation’ are neologisms created by economists, lawyers, and political scientists in the decades following World War II (Salamon and Anheier 1992). The terms were part of work describing and arranging the organisational structure for taxation, policy, and governance purposes, although the meanings differed depending on the personality and purpose of the user. Clearly the terms refer to the large sector of formal and informal voluntary associations, charitable trusts, religious bodies, non-stock corporations, mutual benefit organisations, and other non-proprietary entities.

More specifically, a not-for-profit organisation is established for the purpose of serving the public or a community, providing social benefits rather than gaining profits or accumulating wealth for owners or stakeholders (Salamon 1992). Salamon goes on to describe the not-for-profit sector as ‘a group of entities’. The group includes private (non-government), voluntary, not-for-profit distributing, of public benefit, and self-governing organisations.

In the literature, the not-for-profit sector is also referred to as the ‘voluntary sector’. Other definitions of the sector are ‘the third sector’, ‘the independent sector’, ‘the philanthropic
sector’, or ‘the charitable sector’. Many communities recognise the not-for-profit sector as being a social and tax-exempt sector. Gonzalez et al. (2002) describe a private not-for-profit organisation as ‘any organisation that does not pursue a financial goal, has been under private control, and has its mission as bringing social benefits to the community and its specific sector of the need’.

The first significant contribution to understanding the not-for-profit sector in Australia was drafted in the *Charitable Organisations in Australia* report (Industry Commission 1994), which identifies not-for-profit organisations as community social welfare organisations and mentions 11 000 organisations. The Industry Commission defines not-for-profit organisations as charities and as ‘non-government establishments, organisations, associations or trusts that are primarily established otherwise than for the purpose of profit or benefit to the individual members of the organisations, and the principal objects or purposes of which are charitable or benevolent’ (Industry Commission 1994).

Not-for-profit organisations may either be public or private (Bryson 1988). A public not-for-profit organisation is one that obtains the greater part of its funding from the general public, whereas a private not-for-profit organisation is mostly funded by private sources, with assistance coming from a single person, a family, or a corporation.

Private sector not-for-profit organisations are frequently categorised by the lack of defined ownership interests. These interests include the ones that can be redeemed, sold, or transferred. Quite often those interests are formed for philanthropic or social purposes, although some of them are used for educational, health, or religious purposes. Private sector entities classified as not-for-profit organisation can include clubs, charitable organisations, and societies. Their overall financial objectives are not profit generating.

Funnell and Cooper (1998) state that public sector not-for-profit organisations usually operate across two sectors and are subject to two types of institutional influences. Modifications in the public sector have triggered a competitive, business approach, with various impacts and implications for not-for-profit organisations which rely heavily on government funding. Not-for-profit organisations have been growing worldwide very fast in the last 20 years (Sargeant, et al. 2002). This growth has led to the not-for-profit culture changing to become ‘as intensely competitive as commercial organisations’ (Parker 1998, p. 50). Saxton (2004) pointed that the not-for-profit organisations have transformed from minor and domesticated to major and professional by mimicking the private sector’s
governance and management practices. This development of not-for-profit organisations was also a result of government’s changing patterns for funding not-for-profit organisations which was identified by Arnaboldi and Lapsley (2004, p. 17) as a ‘change for promoting a competition’.

Eikenberry and Kluver (2004) state that a corporate model recognises strategy development, risk minimisation, and values its competitive positioning. This model is considered to be incompatible with the not-for-profit model because the latter puts community participation, customer services, and human factors first. The main priority, and sometimes the main difficulty for not-for-profit organisations operating in the public sector, is to manage and obtain sufficient and competitive grant funding aligned with their mission, goals, and objectives.

Bryson (1989), Koteen (1991), Hay (1990), Jeavons (1993), and Nygren et al. (1994) are among those public and not-for-profit theorists who believe that organisations’ values and leadership play a significant role in management’s decisions about the organisations’ policies. Public sector theorists Wilenski (1988, p. 213) and Yeatman (1990, p. 17) have contributed to this discussion by critically exploring and developing so-called ‘managerial reforms’, which are known in the literature as ‘the adoption of private sector practices within public sector management’. These theorists do not follow the traditional principles and values of the public service, but instead they consider the ideologies that support such practices and the effect those ideologies have on managerial practices.

Evolutionary strategic theorists and institutional researchers like Ansari and Bell (2000), Brown and Eisenhardt (1998), and Williamson (1985) analysed the business model of maximising shareholder value in competitive markets which was expected to be adopted by not-for-profit organisations. The model is based on finance-driven performance measurements which deliberately exclude the human element from the reporting compliance requirements.

The new century brought a new understanding of the needs of the not-for-profit sector, and, therefore, an acceptance of the modern theories about not-for-profit organisations; financial outcomes became the areas of improvement. The vital strategic goal for the last decade has been the fulfilment of a social mission and the creation of public value (Moore 2000). The performance of not-for-profit organisations must therefore be evaluated in
terms of their mission-related targets, the goals they set (Ebrahim 2003), and the results they achieve in trying to reach those goals.

Despite the abundance of anecdotal evidence, there are few empirical indications on the effects of performance information in the not-for-profit charitable organisations. There are compelling reasons why such information might be expected to have an effect. The primary reason is that, unlike the capital markets in which investors seek to maximise monetary returns from their investment, most donors in the contributions market are trying to maximise community impact (Gordon and Khumawala 1999). Therefore, the directors of not-for-profit organisations must continuously monitor the performance of their organisations. There is a need to address the following areas: the balance of revenue against expenditure, programme operations, staff performance, and the effectiveness of the programmes. The directors of charitable organisations should address the following questions: How well is the organisation performing? and What can be done to improve overall effectiveness?

These questions and the evaluation process are formed by both internal stakeholders (e.g. board members, senior personnel, and other members of the organisation) and external participants (e.g. customers, funding sources, policy makers) (Speckbacher 2003). Balancing the two important aspects (needs and requirements) for both groups of stakeholders in running a successful organisation is difficult because of the variety of the goals underlying the valuation process (e.g. mission performance versus financial accountability), the types of information required for assessment, and the ways in which the data is interpreted and reported.

Each level of government, and most types of foundations that fund not-for-profit organisations, are gradually adding more complex accountability requirements into their grants and agreements. Although not-for-profit organisations have historically been accountable for reporting on how they use their resources, the liability requirements have become more complex over the last 15 years. This change is directly linked to government entities viewing contracts as public investments that have contractual requirements (Hatry 1997; Lindgren 2001; McBeath and Meezan 2006). Private organisations also contribute to this change, particularly those organisations that need to have a return on their investment in the form of financial accountability (Benjamin 2008; Ritchie and Kolodinsky 2003; Tassie et al. 1996).
Board members of not-for-profit organisation are therefore prone to various internal pressures as they try to demonstrate their effectiveness, governance, and accountability. They often define the perspectives of the business community in terms of measuring outcomes (Buckmaster 1999; Newcomer 2008).

2.2 Performance measurement

Zimmermann and Stevens (2006) studied not-for-profit organisations in South Carolina, USA and showed that the most frequently identified reasons for measuring performance are the requirements of external investors. Not surprisingly, this was the main reason for measuring performance in my case organisation. Therefore, there was a need to analyse performance and report to those stakeholders on what had been accomplished as part of identifying the organisation’s achievements and failures.

Performance measurement is a powerful instrument which is widely used in organisations to demonstrate and to improve efficiency and effectiveness (Gray et al. 2006). Based on this, I have approached this research around the question of the possibility of the existence and the implementation of performance measurements in a not-for-profit organisation.

Section 2.2.1 reviews the literature on performance measurement, explores its background and its development through the years, and describes its introduction into the not-for-profit sector.

2.2.1 Private sector performance measurement

The private sector has been measuring success and performance in the business area using tools such as profitability, investment ratios, and sales turnover for a very long time. However, most of the significant ideas of performance measurement and efficiency were not recognised until the beginning of the twentieth century. These ideas were forgotten until the 1950s when performance measurement techniques and frameworks became areas of interest, and further development was piloted by General Electric. The company successfully began using quality and customer expectations as its corporate performance measurement keys (Eccles 1991). By integrating new measures such as non-commercial, qualitative, and process-based, with already established performance measurement systems such as financial and quantitative measures, General Electric could demonstrate a better understanding of the complexity of the management process. Performance measurement is therefore not considered as an ordinary process with general indicators. It became a
strategic tool for management ‘to increase productivity and profitability, and may help shareholders hold management accountable’ (Eccles 1991, p. 131).

During the 1980s, performance measurement was observed and researched with quality as the key driver. In an increasingly competitive market place, quality became a powerful strategic weapon. Defect rates, delivery commitments, and response times became the measures, developed using substantial and dedicated resources, to appraise the performance of services, operations, and products.

By early the 1990s Total Quality Management (TQM) had been developed into a popular and acceptable tool among non-for-profit organisations for promoting and assessing quality improvements, and by progressively placing more emphasis on a variety of qualitative factors and methods. This change of emphasis showed TQM’s shift away from its original dependence on quantitative measurement (Czarnecki 1999). A more precise picture of an organisation’s growth prospects and condition might be achieved by using economic indicators like earnings ratios or market share. Non-economic indicators might include quality and human resource-related measures, as well as customer satisfaction, and innovation.

1990 to 1998 were the years of the development of competitive benchmarking techniques. These methods involved identifying companies in other industries and recognising the competitors who had already been running best practices in various areas, functions, or processes. The performances of the companies in the other industries, and the competitors’ performances, were then compared with the organisation’s own performance (Eccles 1991).

The trend became, therefore, a combination of different quantitative and qualitative measures, with processes monitoring the character and evolution of a specific organisation. These indicators are not fixed and therefore can be modified or adapted to changing priorities or organisational needs. For instance, measures that were applicable during the early stages in the development of a new product might become unsuitable in later production phases. What is suitable in the first phases of a change process might not be applicable as the organisation joins together and grows. Performance measurement indicators and systems progressively develop to accommodate and satisfy the requirements of individual organisations, and to reflect the demands of the diverse areas in which they operate (Hailey and Sorgenfrei 2003).
Various businesses with different strategies are in need of unique types of information and analytical tools. Therefore, performance measurement is not a standardised process with set indicators. It is a strategic tool broadly used by management to increase the organisation’s profitability and productivity. This is necessary if shareholders are to understand and compare the organisation’s financial position in the market.

2.2.2 Not-for-profit sector performance measurement

1960 to 1970 was the decade of major global growth for voluntary not-for-profit organisations. The rapid interest in the not-for-profit sector and its development was triggered by public interest in the work of non-government and other not-for-profit organisations. In addition to this, various governments started recognising that these organisations were suitable and economical entities for delivering public services which could introduce government policies of development into their own organisational procedures.

The era of the 1980s renewed the emphasis on cost-effectiveness and this caused a rapid development of the sector. This growth revealed the need to use more official contracts to explain relationships with the not-for-profit organisations which had previously been considered as the drivers for improved performance and as alternative service providers in the newly competitive public sector. This change formed the ‘New Managerialism’, a new theory emphasising targets and performance indicators. Historian James Hoopes (2003) states that managerialism started last century in the human relations movement at the Harvard Business School. Professor Elton Mayo, an immigrant from Australia, was heavily involved in the building of this theory. He looked at democracy as disruptive, disorganised, and totally missing a human factor, and therefore lacking community spirit. He concentrated his theory on educating corporate managers on how to re-establish the social harmony so necessary for the organisations to establish their targets and missions, and therefore be able to identify their performance indicators.

Many not-for-profit organisations in the world, including Australia, currently operate in the development sector where official donors use Logical Framework Analysis as their primary performance assessment and planning tool. Hailey and Sorgenfrey (2003) note that the logical framework was first introduced as a planning instrument for the military. USAID became the first organisation to bring this tool into international aid. Logical
Framework Analysis therefore became broadly supported and adopted by many modern humanitarian agencies.

Logical Framework Analysis was widely used by European development agencies such as the German agency GTZ, which had been actively promoting Objectives-Oriented Project Planning (ZOPP) as an alternative framework. ZOPP introduced a more participatory approach to problem- and objective-setting analysis (Helming and Gobel 1997). Currently, Logical Framework Analysis is a tool widely used to define the relationship between non-government organisations and official donors.

Also during the 1980s, the success of development interventions was judged by the effectiveness of the quality of the planning processes and the capability of the management systems. Traditional methods (top-down) were criticised and new open-minded engagement approaches started to develop. Project work lost its attractiveness and interest and was replaced by long term programmes. This process led to the development of new techniques in which various agencies started to experiment with stakeholder analysis and more organisation-centered participatory methods. All these methods have slowly been merged into Logical Framework Analysis methodologies. From this point on, the main focus of programmes was not their output but their outcomes. A similar change of focus happened to the product. Through deeper and more accurate investigations, the process became more valuable than the product, and as a result, concentrating on qualitative indicators rather than quantitative indicators seemed to be more logical.

Issues of the effectiveness and impact of accountability became the main areas of concern in late 1990s. The evaluation debate raised questions about the methodology used for measuring the performance of complicated aid interventions in capacity-building and advocacy areas, in rapidly changing environments, and in unpredictable conditions (Oakley, Pratt and Clayton 1998; Cracknell 2000). Therefore, new research and development has been done in the areas of alternative performance approaches and indicators (Hailey and James 2003; Hirschman 2002) which led to the establishment of new results-based management strategies. These strategies successfully mix broader programmatic goals with traditional performance measurement systems (Binnendijk 2000).

The early years of the 2000s were the years of innovation and research. They opened the way to a parallel evolution in very different sectors. For example, organisations in three unique sectors (health, social services, and recreation) began to accept and implement
more process-oriented methods, incorporating qualitative and non-financial measures, whereas previous performance measurements were initially restricted to financial and quantitative indicators, which were easier to define and measure. The more flexible and dynamic process-oriented approaches, however, presented inherent methodological difficulties. Performance measurement, which was previously used only as a tool for assessing success or failure, was now used to recognise performance and enhancement by facilitating organisational learning and by highlighting good practice.

However, various frameworks and methods used to measure and manage performance are situated between the results-focused approaches and the methods which emphasise learning for continuous development. Some agencies claimed that accountability is still the essential tool used by central evaluation units. There is an urgent need to recognise that learning comes from and relies on accountability, and therefore should not be seen as being in opposition to it. Separating learning from accountability could create a ‘false dichotomy’.

2.3 Performance measurement approaches

‘Inappropriate and insufficient’ have been the common words of criticism of performance measurement approaches. Existing frameworks have been constantly modified, used in different ways, and replaced by alternative frameworks. Although each business practice requires different framework structures, the same strategy or framework is often implemented for different purposes, such as measurement, management, organising, and planning. These constant changes have resulted in various terminologies being used, with the same performance measurement approach referred to as either ‘a performance management framework’ or ‘a performance measurement system’. Some approaches have one or more strategic dimension or process, and include some form of measurable indicator or criterion. These approaches can be used either for evaluation or for management depending on the role they are anticipated to perform.

Section 2.3.1 deals with a brief analysis of the characteristics of the Balanced Scorecard (Kaplan and Norton 1996), one of the most popular and most developed performance management frameworks. The relevance of the Balanced Scorecard to this study is that not only is it widely cited in the literature, but that an attempt was made to implement it in my case organisation.
There are, however, many other commonly used audit frameworks, including the Benchmarking Performance Prism (Neely et al. 2001), Results Based Management (Drucker 1954), Total Quality Management (Feigenbaum 1951), and Logical Framework (Hailey and Sorgenfrei 2003).

Rouse and Putterill (2003) provide a critique of these frameworks and outline an alternative framework which includes multi-dimensional views and evaluations to reflect the variety of stakeholders. However, Pun and White’s studies (2005) show that, as with audit frameworks for quality, there is no single performance measurement framework that suits all organisations.

2.3.1 The Balanced Scorecard

The Balanced Scorecard is a very popular way of incorporating a range of indicators to produce a more rounded picture of performance and to ensure that different stakeholders’ views are reflected in the performance measurement system. There is evidence to suggest that more and more Australian not-for-profit organisations are using this technique, although many of them struggle with the Balanced Scorecard because they have not invested sufficient time and effort in customising it to meet their needs (Jarrar and Schiuma 2007).

Chang (2006, p.63) provides a critique of the Balanced Scorecard in the health service and suggests that it is used more as ‘an information system than as a strategic performance management tool’, while Greatbanks and Tapp (2007) detail the successful use of a modified Balanced Scorecard in Dunedin City Council, New Zealand.

2.4 Performance measures in not-for-profit organisations in Australia

There is some disagreement about how not-for-profit organisations can be assessed by using performance measures. This disagreement arose from the misunderstandings and differences between stakeholder interests and the lack of information about the relationship between targets, aims, and measures (Hofstede 1981).

Therefore, the important criteria for evaluating the performance of not-for-profit organisations are difficult to establish because not-for-profit organisations tend to have multiple, and sometimes vague, goals which are stated in broad terms (Anthony and Herzlinger 1975),.
Not-for-profit organisations are established with specific social missions and objectives (Courtney 2002), rather than with the objective of generating profits as for-profit organisations (Billis and Glennerster 1998). Not-for-profit organisations, from the social mission viewpoint, need to concentrate on performance indicators that show how their values, programmes, objectives, and services benefit their potential and future clients (Drucker 1992).

Durtina (1984) supports this statement and suggests two key performance indicators. The first indicator is service and programme effectiveness: the degree to which the programme or the service accomplishes its projected public purpose. The second indicator is organisational efficiency: the care and skill with which management uses organisational resources to deliver a service or to complete a programme. A modification of Durtina’s key performance indicators can be found in the works of Blickendorfer and Janey (1988) who expanded the theory and included five more key performance indicators which can help the organisation achieve its targets and meet its mission’s objectives. Three of these indicators are financially related (space and financial planning, the ability to achieve financial stability, and the effective allocation and use of capital assets), suggesting that although not-for-profit organisations are not profit-generating bodies, they are responsible for the funds donated by the stakeholders. The other two indicators are strategic effectiveness and the utilisation and development of human resources. Therefore, clear measurements and indicators of how financial resources are used and managed become significant and important elements in evaluating the performance of not-for-profit organisations.

### 2.4.1 Financial performance indicators

The concept of financial measures for not-for-profit organisations was developed by Herzlinger and Nitterhouse (1994). Asset management and the financial ratios of sales revenue are the main components of the concept. Ritchie and Kolodinsky (2003) suggested that there are two more financial ratios which are viable financial performance indicators: fundraising efficiency and fiscal performance. These ratios have become the most commonly used in not-for-profit organisations.

The use of financial ratios for measuring performance in not-for-profit organisations is not common in Australia. However, the focus on financial transparency from the early 2000s has accompanied changes in compliance requirements and therefore introduced the
regulation for not-for-profit organisations to publish their yearly financial reports on the internet. Another change was the greater empowerment of the Registrar of Charities. This was intended to modernise and to improve the governance of not-for-profit organisations in Australia. Today, all not-for-profit organisations are evaluated based on the following main financial performance indicators: operating and administration expenses, the collection of funds and donations, annual financial statements, and the direct use of funds on services.

As many not-for-profit organisations rely heavily on public and government funds, the success in collecting enough funds in those organisations shows the stability and success of their programmes and services. Moreover, the abilities and tactics of marketing and fundraising, which include how public donations and government grants are received and transferred, are based on the beneficiary organisation’s needs and, more importantly, on its status, position, and reputation.

The ability to acquire large donations is another indicator of a community’s trust and the public’s belief and confidence in a specific not-for-profit organisation. Usually, organisations that experience high operational, technical, and administrative expenditures are seen as ineffective. Quite often they have to establish and implement effective cost control. The last measure of an organisation’s ability to fulfil its obligation is the annual reserve it uses for improving its internal operations, programmes, and services.

However, Barrett (2001) argues that this method of quantitative measure sometimes appears to be narrow and it cannot demonstrate the true performance of a not-for-profit organisation in achieving its intended missions. Likewise, Salamon (1992) mentioned that because not-for-profit organisations exist to fulfil social needs rather than to generate profits, quantitative or financial measures must not be used as single indicators of effectiveness or organisational performance in the not-for-profit sector (Anthony 1988). Furthermore, the lack of a revenue-generating motive makes performance measurements in not-for-profit organisations extremely problematic and incomplete. Non-financial performance measurement indicators are therefore greatly needed for reaching a more complete, broad, and significant valuation of a not-for-profit organisation’s development (Chang and Tuckman 1993).
2.4.2 Non-financial performance indicators

Output measurements and programmes as well as service results have been used largely to understand the restrictions of financial performance measures. However, both of these measurements must be used to evaluate non-financial programmes and the service performance of not-for-profit organisations (Kelly et al. 1999).

In this framework, various programme, plan, and service results are explained and are accepted as the benefits, challenges, and important changes necessary for both individuals and communities (Jansen 2004). The results and the actions are compared and aligned with the anticipated purposes of the programmes, plans, or services (Government Performance and Results Act (GPRA) 1993). According to Jansen (2004), outcomes are the proposed effects of programmes and services of not-for-profit organisations and are the anticipated outcomes of how programmes and services help customers. As mentioned by Martin and Kettner (1996), the result is the effects or the accomplishments that are identified and explained by changes in the customers’ existence and the quality of life.

Three years after Martin and Kettner (1996), Natalie (1999) classified all outputs and results as straight products of the programmes’ activities and service accomplishments which can be therefore measured in units; for instance the number of dinners cooked, delivered and served to retired and aged persons, or the number of customers signed for rehabilitation and improvement programmes. The combination of results and output provides a better and more comprehensive picture of the programmes and services provided by the not-for-profit organisation’s effectiveness.

The preceding literature suggests the significance of non-financial performance indicators in shaping the performance of not-for-profit organisations. Five non-financial performance indicators have been identified by Kaplan and Norton (1996, 2001): (1) client satisfaction, (2) efficiency of programmes and services provided by the organisation, (3) customers and population increase, (4) quality of the organisation’s programmes and services, and (5) the effectiveness of the organisation’s programmes and services.

Client satisfaction information is often received through the evaluation of the organisation’s programmes and services, and then analysed as part of quality improvement. Effectiveness is determined by efficiency and as the time required for programmes and services to be brought to specific customers. An increase in the number
of clients proves that a programme and its services are interesting, successful, effective, and therefore relevant to the customers. Therefore, identifying the benefits of the programmes and customer services leads to programme and service effectiveness.

In summary, all customer and mission-centred non-financial performance indicators have been established and used to measure an organisation’s mission and profit-centred objectives. The indicators also agree with and match the performance standards suggested by famous researchers such as Pappas (1996) and Nathan (1998).

2.5 Institutional perspectives on performance measurement systems

Emerging theories which draw on a range of ‘institutional’ perspectives have attempted to explain the adoption and use of new public management reforms within the context of organisational change (Granlund and Lukka 1998; Burns and Scapens 2000; Burns and Vaivio 2001). This study uses a neo-institutionalism approach (DiMaggio and Powell 1991; Greenwood and Hinings 1996) and represents a convergence of multiple themes suggested by old and new institutionalism. In this model, the concept of institutional isomorphism and its components – coercive, mimetic, and normative isomorphism (DiMaggio and Powell 1983) – is seen as a primary means of analysing the institutional environment. This model, together with institutional legitimacy, provides a neo-institutional framework and links the dynamics of power and politics.

2.5.1 Philosophical and methodological foundations of institutional theory

There are various philosophies of institutional theory. The most popular and most commonly used are the old institutional economics and the new institutional theory. As mentioned in Chapter 1, institutional theory in this thesis refers to both the new institutional systems and to the old institutional economics. The old institutional economics rejects methodological individualism and rationality assumptions that are commonly made under rational choice theory (Hall and Elliot 1999). These assumptions and the methodology are rejected because they neglect social and cultural effects on formulating norms and rules of behaviour (Hall and Elliot 1999). Veblen, as the founder of the old institutional economics, justified his action for rejecting individualism by stating:

… not only is the individual’s conduct hedged about and directed by his habitual relations to his fellows in the group, but these relations… vary as the institutional scheme varies. The wants and desires, the end and aim, the ways and means, the amplitude and drift of the
individual’s conduct are functions of an institutional variable that is of highly complex and wholly unstable character. (Veblen 1909b [1919], p. 629)

Since methodological individualism is rejected, institutions are chosen as the unit of analysis (Hodgson 1988). Under the old institutional economics, institution is defined as ‘…a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people’ (Hamilton 1932, p. 84).

According to Burns and Scapens (2000a), institutions can impose form and social coherence upon human activity through the production and reproduction of settled habits of thought and action. Nonetheless, through the process of routinisation of human activity, institutions themselves could change. DiMaggio and Powell (1991) continue by saying that the new institutional sociology also rejects methodological individualism and individual rationality and that this is impossible to reduce to combinations or even major significances of individuals’ characteristics or purposes.

Thus, economic and sociological new institutionalists believe that people live in a socially constructed world that is filled with meanings and rules that are taken for granted. Actions are taken unconsciously and are completed routinely. During the construction of the social environment, institutionalisation guides the way that activities, processes, cultural events, and organisations become accepted as ‘institutions’, and become viewed as the norms and values in society. As defined by Jepperson (1991), an institution is a social directive that has reached a specific stage when it can rely only on self-activating social procedures.

In summary, once an entity has achieved its institutional status, it becomes recognised by the public in the community. It therefore becomes an enduring practice which is difficult to change because it possesses the characteristics of perpetuity. The stage of total institutionalisation is not an outcome but a process associated with the sedimentation process. For Tolbert and Zucker (1999, p. 209), total institutionalisation occurs through the continued use, maintenance, and survival of the structure across successive generations of organisational members. Sedimentation is characterised by the virtually complete propagation of structures across the group, either in perpetuity or over a long period of time.

Tolbert and Zucker (1999, p. 209) stated, ‘Identification of factors that affect the extent of diffusion and long-term retention of this structure are therefore key to understanding the
process of sedimentation’. The authors noted that one factor indicated in many studies is the opposition role that many actors attempt to play and mobilise against the new devices.

The authors also argued that, in some instances, there is no direct opposition but a lack of demonstrable results associated with new structures (i.e. a weak relationship between the structure and the desired results may be sufficient to affect diffusion, either by reducing the efforts of the structure's supporters or by reducing theorising and promotion efforts). In many situations, there are great difficulties in associating benefits with new structures. Therefore, it is likely that total institutionalisation depends on the combinations of various types of effects. This is further stressed by Scott (1987, p. 496), who viewed institutionalisation as the ‘… social process by which individuals come to accept a shared definition of social reality – a conception whose validity is seen as independent of the actor’s own view or actions but is taken for granted as defining the “way things are” and/or the “way things are to be done”’.

2.5.2 The new institutional sociology and institutionalisation

Economic organisation theory includes new institutionalism, as do political sciences, history, and sociology. All these areas of human and organisational development are joined by a mutual uncertainty and disbelief of separate and disparate interpretations of social developments, and a mutual opinion that institutional measures and public practices are very significant for society. The establishment and improvement of these methods is to a certain degree a reaction against the behavioural revolution, and has its theoretical roots in the political economy associated with Veblen (1899) and Commons (1934). It is also associated with the functionalist philosophy of Parsons (1951) and Selznick (1948).

New institutionalism is not simply a movement back to the theoretical roots, but rather a challenge and an attempt to offer renewed answers to long-standing questions about how public choices are formed, developed, managed, and directed by institutional organisations (DiMaggio and Powell 1991). Various theoretical traditions describe new institutionalism in a variety of ways. DiMaggio and Powell (1991) describe three dominant variables that isolate modern institutional economics (Williamson 1975) and community choice customs (Buchanan and Tullock 1962) from sociological traditions and organisation theory.

The first variable states that the new institutional economics and community choice philosophy describe institutions as products of human strategy, and the result of purposive
activities focused on instrumental entities. Institutions\(^2\) are recognised in sociological customs and organisation theory as the result of human action and not necessarily the result of sensible design. The rational-actor prototypes diminish highlighting that the elements of analysis cannot be minimised to combinations or straight results of specific aspects or motives. Therefore, institutionalisation is assumed to be a phenomenological method by which specific societal relationships and actions are everyday activities, and the state of businesses’ shared thoughts is described as a state with meaning and possible actions (Zucker 1983).

The second variable states that institutional economists and the philosophy of community choice accept that actors create institutions purely to accomplish the results they need and desire. Therefore, they seldom enquire where the preferences are acquired or where the choices come from. Institutional arrangements are viewed as adaptive solutions to problems of opportunism, and as imperfect or asymmetric information. This orientation is rejected in sociological traditions and organisational theories for several reasons. According to these traditions, models are set and are chosen according to expectations, and therefore the expectations are implemented through either socialisation or education. Secondly, personnel in various organisations have different targets, different education, and different preferences. It is highly recommended that cultural and historical frameworks are reviewed for better understanding of individuals’ choices.

The third method in which economic and sociological modifications of institutional theories vary is in their vision of the independence, variability, and competence of institutions. In modern institutional economics, institutions are viewed as temporary places which progress to become effective and stable businesses. In organisational theory, behaviours and structures that have been institutionalised have a tendency of transforming very slowly (Logue et al. 2013). The existing bodies provide normative standards by which people perform, and therefore they do not develop additional or alternative guidelines or policies. When organisational change arises it is usually on a large scale in the organisation (macro level), and is irregular and drastic rather than incremental, slow, and smooth.

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\(^2\) In many languages, the words ‘organisation’ and ‘institution’ can either be used synonymously or as an addition to the other. Sometimes ‘institution’ refers to a small firm and sometimes to a big organisation. While language permits this usage, for the purpose of theoretical clarity, it is clear that precise (English academic) distinctions need to be made which are not in everyday use. Theory requires that I make a clear distinction between the gross form (organisation) and the more subtle form (institution).
Institutional theory is not usually regarded as a theory of organisational change, but rather as an explanation of the similarity (isomorphism) and stability of organisational arrangements in a given population or field of organisations (Buckho 1994; Ledford et al. 1989). But institutions do change: economies are no longer built upon slavery; women vote. There are institutional scholars who seriously examine how established institutions degrade and how new institutions are formed, thus enlisting the considerable weight of institutional scholarship into the vital area of change (Greenwood and Hinings 1996; Gray and Hinings 2008, Logue 2014).

The role of actors in the transformation of existing institutions and fields has also risen in prominence within institutional research. Institutional studies have documented the ability of actors, particularly those with some key strategic resources or other forms of power, to have a significant impact on the evolution of institutions and fields (Clemens 1993; Greenwood, Suddaby and Hinings 2002; Oakes, Townley and Cooper 1998), including both institutional transformation and de-institutionalisation (Ahmadjian and Robinson 2001; Oliver 1992).

Finally, a more modest amount of research has begun to examine the role of actors in maintaining institutions. Although definitions of institution emphasise their enduring nature (Hughes 1936), institutions rely on the action of individuals and organisations for their reproduction over time (Berger and Luckmann 1966; Giddens 1984). Lounsbury (2002) and Greenwood, Suddaby and Hinings (2002) highlight the role of professional associations in articulating and promoting new logics that shape institutional change in organisational fields over long periods. In this process, professional institutions behave as institutional entrepreneurs (Fligstein 2001) and mobilise resources of discourse and rhetoric to effect institutional change (Suddaby and Greenwood 2005a).

The actors most likely to adopt disassociative techniques to disrupt institutional practices are elites. This was the observation of Greenwood and Suddaby (2006), who identified the largest firms and professional associations as actors most likely to disrupt institutional practices (Lawrence and Suddaby 2006, p. 215).

Performance is seen as an institutional factor that can be categorised among the interests being pursued by those in an organisation (DiMaggio and Powell 1991). More precisely, Meyer and Zucker (1989) stated that performance can be defined exactly, such that it demonstrates that the most powerful level of organisation is indeed top management.
Performance can also prove that an organisation can have a high level of qualified professionals delivering high levels of service, and that an organisation achieves a practical purpose, the results of which can be easily measured.

According to Meyer and Zucker (1989), professional performance is defined largely by the degree to which the norm of participative democratic governance operates, the degree to which the interests and needs of various communities are acknowledged, and the degree to which the organisation’s role is non-technical and its results avoid measurement. Besides these choices of performance, Brignall and Modell (2000) have also added the importance of considering the dependence of the organisation on different groups of stakeholders when defining performance. The rationale for this is that similar forces of pressure applied by various stakeholders are expected to affect the balance among various performance dimensions, partially because of management’s information requirements for making decisions that affect particular stakeholder interests (Brunsson 1990). The information relied on to mobilise the support of a specific cohort of participants is often incomplete and limited, and may favour a certain course of action. This creates an imbalance among different performance scopes, and therefore gives different interpretations as to what constitutes ‘good’ performance.

A traditional economic view was discussed by Scott in 2001. It states that the institutionalisation of performance measurement systems proposes that organisational participants behave sensibly, therefore they concentrate only on achieving objectives related to improving productivity and effectiveness of the services provided to the customers. This rational choice confirms that organisations and their senior personnel follow standard choices when making decisions, therefore implementing accounting principles for improving performance only for economic purposes. The desire to develop economic performance has led many organisations to adopt accounting practices that technically enhance the performance of the organisation (Roggenkamp, White and Bazzoli 2005). Early studies have suggested that the implementation of new accounting practices may act as a ceremony of economic rationality (Hopper and Hoque 2004) in order to gain legitimacy. There have also been times when the implementation of modern accounting practices was imposed by the parent company (Majid and Sulaiman 2008; Brewer 1998). Thus, the implementation of modern accounting practices cannot necessarily lead to upgraded economic performance (Nor-Aziah and Scapens 2007). New institutional system
thinking, however, offers a disputable description and clarification of the institutionalisation of new accounting practices. It states that institutionalisation can be socially rather than economically rational. According to Zucker (1987), under a new institutional system, the development of institutionalisation of the performance measurement systems arises in organisations either at the organisational or environmental level, although it can also take place at the single organisation level. Therefore, this reproduction of social facts is seen here as a consequence of institutionalisation, rather than as a cause of institutionalisation (Zucker 1987). The institutionalisation of new practices involves the creation of new structures, processes, and roles that later become routinised, formalised, embedded in the organisational fabric, and self-maintaining ‘over long periods of time without further justification or elaboration, and are highly resistant to change’ (Zucker 1987, p. 446).

Once the new systems or practices become institutionalised, it should be expected that new structures, procedures, and roles are created as well. Resistance may also be part of the institutional change as the current system tests and challenges the values of the earlier (old) system. Therefore, if a new system cannot modify current standards and rules then some components of stability can be expected (Siti-Nabiha and Scapens 2005). If that is the case, then institutionalisation may only reach a symbolic level and not an instrumental level.

Brignall and Modell (2000) state that, according to the institutional theories, all factors (external and internal) contribute to the change and transformation of the organisational structure. An organisation adjusts to the factors by accepting efficient and already modernised institutional myths which allows it to obtain necessary acceptability and validity, and to secure important and significant funds for future growth and stability (Meyer and Rowan 1977). Not-for-profit organisations, as well as for-profit organisations, strive to acquire or maintain legitimacy by constructing new organisational structures (Deephouse 1996; DiMaggio and Powell 1991). Based on institutional theory, isomorphic forces could lead to transformation of both an institute and its organisational structures, even if technical or economic advantages are missing (DiMaggio and Powell 1991; Scott 2001). Therefore, an institutional perspective is a preferred framework for understanding organisational transformation. Meyer and Zucker (1989) confirm that this applies particularly to the organisations in which the custom of participative independent governance is embodied in the ceremonial structure or guidelines, in which the needs and
interests of different communities are recognised and therefore prioritised, and in which the organisation’s purpose is non-technical and its results avoid measurement. This aptly describes not-for-profit organisations.

From this point of view, the performance measurement system can be regarded as a rationalised myth (Meyer and Rowan 1977). Usually the adoption of rationalised myths appears as some sort of structure displayed by various important organisations through isomorphic practice or process. Meyer and Rowan (1977) support this theory, pointing at the incomplete practical clarifications of organisational structure.

The work of Nor-Aziah and Scapens (2007) shows that both technical and institutional pressures co-exist to shape the budgeting practices implemented in an organisation. An important aspect of new institutional systems is gaining organisational validity. It is significant for an organisation to be legitimate to ensure the timely acquisition of the necessary resources from the stakeholders and community to establish a strong position in the market and therefore secure its trust and reputation in the future (Suchman 1995). Legitimacy is obtained by adopting structures and processes available throughout the organisational field through isomorphic forces (Deephouse 1996; Suchman 1995). The failure to follow and implement the expectations of the various stakeholders, such as government, suppliers, or customers, would mean that an organisation could put its development, growth, and even survival in danger. Therefore, the institutionalisation of performance measurement systems in an organisation may be considered the result of its actions to legitimise the organisation’s existence from the point of view of its major stakeholder. Performance measurement systems may thus be ceremonially institutionalised. Legal and regulatory systems, usually known as environmental factors in this study, include both public opinion and customer services of professional standards. These environmental factors and norms play significant roles in the formation and establishment of rationalised myths, and may also apply forces and pressure on an organisation in many complex ways. Myths may change organisational members who believe that responses to multiple pressures are aimed at efficiency, when in reality they are aimed at achieving legitimacy. Meyer and Rowan (1991, p. 45) describe rationalised myths as ‘institutionalised techniques [which] establish an organisation as appropriate, rational and modern’.

Rationalised institutions create myths of formal structure, which shape organisations.
Hence, these technical procedures, disguised as efficiency measures, are the rationalised myths that an organisation could have adopted to increase the likelihood of its success in the face of environmental uncertainty. The institutionalisation of performance measurement systems could also be due to the isomorphic forces from the external environment. Deephouse (1996) describes isomorphism as the similarity of a principal organisation to other organisations in its environment.

Therefore, various organisations can be forced to replicate other organisations in situations of environmental uncertainty (Carruthers 1995). These organisations can also undertake isomorphic activity in a rational and deliberate manner. In other words, their leaders are aware that they are mimicking others in their environment. Alternatively, organisations may undertake actions that are isomorphic without realising they are imitating other environmental players, and therefore state that their arrangements to accept certain developments or procedures or systems or structures are justified. The process is consistent with the concept of institutionalisation, and with the view that institutional processes and functions are often ‘taken for granted’ and just seem ‘obvious’ (Galaskiewicz and Wasserman 1989).

DiMaggio and Powell (1991) classified isomorphism as either competitive or institutional. Competitive isomorphism concerns efficiency. When there is one best, cheapest, or most efficient way to do things, eventually the forces of competition will impose upon organisations that there is one best way. However, institutional isomorphism is not associated with efficiency. Various policies, practices, and procedures could be adopted as a result of forces imposed by other parties related to the organisation, such as the main stakeholder, or forces applied to copy other not-for-profit organisations, or due to pressure applied by the professions.

DiMaggio and Powell (1991) introduced three forms of institutional isomorphism: coercive, mimetic, and normative. Coercive isomorphism results from pressures applied to organisations by other organisations (stakeholders). In addition, this type of isomorphism arises from society’s cultural expectations. Powerful bodies such as the government, the public, and various regulators, can force organisations into accepting and establishing new procedures.

Mimetic isomorphism occurs in organisations when they copy other organisations who are under pressure from uncertainty, the lack of technologies, or unclear goals. In situations
where they are not sure what to do, organisations refer to similar organisations, and mimic their practices. Organisations tend to relax and enjoy the situation when they have complete control of other organisations’ actions and businesses. Organisational trends and styles usually appear and develop through mimetic isomorphism (Granlund and Lukka 1998; DiMaggio and Powell 1991).

Normative isomorphism is the third and last type of isomorphism used in this study and arises from the impact of occupations on institutes and their components. Therefore, all employees of the organisation are divided into professions and are recognised and categorised by their education, training, or knowledge. Their membership in the professional networks and accreditation influence the way they perform their duties and achieve results in the organisation. DiMaggio and Powell (1991) highlight the importance of professionals in defining how rationalised procedures can be implemented and spread across organisations. They refer to this scheme of isomorphism as a new ‘iron cage’ (Weber 1922), because organisational transformation occurs as the result of isomorphic processes that make organisations more similar, without necessarily making them more efficient.

In general, the new institutional system takes exception to rational choice interpretations. If there is convergence among organisations in the same field it is not necessarily because of market competition. If, for example, organisations devote considerable energy to the development and elaboration of rationalised rules and procedures, it may not be because these rules and procedures produce decisions or outcomes that are ‘objectively’ better, but because being technically efficient is not the only path to organisational survival. Achieving legitimacy in the eyes of the world, the state, powerful professions, or society, is another effective survival strategy (Carruthers 1995). Reliance on the dominant stakeholder would also ensure long term survival (Brignall and Modell 2000).

An organisation that operates in an institutionalised environment normally displays the ceremonial processes of how to accomplish specific tasks. Under new institutional systems, organisations are assumed to be established in the larger inter-organisational systems and cultural schemes recognised as ‘the institutional environment’ (Scott 2001). Therefore, ceremonial structures provide a stable and balanced summary of the objectives of the organisation and the common means of their accomplishment (Scott 2001). Organisations and their structures, therefore, serve as a resistance to changes that might be
triggered by personnel changes (Zucker 1987) and provide organisations with some potential to endure and to resist challenge (Meyer and Rowan 1991). In institutionalised environments, these structures draw upon laws, customs, and beliefs to sustain the organisation in its social position within the organisational field. Organisations could have imported their ceremonial structure from outside, and they could have emulated and reproduced the procedures, rules, and structures that enjoyed external legitimacy. Ceremonial structures come from the state, from professions, or from other ‘successful’ organisations.

New institutional systems also highlight that forms and structures in the organisation that are implemented to acquire external help from stakeholders are insufficient for presenting results that have already been accomplished. The forms and structures are also not relevant to the technical work that has been performed. Therefore, according to Powell (1991), there is a great need for suboptimal results.

New institutional studies of organisations in the 1970s and 1980s are largely characterised by an emphasis on diffusion, isomorphism, and decoupling:

The new institutionalism in organisation theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn towards cognitive and cultural explanations, and an interest in properties of supra individual units of analysis that cannot be reduced to aggregations or direct consequences of individuals’ attributes or motives (DiMaggio and Powell 1991, p. 8).

In a seminal paper, Meyer and Rowan (1977) set out a view of complex organisations in post-industrial society as reflecting wider myths in the institutional environment rather than reflecting the technical demands of production. In order to protect an organisation’s technical core, they proposed a great deal of decoupling between espoused policies and actual practices, as well as internal buffering between subunits.

Sociological institutional theory arose, in part, from the observation that organisational policies and structures are often loosely coupled with practical activity (Meyer and Rowan 1977). However, it is difficult to generalise about the differences between ceremonial and operational structures because there might be numerous forms in varying degrees (Fogarty and Rogers 2005). The ‘decoupled’ concept is distinct and separate, and the ‘loosely coupled’ concept is different but interdependently defined (Orton and Weick 1990). Therefore, ceremonial structures cannot be linked to a particular organisational
performance, and the performance measurement systems role as an accountability system cannot be materialised, as the performance measurement systems could have been institutionalised ceremonially.

2.5.3 Neo-Institutional theory

The basic tenets of neo-institutional theory were used to orient and situate this study. This theory is relevant because it considers the organisation and the effects a larger environment has on its structure and procedures. This theory is also useful because, unlike other organisational theorists, some of the neo-institutional theorists’ research has involved not-for-profit organisations (Scott 1998).

Neo-institutional theory has its roots in open systems theory, which conceives of organisations as entities that interact with, are shaped by, and in turn, help shape the environment in which they are located. Institutional theory suggests that all organisations must garner legitimacy from external constituents in order to increase their resources and survival capabilities (DiMaggio and Powell 1983; Meyer and Rowan 1977).

Another point of interest for researchers using neo-institutional theory has been the influence of the social and cultural environment in which organisations find themselves embedded. Neo-institutionalists investigate behaviour within organisations and they have tried to understand how the behaviour of actors in collective entities is shaped by conventions, norms, myth, and ceremonies (Meyer and Rowan 1977).

Although organisations can obtain legitimacy and, ultimately, survival by conforming to institutional expectations, they are also constrained by these same institutionalised expectations. Pressures from the environment not only constrain the organisation’s activities, but also influence the development of organisational goals (Scott 1987). When an organisation establishes its legitimacy by institutionalising its supporters’ expectations, failure to meet those expectations can result in the loss of that legitimacy.

Neo-institutional theory suggests that institutionalised organisations derive legitimacy as a result of isomorphism. Legitimacy is derived from organisational alignment with socially constructed and accepted conceptions of appropriate organisational goals, structures, and routines. Organisations can obtain legitimacy, and hence survival, by conforming to institutional expectations. However, they are also constrained by institutional expectations (Scott 2000). Scott indicates that ‘institutional environments are multiple, enormously
diverse, and variable over time. To neglect their presence and power is to ignore significant causal factors shaping organisational structures and practices’ (Scott 1987, p. 508). Therefore, neo-institutional theory must apply to a wide range of processes, structures, and mechanisms through which institutional change occurs.

2.5.4 Isomorphism

According to Meyer, Scott and Deal (1983), institutional structures emerge in society and define various roles and programmes as rational and legitimate. In their study, they looked at schools, and indicated that to survive is to conform to institutional rules. These structures encourage the development of specific bureaucratic organisations that incorporate these elements and conform to these rules (Meyer and Rowan 1977). While neo-institutional theorists (e.g. DiMaggio and Powell 1983; Meyer and Rowan 1977; Meyer and Scott 1983; Zucker 1988) have attended to somewhat distinctive institutional elements in formulating their views of legitimacy, it is useful to distinguish three types of control mechanisms: coercive, mimetic, and normative (DiMaggio and Powell 1983).

A part of the sociological institutionalist approach, institutional isomorphism was first put forward by Walter Powell and Paul J. DiMaggio (Powell and DiMaggio 1983). In their article, they describe institutional change as institutions or organisations becoming increasingly similar (isomorphism). In doing this, they criticise Weber’s assumption that bureaucracy, the rational spirit’s organisational manifestation, was so efficient and powerful a means of controlling men and women that, once established, the momentum of bureaucratisation was irreversible (Weber 1968).

Meyer and Rowan (1977) shifted the focus from organisational goals to the structural and procedural aspects of organisations. ‘Independent of their productive efficiency, organisations which exist in highly elaborated institutional environments and succeed in becoming isomorphic with these environments gain the legitimacy and resources needed to survive’ (Meyer and Rowan 1977, p. 352). This suggests that, in organisations, rationalised arguments take the form of myths that cannot be objectively tested, but stand as rational on the basis that everyone knows them to be true – ‘institutionalisation involves the processes by which social processes, obligations, or actualities come to take on a rule-like status in social thought and action’ (Meyer and Rowan 1977, p. 341). Rationalised
myths are part of the institutional context in which organisations operate and to which they adapt in order to maintain their social legitimacy.

Thus, rationalised institutions create myths of formal structure which shape organisations. Furthermore, Meyer et al. (1983) suggest that institutional structures emerge in society and define various roles and programmes as rational and legitimate. These structures encourage the development of specific bureaucratic organisations that incorporate these elements and conform to these rules (Meyer and Rowan 1977). In other words, adoption of the rules creates the myth that the organisation is operating rationally. Because myths are highly institutionalised, and are considered objective, they are not challenged. Therefore, rules are taken for granted as being legitimate. Organisations do not necessarily conform to rules because they are taken for granted, but because they are often rewarded for doing so through increased legitimacy, resources, and survival capabilities (Meyer and Rowan 1977).

According to Zucker (1991), the level of institutionalisation directly influences the transmission, maintenance, and resistance to change on cultural persistence. Culture, she writes, is a highly institutionalised social construct – a perception of reality – transmitted from one actor to another, one generation to another (Zucker 1991, p. 86). The degree of institutionalisation depends on whether an act is perceived to be more or less exterior and objective. Zucker (1977) discusses institutionalisation as both a process and a property variable. ‘[Institutionalisation] is the process by which individual actors transmit what is socially defined as real and, at the same time, at any point in the process, the meaning of an act can be defined as more or less a taken-for-granted part of the social reality’ (Zucker 1977, p. 728). This section has shown that neo-institutional theory can explain the influence of the environment and the impact of its professionalisation on structure, strategy, and processes – coercive, mimetic, and normative isomorphism.

**2.5.4.1 Three processes of isomorphism**

Coercive isomorphism is a result of legal or state-imposed rules. DiMaggio and Powell (1983) argue that when the pressure to conform comes from government regulations, acts, or laws, then coercive institutional pressures are at work. They also suggest that various authorities can use coercive power to compel compliance. Slack and Hinings (1994) agree that coercive isomorphism is the result of formal and informal pressures exerted on other organisations which may be dependent on them, but it may also result from cultural
expectations within the societal context in which the organisation exists. Thus, actors in the environment are sufficiently powerful to impose structural configurations and practices on organisations.

Mimetic isomorphism is mimicking or duplicating something that another organisation is already doing. In other words, mimetic isomorphism is primarily concerned with how uncertainty influences organisational decision-making. ‘Uncertainty is also a powerful force that encourages imitation’ (DiMaggio and Powell 1983, p. 151). Adopting mentoring programmes can also help to reduce uncertainty. ‘Organisations that can demonstrate their adoption of mentoring programmes ensure the legitimacy that comes from having this appropriate social form in the eyes of existing employees, employee applicant pools, and external constituents’ (Fogarty and Dirsmith 2001, p. 254). In sum, there exist many ways whereby not-for-profit firms remain competitive by following societal norms.

Normative isomorphism is associated with professionalism. It attempts to explain how organisations respond to pressures from professional bodies. Responding to these pressures enable organisations to achieve legitimacy in their environment and to increase their chances of survival and success (DiMaggio and Powell 1983). Neo-institutional theory suggests that the imitation of legitimate industry practices will enhance employer legitimacy. In hiring professionals, organisations are usually thought to acquire the talent they need to manage and operate their technologies. The operation of normative forces in organisations must also consider the structural configurations of its members' roles (Fogarty and Dirsmith 2001). Neo-institutional theory proposes that when organisational processes are poorly understood due to uncertainty, managers will be motivated to monitor the actions of other organisations in their field in an effort to find viable solutions to organisational problems (DiMaggio and Powell 1983).

### 2.5.5 Strategic responses to institutional pressures

All not-for-profit organisations are experiencing financial and competitive pressures that have created a climate conducive to adopting structures and practices from the corporate sector (Shortell, Gillies, and Devers 1995). Ongoing shrinking economic resources, accompanied by a shift in responsibility from government to the not-for-profit sector for dealing with social/health problems, are becoming a reality (Salamon 1989). Not-for-profit
organisations compete with one another for donations, membership, clients, and sales (Stienberg 1987). Consequently, not-for-profit organisations are adopting structures, policies, programmes, and procedures to adapt to these environmental demands.

Increasingly, not-for-profit associations are embedded in supra-organisational systems or are subject to broader institutional values or beliefs that influence their structures and practices (Alexander and Weiner 1998). For example, many local not-for-profit organisations are linked to national or umbrella organisations (e.g. United Way). It may well be that at the national level there are highly organised agencies that approximate the professional bureaucracy model of organisational design. For example, the Toronto Star newspaper suggests that not-for-profit health organisations, such as St. John Ambulance and the Parkinson Foundation of Canada, must be run like businesses in order to be successful (Scrivener 1999). The article further states that ‘those who run non-profit organisations are taking additional training at business schools. They are working on their masters of business administration degrees to help them run their organisations more efficiently in an era of cutbacks and increased competition for charitable donations’ (Scrivener 1999, p. B1). This shift towards a more business-like model can be related to Thornton’s (2002) article addressing conflicting institutional logics.

Not-for-profit organisations appear to be adapting to their environment in several ways. They seem to view the adoption of alternative strategies as mechanisms to ensure their survivability. A variety of options are actively being explored by not-for-profit organisations. Some organisations emphasise internal and external operating efficiencies, while others have improved their financial workings, engaged in new and different marketing strategies, or increased government lobbying efforts in an effort to secure resources. Alternatively, not-for-profit organisations may form partnerships to raise funds (Skloot 1983). And yet another approach, and to some a less attractive one, is retrenchment. Of the existing retrenchment alternatives, the one drawing increasing attention is that of greater involvement in commercial activity. Commercial activity helps to reduce the resource dependence caused by traditional government grant issuances and individual donations, and is only one strategy among many when it comes to adapting to changes as a result of internal and external pressures. A question for consideration is whether these attempts to secure resources threaten organisational mission statements through increased bureaucratisation and professionalism. Researchers are concerned that not-for-profit organisations will become so much like businesses that their financial
concerns will be diverted from their social missions (Bush 1992; Kramer 1987; Salamon 1989). Lipsky and Rathgeb-Smith (1989) maintain a similar position when they expressed that, ‘while contracts may allow an agency to expand services, pay their staff better salaries, and move into new service areas, contracts bring administrative and accountability demands that may conflict with an agency's mission’ (Lipsky and Rathgeb-Smith 1989, p. 630). Similarly, from a resource dependency perspective, Selznick suggests that organisations often unintentionally displace their initial goals and depart from their missions as they attempt to adapt to environmental dependencies, increase efficiency, and/or resolve power struggles (Kraatz and Moore 2002). Although there are few empirical studies in this area (Kramer 1987), the consequences of agencies receiving funds are dependency, co-optation and dilution of advocacy and autonomy, goal depletion, and the loss of an agency’s voluntaristic character through increased bureaucratisation and professionalism. Thus, it is important to examine not only the pressures facing organisations in today’s not-for-profit health sector, but also to gain an in-depth understanding of how organisations interpret and respond to these pressures.

In the field of organisational behaviour, Selznick is best known for his work on the Tennessee Valley Authority (TVA) and his grass roots publication: *A study in the sociology of formal organisation* (1949). This book describes the federally-owned Tennessee Valley Authority (TVA) which Congress chartered in 1933 to build the electric and navigation infrastructure of the river basin between the Appalachian and Cumberland Mountains, a historically economically disadvantaged area in the southern United States. Selznick’s findings on the loose coupling between formal organisational structure and everyday behaviour, as well as his discoveries about how the TVA’s founding ideals were subverted as the corporation sought to navigate a complex external environment, challenged the then-dominant accounts of bureaucracy as a rationally-designed machine controlled by an agentic, unconstrained formal leadership (Merton 1952; Weber 1964). Several of his conclusions – including that an organisation could shift from being a means to an end to becoming an end in itself; that powerful interests outside an organisation, including the state, exert an important influence and constraint on an organisation’s leaders, and that efforts at maintaining legitimacy are at the centre of many organisational decisions – now constitute some of the core tenets of institutional theory, one of the most active and prominent perspectives in the field of organisational behaviour (Davis 2010).
Indeed, so powerful were Selznick’s insights into the inner-life of organisations – where our human contradictions create, within organisations, continuous arresting tensions between formal goals and survival, and between organisational boundaries and the environment, and where organisational contradictions exert on individuals the opposing pulls of materialism and meaning, and substance and symbol – that contemporary research underplays Selznick’s central finding that both technical and institutional forces are often at work in organisations, and that much of organisational life consists of the interplay between those forces (Suddaby 2010).

Everyday experiences in organisations confirm his notion that technical and institutional forces exist side by side. Selznick emphasises inherent tensions between the political, cultural, and value-laden aspects of organisational life on the one hand, and the more technical aspects on the other. While there are important differences between political, cultural, and value-laden elements (March and Olsen 1976; Salancik and Pfeffer 1974), Selznick grouped them together under the heading of ‘institutional’ and emphasised their distinction from the more purely technical realm in which efficiency and rationality reign supreme. Even as we recognise the complexity contained within Selznick’s concept of ‘institutional’, we adopt his approach in focusing on tensions between institutional and technical spheres of organisational life. It was these very tensions that Selznick himself sought to reconcile in his 1957 book *Leadership in Administration* (LIA). In LIA, Selznick builds on his main finding from his TVA work that the combination of technical and institutional pressures can lead even well-intentioned leaders to concede to external demands that threaten an organisation’s character, and he conceptualises how leaders can overcome these pressures and uphold the integrity of the organisation and the institutional values it embodies. He argues that, through a combination of substantive and symbolic actions, leaders can establish values and purposes that bring together diverse subgroups of members and loosely coupled organisational units into a coherent and meaningful whole – an entity with both character and integrity. He further shows how character and integrity can enhance an organisation’s technical competence, enabling it to meet the demands of external constituencies on which it depends.

Selznick’s influence on organisational theory was wide-reaching and profound. He described the dual nature of organisations as both economic entities, with the goal of achieving technical efficiency vis-à-vis the process of production, and ‘adaptive social structures’ whose activities and survival are valued as meaningful ends in themselves.
Contemporary scholars, especially those who write in the tradition of institutional research and whose theoretical apparatus rests on Selznick’s work on the TVA, often downplay or ignore this key insight. As a result, current organisational perspectives that emphasise the material dimensions of organisational life often underplay or ignore the political, cultural, and value-laden elements.

Meanwhile, institutional perspectives that privilege politics, culture, and values often trivialise material dimensions (Perrow 1986, p. 265-270). The implications for organisational research and leadership education of both perspectives are often confusing or not spelled out. The co-existence of, and interplay among, the material elements of organisations on the one hand, and the political, cultural, and value-laden elements on the other, was central to Selznick’s intellectual project. He argued that leadership was vital to reconciling these seemingly opposing forces. In Selznick’s view, leaders recognise that organisations and their practices constitute meaning beyond their utilitarian functions, and come to be valued as ends in themselves. They operate in the liminal space between technical and institutional, and leadership skills are measured by how successfully they navigate and adjudicate the clash of forces inside and outside the organisation.

2.5.6 Institutional Entrepreneurship and Institutional Work

In its history, institutional theory privileged the analysis of how institutions shape and constrain agency (Scott 2008; Battiliana 2006; Meyer 2008). This has led some authors to construct the paradox of an embedded agency which asks the question: how will transformation take place if the agents are constrained and limited by institutions? To try to overcome this paradox, two institutional approaches have gained prominence in recent years: institutional entrepreneurship and institutional work.

The institutional entrepreneur is an actor who engages in the process of transforming existing institutions or creating new ones (Maguire, Hardy and Lawrence 2004; Mendonca, Alves and Campos 2010). The dominant actors in the field, despite having the power to implement change, are not usually interested in taking on this struggle, since they already have an advantage in the field. But they can engage in this process if they intend to ensure or maintain their power in the face of any threat of change (Sculy and Levy 2007; Suddaby and Greenwood 2006). Some authors (Lawrence, Suddaby and Leca 2011; Battiliana and
D'aunno 2009) suggest that institutional entrepreneurship is often characterised in a heroic and powerful way to overcome the immersion of shared values (embedded), ignoring the fact that even the institutional entrepreneurs partly share these values.

The approach of institutional work seeks to highlight the purposeful action of individuals and organisations which aim to maintain, create, or disrupt institutions (Lawrence, Suddaby and Leca 2011; Kaghan and Lounsbury 2011). In this approach, the action is on the centre stage. The concept of intentional action encompasses a complex relationship with institutional elements. On one hand, organisations or individuals may be aware that their agency ruptures a certain institutional field, but they implement their actions intentionally. On the other hand, due to its embeddedness, the institutional entrepreneur’s action may have an institutional impact, but it is not perceived as intentional (Lawrence, Suddaby and Leca 2011; Battiliana and D'aunno 2009). These approaches make use of some concepts of the old and new institutionalism. From the early work of organisational institutionalism, we have the notion of ‘organising’, as pointed out by Selznick (1966), in which the acts of actors reinforce shared values (‘actors enact as much as they act’) (Meyer 2008), and the role of language as an element involving both the agency and the construction of reality (Meyer 2008, Suddaby and Greenwood 2009), increases the importance of discourse for understanding institutional change (Lawrence, Suddaby and Leca 2011; Fairclough 2005; Fairclough, Jessop and Sayer 2002, Maguire and Hardy 2009; Hardy 2001).

From neo-institutionalism, influenced by the works of Schutz and Goffmann, and from the idea that reality is socially constructed (Berger and Luckmann 1990), the cognitive elements and the construction of meanings that permeate institutions are discussed. Thus, the work on neo-institutional perspectives, from the start, attributes great importance to the cultural and cognitive processes that influence the behaviour of organisations and individuals, and agency is in the background, being understood as a reaction to institutional processes (Scott 2008; Battiliana 2006, Lawrence, Suddaby and Leca 2011).

2.5.7 Loose coupling and rhetoric

In 1976, Karl Weick first introduced the concept of loose coupling, a conceptual framework formerly limited to the field of computer systems, to organisational studies.
From an organisational perspective, the concept of loose coupling suggests a resilient system of independent agencies that work harmoniously in an exchange relationship, while the different parts retain physical and professional autonomy (Hagan, Hewitt and Alwin 1979; Weick 1976). Moreover, coupling can occur within organisations to form a more cohesive organisation, and outside them to create interdependent partnerships between organisations. For public service organisations, the effective exchange of information between agencies can be especially valuable when the objective of their relationship is in a state of change or is unclear, but when a sudden response to a social issue is warranted (Orton and Weick 1990). However, the degree of coupling within an organisation may affect the amenability to couple with external agencies and to accept changes in the delivery of social services.

A contemporary example of coupling, and the ambiguity associated with the concept in social service organisations, can be illustrated in the relationship between criminal justice and mental health agencies, and the dilemma of handling mentally ill offenders appropriately. Although there continues to be growing support for collaboration between mental health and criminal justice practitioners when handling mentally ill offenders, the paradox of providing the most appropriate treatment in the least restrictive criminal justice setting has led to ambiguity among the participants as to their exact purpose in the exchange relationship (i.e. treatment vs. incarceration). However, the ambiguity of the exchange relationship is overshadowed by a shared perspective of a social issue (such as whether incarceration is an inappropriate response to the mentally ill offender) (Hagan, Hewitt and Alwin 1979), which allows the opportunity for a shared perspective and response (Glassman 1973). Using the example of mental health and criminal justice agencies, this shared perspective has made effective coupling even more plausible because both the mental health and criminal justice systems fall under the umbrella of human services, which, simply stated, are loosely coupled to begin with.

The flexibility of loose coupling allows systems, even those that seem ideologically incompatible (like criminal justice and mental health), to join when the need arises and to create a composite service. Such a service might be the intensive case management of mentally ill offenders using the power of criminal sanctions to enforce mental health treatment. These composite services occur when managers redefine their perceptions of their operational environments based on the creation of a view shared with external agencies regarding a social issue. However, the fact that the systems may be incompatible
due to ideology, operations, etc., and that ineffective loose coupling can allow for exchange relationships to be disassembled quickly, leads to the reality that the structural and organisational elements within the system are often only nominally linked. This leads to the violation of rules and jurisdiction, unimplemented decisions, and unpredictable consequences for those decisions that are implemented (Hagan, Hewitt, and Alwin 1979; Meyer and Rowan 1977).

The impact of inappropriate coupling between systems allows for the possibility of ceremonial representation within the system instead of legitimate involvement of organisational resources (Hagan, Hewitt and Alwin 1979). This allows the system to increase its facets of operation (e.g. the criminal justice system’s adoption of drug courts, mental health courts, etc.) without significantly altering day-to-day operations (Glassman 1973), and thereby increase its societal legitimacy while maintaining organisational efficiency (Hagan, Hewitt and Alwin 1979; Meyer and Rowan 1977). However, ceremonial representation produces negative effects that can lead to further specialisation and fragmentation between and within agencies, which exacerbates the ambiguity of the concept of loose coupling and exchange relationships.

However, some empirical research exists that studies coexisting yet conflicting institutional logics, in contexts such as the mutual fund industry (Lounsbury 2007), the legal profession (Suddaby and Greenwood 2005), regional banking (Marquis and Lounsbury 2007), and a Canadian government agency (Townley 2002). These studies show how conflicting logics are physically (geographically) separate in their practice (Lounsbury 2007), comprised of distinct rhetorical practices (Suddaby and Greenwood 2005) and rationalities (Townley 2002), and result in novel forms of organisational resistance (Marquis and Lounsbury 2007; Townley 1997). With few exceptions (e.g. Kraatz and Block 2008; Bacharach et. al 1996), coexisting institutional logics and their impacts within organisations and manifestations in individual human action, are not addressed in the literature. Thus, the ‘link between micro and macro levels of analysis’ that Powell and DiMaggio (1991, p. 25) identified as a key area of future exploration for institutional theory, continues to go unaddressed in the literature.
2.5.8 Ceremonial processes

In general, the new institutional system takes exception to rational choice interpretations. If there is convergence among organisations in the same field it is not necessarily because of market competition. If, for example, organisations devote considerable energy to the development and elaboration of rationalised rules and procedures, it may not be because these rules and procedures produce decisions or outcomes that are ‘objectively’ better, but because being technically efficient, is not the only path to organisational survival. Achieving legitimacy in the eyes of the world, the state, powerful professions, or society, is another effective survival strategy (Carruthers 1995). Reliance on the dominant stakeholder would also ensure long term survival (Brignall and Modell 2000). An organisation that operates in an institutionalised environment normally displays the ceremonial processes of how to accomplish specific tasks. Under new institutional systems, organisations are assumed to be established in larger inter-organisational systems and in cultural schemes recognised as ‘the institutional environment’ (Scott 2001). Therefore, ceremonial structures provide a stable and balanced summary of the objectives of the organisation and the common means of their accomplishment (Scott 2001). Organisations and their structures, therefore, serve as a resistance to changes that might be triggered by personnel changes (Zucker 1987), and that provide organisations with some potential to endure and to resist change (Meyer and Rowan 1991). In institutionalised environments, these structures draw upon law, customs, and beliefs to sustain the organisation in its social position within the organisational field. Organisations could have imported their ceremonial structure from outside, and they could have emulated and reproduced the procedures, rules, and structures that enjoyed external legitimacy. Ceremonial structures come from the state, from professions, or from other ‘successful’ organisations.

2.5.9 The old institutional economics and institutionalisation

Another way of conceptualising performance measurement systems is through rules and routines. For example, Scapens’ (1994) framework viewed management accounting as organisational rules and procedures. Changes in management accounting practices are explained in terms of the changes in organisational rules and routines. Hence, changes in
the performance measurement systems could also be explained in terms of changes in organisational rules and routines.

Scapens’ (1994) framework was later extended by Burns and Scapens (2000a), in which the roles of rules and procedures are explored from the relationship point of view and how they touch organisational activities and institutions. Burns and Scapens (2000a, p. 23) argued that ‘institutions are disassociated from their particular historical circumstances and, as such, they exist only in the actors’ understandings and stocks of knowledge, and express for them the way things are’. They claimed that their framework should be able to describe and explain analytical concepts used for interpretive case studies of changes to management accounting.

The framework has two underlying assumptions: first, it is concerned with the firm-specific processes of change, and second, management accounting is seen as a routine activity in an organisation. Burns and Scapens (2000a) used Barley and Tolbert’s (1997) framework, which was slightly modified to suit additional needs when constructing their own framework. Barley and Tolbert (1997) started from structuration theory and examined organisation and structure relationships over time, which later progressed into developing a framework based on the development of institutionalisation in the organisation.

In this study, a performance measurement system is viewed as a set of organisational rules and routines. Changes in the practices involving performance measurement in the organisation are explained in terms of changes in organisational rules and routines. This is an attempt to extend the Burns and Scapens’ framework. Thus, this study involves the firm-specific processes of change (that is, looking into the process of change in the performance measurement system), and second, the performance measurement system is seen as a routine activity in the organisation. Institutionalisation of the performance measurement system is through the enactment of routines over time.

Habits, as defined by Camic (1986, p. 1044), are ‘tendencies to engage in previously adopted or acquired forms of action’ and are, therefore, more private in nature. Organisational practices represent the patterns of thoughts and actions that are habitually adopted by organisational members. Therefore, organisational practices play a significant role in the actions and institutional relationships in an organisation (Burns and Scapens 2000a).
Although habits and practices play a significant role in the way individuals conduct themselves, the fact that individuals can explain why they behave in a particular way must not be neglected. Individuals act in certain ways in order to follow the established and recognised guidelines of behaviour. Burns and Scapens (2000a) have defined these rules as the previously recognised way of doing things.

Scapens (1994) also claimed that guidelines are used to coordinate and provide consistency to the activities of various cohorts of individuals. Therefore, guideline-based behaviours result from a valuation of the accessible alternatives. Rules must be followed to prevent the problems and the cost of assessing alternatives for every occasion.

As a result of repeatedly following the rules, behaviours may become programmatic. Such guideline-based behaviours are also described as procedures as they characterise the habits of the specific cohort. In this case, a procedure can be defined as the way of conducting business and doing things (Bush 1987). Bush argues that the critical factor of progressive institutional change is the widespread awareness to bring about modification of habitual patterns of thoughts and behaviour. This will then allow institutional change and the further growth of knowledge.

The formulated rules may be modified as the group establishes mutually acceptable ways of implementing them. For instance, a new way of setting key performance indicators for a division could be included as a set of rules in the performance measurement systems manual. These rules might be established, for instance, when a new manager is appointed, or when an organisation is acquired by another organisation, and the acquirer’s standard procedures are imposed on the acquired organisation, or when an external party such as the government imposes rules.

Organisational members may respond to the new rules by modifying some of them during the implementation process. They may modify them intentionally or unintentionally. Intentional modification could occur due to the resistance of the acquired organisation, or due to specific circumstances of that organisation.

Unintentional modifications could be the result of a misunderstanding of the new rules, or just simply because the new rules are inappropriate in the circumstances. As a result of the new rules, new practices will appear and will be copied, and transferred to new members of the organisation over time (Nelson and Winter 1982). This is how the guidelines are
going to be established, and new procedures will be developed as a result of the implementation of the guidelines.

A performance measurement system that has been implemented in an organisation may develop into one that deviates from the original rules, or that was never explicitly set out in the form of rules. However, the organisation may decide to formalise the established routines in a set of rules, such as in a manual of key performance indicators. This process is important for reducing the risk of losing knowledge and information if key personnel leave the organisation due to resignation or redundancy. It also helps to have better control of further changes as the process of performance measurement shifts over time from routines to strict guidelines.

In short, rules are the formalised statements of procedures, whereas routines are the procedures actually in use. Rules are normally changed at discrete intervals, but routines have the potential to be part of a cumulative process of change because they continue to be reproduced. In the context of performance measurement systems, on the one hand, rules comprise the formal practices of performance measurement systems, as set out in the procedure manuals. On the other hand, routines are the practices of performance measurement systems actually in use. Roberts and Scapens (1985) state that even though there is a relationship between rules and procedures, performance measurement practices established in the organisation cannot copy the systems described and recommended for use in the policies or procedure manuals. In other words, organisations may opt for ceremonial implementation of certain practices (Burns and Scapens 2000a), and as a result some form of loose coupling may exist in the organisation.

In order to study changes in management accounting, Giddens’ structuration theory has been used in accounting research since the mid-1980s (Dillard et al. 2004; Lawrence et al. 1997; Macintosh and Scapens 1990, 1991; Roberts and Scapens 1985; Scapens and Roberts 1993; Seal et al. 2004). Structuration theory, and in particularly practice theory, argues that everyday actions are consequential in producing the structural contours of social life. While this principle of consequentiality is worked out differently by different theorists, the general principle of consequentiality is found throughout practice theory.

For Bourdieu (1977, p. 78), the habitus is a ‘generative principle of regulated improvisation … which reactivates the sense objectified in institutions’. For Giddens (1984, p. 377), practices are those ‘social actions that recursively produce and reproduce
the structures that constrain and enable actions’. Therefore, a primary purpose of Giddens’ work on structuration theory is to transcend the dualism of agency and structure. As he writes: ‘The constitution of agents and structures are not two independently given sets of phenomena, a dualism, but represent a duality constitution’ (Giddens 1984, p. 25).

The specific interactions of phenomena entailed by relationality vary among scholars. Giddens (1984) is well known for theorising the recursive relationship between agency and structure. In this case, it is not just that recurrent actions constitute structures, but that the enacted structures also constitute the ongoing actions. Such practices are said to be recursive because they are ‘constantly recreated by the same means whereby they express themselves’ (Gherardi 2006, p. 31). Ceremonial accounting practices are adopted to maintain both the status quo and the power of certain groups in the organisation, rather than to aid the decision-making process (Siti-Nabiha and Scapens 2005). In contrast, instrumental accounting practices are used to assist decision-making.

What factors actually determine the choice of ceremonial or instrumental practices? This depends on the broader institutionalised setting within the organisation, because accounting routines shape, and are shaped by, other institutions. For example, Gray (1988), in extending Hofstede’s (1980, 1983) model by overlaying accounting values and systems and their links with societal values and institutional norms, showed that institutions shape the nature of accounting practices (both ceremonial and instrumental), the role of accountants, as well as the way accounting information is used. As such, institutions could also aid in resisting the changes because they shape the perceptions and the thinking of organisational members (Schein 1992). Gray (1988) argues that the value systems of accountants will be derived from, and be related to, societal values. These societal values, which are also held by the accountants, are simply accounting subcultures (Gray et al. 1984; Gray 1988).

As Gray (2002) recognised, in order to better understand attempts to engage organisations in an agenda for social and environmental accounting, there is a need to develop our understanding of organisational transformation and the roles of the new accounting systems in possible change processes:

… it would seem unexceptional to state that there is a refusal to accept that we live in the best of all worlds. This seems to bring an inevitable desire (and duty?) to seek change for, what we should like to believe was, the better. But how can we seek change without a
complete understanding of the present plus a complete specification of how change does and can take place? (Gray 2002, p. 701).

The ‘new institutionalism’ has represented ‘a major research paradigm in organisational sociology over the past couple of decades’ (Lounsbury 1997, p. 465). An early development of institutional theory, moreover, is its use to explain or to predict organisational change (Powell and DiMaggio 1991).

Institutional theory … represents one of the more robust sociological perspectives within organisational theory … and it makes sense, as Dougherty pointed out, to ‘integrate some theoretical threads regarding the specific issue of transformation by building on already developed theories’ (Greenwood and Hinings 1996, p. 1023).

Various management literature (Buchanan and Badham 1999; Dawson 1994, 1996; Pettigrew 1973, 1985) has discussed the importance of politics in relation to organisational transformation. Such researchers emphasise how politics can play a key role in driving and determining transformation processes. Many writers view politics generally in terms of ‘attaining interest-based demands’ (Pettigrew 1973, p. 17), and ‘getting things done your way’ (Buchanan and Badham 1999, p. 11). The definition of politics suitably captures the generally accepted view among most academics:

… organisational politics involves those activities taken within organisations to acquire, develop and use power and other resources to obtain one’s preferred outcomes in a situation in which there is uncertainty or dissensus about choices (Pfeffer’s 1981, p. 7).

According to several writers, the political activities of consultation and negotiation during the institutionalisation process can take place at various levels within and outside an organisation (Dawson 1994). However, as a means for achieving personal or collective interests, politics are continually open to resistance and conflict, both of which emerge from clashes of interests. This study will incorporate the issue of politics during the process of enactment and re-enactment of routines that lead to the institutionalisation of performance measurement system in the case organisation.

Collier (2001) put forward two limitations of the new institutional system in terms of explaining organisational change. Firstly, it is claimed that the new institutional system is unable to recognise either the differences within the institutional environment, or the relative power of different institutional actors, or the conflict that can result from relations.
of power. Secondly, the new institutional system is also said to be unable to provide a theory to explain how these competing interests can be accommodated or reconciled by management.

In relation to the first limitation, DiMaggio and Powell (1991) claimed that institutional theory explains the homogeneity of organisational forms and processes, rather than explaining heterogeneity between organisations. This is the result of the organisational field that is the ‘totality of relevant actors’ who constitute a recognised area of institutional life. However, the concept of an organisational field is insufficient to explain the relationships of power, particularly when much of the literature retains the assumption of a balanced environment (Collier 2001). Collier argued that at an institutional level, the organisational field does not allocate sufficient importance to these relationships of power, and does not explain how common interests can emerge.

Collier (2001) also claimed that the concept of loose coupling is insufficient to explain the process of organisational change. The Orton and Weick (1990) model fails to explain how loose coupling takes place. According to Collier (2001), loose coupling is a ‘black box’ in which, somehow, managers accommodate conflicting demands. The concept of loose coupling needs to be analysed. An understanding of the organisational structures and practices that link institutional environment is needed in order to understand how elements in those environments are coupled, and to understand the reflexive impact that each has on the other. Therefore, by understanding the relationships between power, impact, and the institutionalisation of the performance measurement systems, the concept of loose coupling can be further analysed. Nor-Aziah and Scapens (2007) have tackled this issue and proposed an extension to the new institutional system framework. They have shown that loose coupling can be treated as a process and, as a result, addressed during the transformation programme in the organisation. This extended framework also recognised the issue of power, resistance, and trust.

The focus of the old institutional economics is on the intra-organisational processes of change and not on the broader inter-organisational institutional dimensions. Inter-organisational dimensions such as the influence of government, professional bodies, and competition, are not considered when examining the changes in organisational routines and institutions under the old institutional economics. These dimensions have been captured by the new institutional systems.
2.5.10 Laughlin’s framework

In order to analyse the catalyst for change at the organisational level, Laughlin’s (1991) model of ‘organisational change’ provides a framework to capture the dynamics of change. This framework relates to the establishment of accounting and has been cited in the literature on change (Laughlin 1991; Richardson et al. 1996). Laughlin’s model is based on Greenwood and Hinings’ (1988) pilot study and has been linked to the popular and widely accepted ‘middle range’ rational approach to accounting study (Laughlin 1987, 1995).

Giddens’ (1984) structuration theory and the institutional change theory of Greenwood et al. (2002) are examples of frameworks used to examine accounting change. I have preferred to use Laughlin’s (1991) model for my research and data analysis as it was specially designed for viewing and investigating change from within a company, whereas Greenwood et al. (2002) view transformation from an institutional field point of view.

Laughlin’s (1991) framework is based on the assumption that change is better explained and better analysed by investigating the way an environmental disturbance affects the organisation. Theory states that the final result is usually very broad but incomplete, and that further development of the theoretical framework from which generalisations can be originated is needed. The nature of the methodology used for this type of study is mainly qualitative and grounded on real situations. The researcher is seen to be a central and important part of the analytical process. The information and data are likely to be analytical, single or multiple case study-based, and usually descriptive in nature, with the empirical findings of the analysis based on the nature of the theory. In addition, the research results can trigger change anywhere along the range of radical transformations in order to maintain the status quo. The situation of my researched organisation is therefore the empirical flesh that derives from one of these models. It is also a type of the organisational change built on the ‘colonisation’ model. In addition, I argue in my work that this approach is applicable to the investigation and understanding of those systems which are accountable for performance measurement systems because they are recognised as schemes responsible for the fragile, unstable, and intangible features and elements of an organisation. Laughlin (1987) has the view that, in order to get a better understanding of the accounting systems and the change in those systems, it is necessary to understand and change the social roots first. Further explanation of Laughlin’s framework is presented later to introduce and support the discussion of my framework.
In his study, Laughlin (1991) developed, described, and introduced to the researchers a model of organisation made of three major elements: subsystems, interpretive schemes, and design archetypes. Tangible and intangible components are the main characteristic of this framework in which all tangible elements are recognised and analysed as the subsystems of the organisation. People, buildings, plant and equipment are considered to be the tangible elements. However, there is still an unbiased agreement about what can be considered as tangible elements. Further studies in this area might provide more information in the future. The intangible elements, as shown in Figure 2-1, consist of the design archetype and the interpretive schemes. These two components of the intangible elements are classified as essential as they add direction, understanding, classification, meaning, importance, and interconnection to the subsystems (Laughlin 1991). These elements are formed and retained by past and present participants or stakeholders (members of the organisation).
Management systems and structures are the main components of the design archetype which make the archetype unique and different from the interpretive schemes. These systems have been formed to implement the underlying values of the organisation (Greenwood and Hinings 1988) and to provide information to personnel (organisational members) about the internal development of the organisation and the implementation of the organisational values. The design archetype therefore connects tangible subsystems with the intangible organisational values (Laughlin 1991).

On the other hand, the organisation’s interpretive schemes are considered to be the intellectual elements. They guide and take care of organisational behaviour. Interpretive schemes give organisational members a common aim (mission) and therefore bring consistency to the organisation. Laughlin (1991) classified these interpretive schemes in three bases or foundations. However, the boundaries of these levels are still unclear and are yet to be determined through further studies: 1) principles, values, and standards.
provide direction to organisational members (personnel), 2) the organisation’s mission drives and support specific purposes of the organisation, and 3) various rules are needed for providing guidance and support to the organisation, particularly for its participation in the market, in the community, and in society as a whole (Laughlin 1991).

The model presented in Figure 2-1 reveals that an organisation can be in a state of dynamic balance and consistency at any point in time, even if there is conflict or dissatisfaction in the organisation (Laughlin 1991). This state of dynamic balance is very much anticipated and is therefore sustained as a form of organisational inaction until an environmental force disturbs the organisation and the change and transformation processes occur. This change is very chaotic and is very hard to be kept under control, and is therefore not welcomed as a permanent state. The main idea of this change is to bring the organisation back to the inert phase once again, thereby pushing it to a level of dynamic balance (Laughlin 1991).

By using institutional theory in my research I aim to describe the institutionalisation process of performance measurement systems practices by using Laughlin’s (1991) framework, as well as to describe and analyse the internal changes in the organisation and in its processes. Laughlin’s (1991) framework is based on critical theory and is useful for understanding an organisation’s procedural changes without disregarding the significant specifics of constantly changing methods and processes (Broadbent and Laughlin 2005). In addition, this model works as a complete and powerful addition to the Greenwood and Hinings’s (1988) framework.

According to Greenwood and Hinings (1988), organisational members are comfortable remaining within certain given archetypes, and are reluctant to move to different archetypes. They further argued that the movement between archetypes requires the decoupling of structures and systems from the previous values, ideas, and beliefs. They have identified four types of movement: inertia, aborted excursions, re-orientation, and unresolved excursions.

Greenwood and Hinings (1988) addressed the issue of what might happen during the attempted change from one archetype to another using the concept of ‘organisational tracks’:

The language of tracks has to provide for the study of organisations over time, allowing for the possibilities, not only of radical transformations, but of abortive shifts between
archetypes and the absence of change... Tracks, we would suggest, are configurations of interpretive de-coupling and recoupling (Greenwood and Hinings 1988, p. 117).

While there are many possible combinations and permutations of the movement between the five positions of coherence that might be envisaged, Greenwood and Hinings (1988) refer to four prototypical tracks which are described here in the context of the Australian not-for-profit sector.

*Track A – Inertia status.* Most organisations are assumed to stay within the same design archetype for a significant period. Organisational members tend to suppress any changes that challenge the prevailing norms and values. There is inertia, and the existing structures remain intact.

*Track B – Aborted excursions status.* Some form of temporary change occurs in the system. Certain fragments of the structures become decoupled from the norms of the dominant assumptions and values. Nevertheless, the temporary organisational changes will not last long, as the unstable structure results in dissatisfactory performance. Management may decide to terminate the changes and re-establish the previous procedure and arrangements. Thus, the existing archetype is retained.

*Track C – Re-orientation status.* Transformation occurs when organisational members are assumed to abandon one archetype scheme and to connect to a new one. A modern set of beliefs, values, and norms is created and thus becomes legitimate.

*Track D – Unresolved excursions status.* Organisational members are locked within competing interpretive schemes.

… commitment to interpretive schemes is dynamic rather than static and unchanging, and subject to change. Changing levels of commitment to the values and beliefs of the interpretive scheme provide a potential dynamic for change in the archetype. Infused with new values and beliefs, interpretive schemes may be advanced that delegitimise the old, thereby encouraging change (Greenwood and Hinings 1993, p. 1069).

Furthermore, structures, systems, and their underlying interpretive schemes are in a reflexive relationship with each other, so that structures and systems impact on the interpretive scheme and may potentially change the very beliefs and values that underpin them (Gray 1988). In addition, the actions and emotional reactions of organisational members act as modifying forces (Bartunek 1984). Thus, the introduction over time of new
management structures and systems, like new performance measurement or compensation systems, is likely to cause the interpretive scheme to internalise these structural and systemic changes.

Laughlin (1991) extended the Greenwood and Hinings (1988) framework by suggesting that besides design archetypes, interpretive schemes and subsystems are also present in the organisation. Laughlin (1991) argues that organisations have certain important elements that all organisational structures can mutually agree on. For example, accounts, people, equipment, finance, personnel behaviour, and structural nature can all be considered as these tangible elements. Less noticeable dimensions also exist in the interpretive schemes and subsystems. These dimensions usually influence the development and growth of those more tangible elements and are not flexible when it comes to reaching mutual agreement. Therefore, they are quite often divided into two increasingly unseen parts: interpretive schemes and the design archetype itself. Both parts are created and developed by the organisational participants.

Hinings and Greenwood (1988) noted that while the subsystems are considered as tangible components in the organisation, the interpretive systems are often referred to as intangible components of mutually essential standards, values, and beliefs. The design archetypes usually sit between these two very different and sometimes extreme elements, and comprise the structures, and the performance measurement and management systems.

Laughlin (1991) pointed out that for an organisation to be in balance and in best condition all three elements must be in a steady and mutual state of agreement. He did not disregard the conflicts that are often present in organisations, and proposed implementing specific features that connect all parts of the organisation, uniting it into one complete structure (Broadbent and Laughlin 2005). Laughlin further argued that when this balance and consistency are achieved at a certain level (even having resistance from some organisational parties), the organisation achieves the required balance and therefore all organisational processes are welcomed, and are considered as standard and regular by the organisation’s elements.

Disturbances arising from either the external or the internal environment could easily disrupt the stable position. Even though there can be numerous forms of shock, Laughlin (1991) chose only one and proposed that organisational transformation occurred when the organisation is pushed and forced into any action. Therefore in this case study, the
government reforms of not-for-profit organisations are being conceptualised as environmental disturbances that could shake the balanced position of the case company.

Laughlin’s (1991) framework suggested two levels of organisational change: a first level change includes pretending that different things in the organisation have been changed while they remain the same as they always were (Broadbent and Laughlin 2005). A first level change usually does not reach the point of disturbing the interpretive schemes, nevertheless it can affect the subsystems’ design as well as the design archetype. The resulting transformation might take two significant pathways: denial (resistance) and re-orientation. In the denial pathway, the only pressure that any environmental disturbance has is the one which can disturb the design archetype. The force is not powerful enough to affect the subsystems, or even the interpretive schemes, and therefore the disturbance can only change an organisation’s processes. On the other hand, when the pressure is resisted, the organisation has the possibility and opportunity to return to its old and already established design archetype. Yet, in the re-orientation pathway, the ‘shake’ or the ‘push’ have sufficient pressure to transform the design originals and the subsystems equally.

Second level changes include those that affect future generations, so it is highly recommended that future generations look at and always adopt those changes (Broadbent and Laughlin 2005). Second level changes can also take two pathways – colonisation and evolution – in which all three elements, interpretive design, design archetype, and subsystems, will transform because of the environmental disturbance. In the colonisation pathway, the disturbance changes the design archetypes, although they eventually stabilise through modern subsystems and new interpretive schemes. The design archetypes’ modifications bring interpretive schemes’ changes Laughlin (1991). However, the development of transformation in the interpretive schemes does not rely on the previous scheme. In contrast, the evolution development supports the idea that the environmental force provokes the interpretive systems and therefore forces personnel and the organisation itself to create and adopt a new interpretive system. This system changes and transforms the design archetypes and modifies its organisational levels (subsystems). It takes several years for the change to be completed due to the major adjustment of the interpretive systems. However, these changes are readily accepted at different levels of the organisation and by all organisational members.
Hopwood (1990) suggested that accounting could play three general roles during the process of organisational change. Firstly, accounting could create particular visibility of the intangible elements of the interpretive schemes in the organisation. Secondly, accounting could become a calculative device in the objectification of a phenomenon (Hopwood 1990). Thirdly, accounting could become a domain of economic action. Accounting is therefore ‘embedded within the processes of organisational change in both a reflexive and constructive way’ (Richardson, Cullen and Richardson 1996).

Laughlin’s 1991 framework allows the study of accounting in action as it provides a series of ‘skeletal’ models of organisational change. Based on Hopwood (1990) and Laughlin (1991), Broadbent (1992) suggested that accounting practices could make the intangible elements of the interpretive schemes become more visible. She viewed the design archetype as a ‘tangible manifestation of the values of the interpretive schemes, there to guide the subsystems in a way commensurate with those values’ (Broadbent 1992, p. 345). Her study showed that fragmentation can occur at the cultural level, leading to disagreement and a schizoid situation. She further suggested that disagreement at the lower levels of the interpretive schemes might not lead to significant organisational change. Richardson et al. (1996) provided further empirical evidence on the utilisation of Laughlin’s (1991) framework to discover the development of organisational change. The study also enriched Laughlin’s skeletal models by identifying a schizoid situation in which fragmentation occurred at all levels of the interpretive schemes, and not just at the cultural level.

Several researchers have claimed that Laughlin’s (1991) framework is the common theoretical framework that has been used to understand the role of accounting during organisational change (Broadbent and Laughlin 2005; Dumay and Guthrie 2007; Gurd 2008; Shanikat 2008; Sharma and Lawrence 2007). Gurd (2008) used both the framework and structuration concept to recognise accounting roles during organisational transformation processes in an Australian public utility. Sharma and Lawrence (2007) used the framework to understand how the new organisational reality was created in the case organisation. The utilisation of Laughlin’s framework with other theories, such as institutional theory, may therefore contribute further to the development of the skeletal models towards an organisational change model.
2.5.11 Justification for using the Laughlin model

Laughlin (1991) indicated that it is environmental disturbances that can consequently cause a not-for-profit organisation to move out of its state of equilibrium. He goes further to suggest that the organisation will either absorb the disturbance and maintain its previous equilibrium, or, as a result of shifts in its design archetype, subsystem elements, and interpretive schemes, it will develop a new equilibrium. The government reforms of the not-for-profit sector in Australia are a perfect example of an environmental disturbance. Using Laughlin’s model in this study, which is specifically framed for, and has been extensively applied to, the analysis of organisational change, is very beneficial. While Laughlin’s (1991) model was introduced to the researchers before he supported a middle range philosophy of thinking (Laughlin 1991), the basis of the framework is grounded in a lengthy argument that comes from Habermas’ (1988) critical thinking and thus applies to the middle range justification.

Laughlin’s (1991) framework does not discuss the complexity and therefore takes the position of medium theory, then high theory, and then back to a medium theory position (theory-methodology-change), where the medium theory position is considered as complexity theory. The theory framework therefore provides a complete picture of the nature of the world while at the same time it is still open to variation, analysis, and interpretation which is suitable for my research. Laughlin (1991) posits four pathways of organisational change:

*Rebuttal:* a morphostatic (first order) change, which leaves all aspects of the organisation unchanged.

*Re-orientation:* another essentially morphostatic change, which may alter the subsystems or even the design archetype, but leaves the interpretive scheme untouched.

*Colonisation:* a morphogenetic (second order) change, in which environmental disturbance initially leads to a change in design archetype. The result is a new balance within the organisation based on a ‘new underlying ethos’.

*Evolution:* a morphogenetic change, in which environmental disturbance leads to rational internal discussion and agreed changes to the interpretive schemes over a period of time, with resultant changes to the design archetypes and subsystems.
The present study adds to this literature by augmenting the Laughlin (1991) schema with a more formal application of categories drawn from structural analysis. In this way, it investigates the pathway of colonisation, and posits pathways of ‘fragmentation’ and ‘imposed evolution’ within an Australian not-for-profit organisation.

2.5.12 Justification for using institutional theories

Institutional theories are gaining popularity among accounting researchers for explaining the phenomenon of organisational transformation, especially management accounting change in specific organisational settings (Burns and Baldvinsdottir 2005; Busco et al. 2006; Caccia and Steccolini 2006; Caglio 2003; Collier 2001; Major and Hopper 2005; Nor-Aziah and Scapens 2007; Perren and Grant 2000; Ribeiro and Scapens 2006; Siti-Nabiha and Scapens 2005; Soin et al. 2002). This popularity is due to the fact that the study of management accounting, which includes social and institutional dimensions of organisations and their environment, requires theories that are able to provide an explanation of the processes of change. In other words, the theories are chosen because accounting researchers who are concerned with intra- and inter-organisational transformation require alternative theories besides the ‘simplistic and static character of both conventional “textbook” perspectives on management accounting and descriptive approaches based on organisational theory’ (Ribeiro and Scapens 2006, p. 99). By drawing on institutional theories, changes in performance measurement systems can be analysed processually, historically, and contextually, since performance measurement practices are conceptualised as organisational rules and routines that structure social and organisational life (Burns and Scapens 2000a; Covaleski and Dirsmith 1986, 1988).

Institutional theory is based on three theories: old institutional economics (Burns 2000), new institutional economics (Williamson 1975), and new institutional sociology (DiMaggio and Powell 1991). From the old institutional economics perspective, management accounting researchers have captured issues of power, informal accountability structures, coalitions, trust, and competing values in management accounting practices (Burns and Scapens 2000a; Nor-Aziah and Scapens 2007; Scapens 1994). Old institutional economics adopt a more intra-organisational perspective. On the other hand, the new institutional economics (Hussain and Hoque 2002) focuses on organisational actors making decisions that would optimise the economic outcomes of their activities (Spicer 1988; Spicer and Ballew 1983). Such a perspective assumes that
organisational actors act rationally by choosing methods that would maximise the organisation’s returns. New institutional sociology takes a broader approach and focuses on macro and micro issues surrounding the organisation (Greenwood and Hinings 1996; Scott 2001). New institutional sociology helps develop an understanding of how an organisational phenomenon or behaviour is a product of internal and external institutionalisation, albeit socially and institutionally constituted (DiMaggio and Powell 1991; Greenwood and Hinings 1996).

In neoclassical economics, there is a notion of economic rationality whereby each individual maximises self-interest that is usually conceptualised as utility (Backhouse 2008). This theory is based upon two assumptions about human behaviour and its social settings. The first assumption is that utility will be maximised, and the second is that markets are the structural location where transactions take place. It is assumed that individuals and firms seek to maximise their utility in different markets at the best price to arrive at a position of equilibrium.

Even though neoclassical economics has been quite successful in predicting economic behaviour at the market level, it has been far less successful in predicting individual behaviour. Since the concern of this research is the behaviour of individual firms and of individuals within firms, neoclassical economics may not be the appropriate framework to use.

Neoclassical economics theory is also unable to analyse the process of organisational transformation, as it is more concerned with predicting the rational or ‘optimal’ outcomes (Burns and Scapens 2000; Hodgson 1993). According to Nelson and Winter (1982), the study of the process of organisational transformation requires a conceptualisation of the ways in which new organisational practices evolve over time.

The new institutional economics, which is also known as ‘transaction cost economics’, is an extension of neoclassical economics (DiMaggio and Powell 1991; Scapens 1994). Thus, the core assumptions of exogenous tastes and preferences under neoclassical economics still hold under new institutional economics. Although the new institutional economics rejected individual rationality and adopted the notion of bounded rationality (Simon 1982) the individualistic analysis is still accepted (Dugger 1990).
New institutional economics tries to explain the reasons why organisations arrange their economic transactions in certain ways, and also tries to predict the factors that influence the modes of organisations. Firms are conceptualised as governance structures rather than as production functions (Dugger 1990), and in minimising transaction costs, they will develop and adopt the most efficient governance structure (Dietrich 1994). Within the new institutional economics paradigm, any changes in accounting systems are considered to be changes necessary for minimising transaction costs (Dietrich 1994). As the scope is limited, new institutional economics may also not be a suitable framework to capture the changes in organisational practices.

Since new institutional systems and old institutional economics frameworks are both sufficiently rich for explaining the phenomenon of organisational transformation in an organisation, both frameworks will be adopted for this study. Critical issues such as the process of institutionalisation, the interplay between organisational actors, conflicting interests among stakeholders, the type of environmental pressures, and the interplay between power, politics, and organisational change, are issues that can be explained by using new institutional systems and old institutional economics. Hence, the discussion of the case study findings will draw upon these two institutional theories.

However, the new institutional systems and old institutional economics do not specifically discuss the types of organisational change that organisations are undergoing. Laughlin’s (1991) framework adds further discussion to the theoretical findings, especially about the level of organisational change, but also by explaining in more depth the effect of environmental disturbances on the interpretive schemes of the organisation.

Multiple theoretical perspectives on the phenomenon of change can be obtained by using these two frameworks. In short, institutional theory explains how performance measurement systems’ practices became institutionalised in my case organisation. Laughlin’s (1991) framework is needed for this research to identify and explain what changes the case organisation experienced because of the institutionalisation of its performance measurements. These two theories, once combined in the thesis, provide a complete picture of the research findings and a full description of the research outcomes.
2.6 Summary

The most important vision of institutional theory is that performance can be recognised as institutionally distinct because institutional elements define the needs and interests that were developed and followed by those in the organisations (Scott 1987). In addition to the factors that have been viewed as acceptable, and to standard performance, it is highly important to determine how the organisation depends on diverse cohorts of participants and stakeholders. In the case of a large and growing number of conflicting needs and interests, there is a growing need to balance the institutional elements by establishing some neutral and mutually beneficial conditions between them, as the organisational necessity of a particular community decreases the likelihood of stability (Oliver 1991). The justification for this argument is that accepting one powerful and therefore dominant participant is important for the organisation’s long term existence, although this is also likely to limit its capability of meeting the goals of its other stakeholders.

The emergence of modern control practices appears to be plausible after reviewing the literature and recent publications on management of the new and modern public sector. The rise of managerialism has been compared with performance reconception in terms of productivity, economy, and effectiveness, from the non-financial, improved, and measurable aspects recommended by professional service benefactors (Broadbent and Guthrie 1992; Pollitt 1986;). Meyer and Zucker (1989) narrowed this description and introduced it as ‘fighting for power’ where the developing managerial elite (top management or senior personnel) is struggling to redefine organisational goals in competition because of the old, qualified, and professional elite. Moreover, numerous public sector organisations previously used to resolve their complex and ambiguous objectives by reaching some administrative- and government-negotiated agreements regarding which objectives to pursue (Bourn and Ezzamel 1986; Hofstede 1981). This suggests that, in reality, not enough attention was paid to performance in public sector organisations, as has been suggested by modern performance measurement literature. This tendency to limit performance involves much more cautious consideration if we are to learn and summarise how multi-dimensional performance measurement works in those organisations. The next chapter discusses the research methodology of this study, and gives details of the study’s research design.
3

RESEARCH METHODOLOGY
3.1 Introduction

The research questions and the theoretical context were discussed in the previous chapters, and as mentioned in Chapter 2 Literature Review, the research questions determined the theoretical framework and the research methodology I adopted. In this chapter I concentrate on the justification for using an interpretive case study in order to understand the complexities and the dynamic processes of accounting and organisational change. I start by discussing several ontological views and epistemological concepts that are consistent with different research methodologies. The chapter then continues with a discussion on the qualitative and longitudinal research methods that are currently used by researchers, and ends with a discussion of the research design, and a summary of the chapter.

A growing number of institutional researchers view institutional change as predicated on shifts in values, meanings, and norms, and have begun to move beyond observable outcomes in order to attend to the ways in which institutional pressures are subjectively perceived and acted upon. Institutional change, in this view, is less about shifts in the structures of institutional control and more about change in the shared meanings and understandings attributed to structures of control. That is, researchers are adopting tools that can address the phenomenological and ideational dimensions of institutional processes. These tools we classify as interpretive, historical, and dialectical methods.

Greenwood et al. (2008) argue that the courses of institutional change are more fully understood when they are examined from these methodological perspectives, thus following the more common multivariate measures that determine the results of change. They also argue that particular themes or phases of change are best shown by a specific perspective.

Institutionalisation has become accepted as a process whereby things become institutionalised, which, in turn, simply means that things are more or less taken for granted (Greenwood et al. 2008, p. 15).

Therefore, this institutional change is best studied with interpretive methods, while change as a complex phenomenon in which multiple political and economic pressures coincide, is best studied using historical methods. Change, as a conflicted struggle over ideology and meaning, is best analysed using dialectical methods (Greenwood et al. 2008). My thesis
incorporates elements of at least two of the four epistemologies – interpretive and historical – and combines methodological approaches in the foreground and background elements of a single study.

3.2 Ontological and epistemological assumptions

Researchers make ontological and epistemological assumptions about every piece of research (Hopper and Powell 1985). The assumptions made about the reality and the way knowledge is gained will determine the most appropriate research methodology for a particular piece of research (Tomkins and Groves 1983). The significance of the assumptions in relation to suitable research methodology is underlined below:

… the researcher’s assumptions which he holds about the nature of the phenomenon’s reality (ontology) affect the way in which knowledge can be gained about the phenomenon (epistemology). Therefore this phenomenon affects the progression of the research and particularly the way the research is conducted (methodology) (Ryan, Scapens and Theobald 2002, p. 3).

Based on this theory, the choice of an appropriate research methodology cannot be completed without taking ontological and epistemological assumptions into consideration. Only these assumptions can lead to setting a foundation for the research in question. This statement leads us to believe that methodology is concerned with the process of doing research and, as such, it has both ontological and epistemological dimensions.

My work examines performance measurement systems, a form of management accounting, so particularly valuable examples of these assumptions come from research into management accounting. Ontological assumptions are the beliefs that researchers of management accounting hold regarding the reality of management accounting activities. Does the management accounting researcher view management accounting activities as purely technical activities or as activities that are driven by other forces?

At one extreme, it is assumed that management accounting activities exist in an objective world, and are assumed to be concrete structures governed by the general laws of nature. Under this view of reality, the researcher is an independent observer, and thus able to observe the relationships between variables. Therefore, management accounting researchers are seeking explanations of accounting activities by examining and testing the relationships between variables (Chua 1986; Ryan et al. 2002).
At the other extreme, it is assumed that there are multiple realities of the world. Reality is subjective and is assumed to be a projection of human imagination (Morgan and Smircich 1980). Hence, management accounting researchers gain an understanding of management accounting activities through their interpretation of social interactions between agents. Between the two extremes described here, lie several other assumptions.

Morgan and Smircich (1980) identified six ontological assumptions associated with different schools of thought in the social sciences: 1) reality is viewed as a concrete structure; 2) reality is viewed as a concrete process; 3) reality is seen as a contextual field of information; 4) reality can take the form of symbolic discourse; 5) reality is assumed to be socially created through individual actions, and 6) reality is a projection of the human imagination, and only exists in individual consciousness.

In this study, reality is assumed to take the form of symbolic discourse. It is assumed that the world comprises human actors who, through social interaction and negotiation, construct reality. This is made possible through the shared meanings and norms the actors attach to people, things, and situations. Reality cannot be looked at as a set of rules as it is built in and comes from the meanings and norms which were formed through individual experiences and later shared through social communication. This ontological position has helped the researcher study the role of accounting by giving meaning to organisational activity, providing norms of behaviour, and structuring daily social practices in organisations and society.

In this view of reality, knowledge is gained through interpretation rather than through observation. Therefore, from the ontological point of view, the symbolic discourse approach allows the researcher to explain how human actors understand and participate in their reality, and, if there are any meanings or norms, that they connect to specific conditions. In this instance, that single specific situation is the implementation of performance measures in a not-for-profit organisation.

It is clear from these two examples how the ontological position taken by researchers will affect the manner in which they undertake research. If ontology is about ‘what we may know’, then epistemology is about ‘how we come to understand and implement what we know’.
Epistemology looks at the way information, knowledge, and facts are gained, or the way a belief is justified. What makes a certain type of information considered as knowledge, while others types of information are not? Plato, and others following him, defined knowledge as ‘justified true belief’ (Ryan et al. 2002, p. 11). This definition of knowledge raises issues such as the problem of justification, the basis of truth, and the nature of belief, and because this definition is widely accepted, we should, therefore, be concerned with the issue of the justification of our belief, the guiding rules of what is true, and the sources of our belief. Even though there are a number of sources of our beliefs (such as perceptual belief, memorial belief, introspective belief, rational belief, inductive belief, and testimonial belief), in principle, these reduce to two distinct sources: first, rational belief, that is, the belief that is embedded within our own rational processes as the enquiring subjects, and second, perceptual belief, which is grounded in the object of our enquiry.

Theory building requires a careful investigation of fundamental assumptions. I claim that before researching the concept of institutionalisation of performance measurement itself, the process of performance measurement development, as well as the process of institutionalisation, have to be explored by revealing their epistemological roots. This is referred to as Weber’s ‘Verstehen’ (Weber 1947), or in casting as ‘interpretive understanding’ (Burger 1987).

According to Weber (1947), understanding leads to an ability to explain that ‘we can complete something which is certainly not attainable in the natural sciences. Something called the subjective understanding of the component individuals’ action’ (Weber 1947, p. 102). I argue that concepts take different forms depending on the epistemology they are based on. Understanding this fundamental assumption on which the concepts and theories addressed in this study are based, is therefore essential not only for generating a new concept, but also for integrating and comparing existing concepts. This reasoning can be shown in the works of Simon (1993), Zander and Kogut (1995), and Nonaka (1994).

It is beneficial to examine in detail some of the assumptions that form the performance measures, by answering the following question: What are the epistemological assumptions needed that can support performance measurement as a complete practice?

Performance measurement assumes and promotes the concept of detachment. Detachment supposes that it is not essential to be absorbed in the details of the task, (that is, it is easy to separate strategic management from operational management, and policy formulation from
policy implementation), nor to become immersed in the aggregation of the knowledge (that is, the rejection of the importance of local understanding and knowledge). Separately from the predictable levels of implementation (levels that are hard to exclude), this proposal rejects the reality that administration plays a crucial role in policy-making. Administrative matters frequently highlight areas that are not considered and not included in approved standard policies. Therefore, policies are often adjusted and modified according to the skills, experiences, and results that come from implementing the policies.

These epistemological assumptions in turn are sustained by a number of deeper ontological assumptions that are required in order to sustain the practice of performance measurement. The ontological assumptions are that:

- the world is knowable through observation and the recording of objective reality (Townley 2005, p. 565).
- there is an objective reality to be known which is independent of the knower. This presumes a distinction or separation between the subjective knower and the object to be known (Cohen et al. 2007, p. 7).
- verification of claims about the social world is based on observations that give accurate and reliable information (Pring 2000a, p. 34).
- order takes a cause-and-effect form, with a linear progression along a causal chain of one event following another, in a determined form. Cause-and-effect links can be identified so that actions can be selected according to long term outcomes (House 1991, pp. 2-6).
- measurement is a transparent reflection of that which is observed (Lawson 2004a, 2004b).

It would appear that performance measurement is sustained by a specific epistemological tradition, the assumptions of which are historically and culturally specific. Historically, some of the assumptions identified in this chapter reflect what has been referred to as the methodological style of ‘Enlightenment’ thought, or as seventeenth-century rationalism (Townley 2002). These assumptions may not be an adequate model for the reality of organisational behaviour and interaction, and indeed, some current thinking in organisational analysis that is influenced by developments in new science and complexity theory indicates that such models are inadequate. Bloor (1991, p. 63) comments that ‘the abstract universalism of the Enlightenment style enables it to hold up clear, general
principles, whose very distance from reality can serve as a reproach to the latter and a goal for action’.

Based on the ontological and epistemological assumptions of this study, an interpretive approach can be used as an alternative to traditional management accounting research because of the belief that social practices, including management accounting, are not natural phenomenon but are socially constructed. This means that social actors can change as well as be changed by management accounting activity, and that we should not be looking for universal laws and generalisations, but for explicit and implicit rules which structure social behaviour (Clegg 1989). These rules, however, are themselves the outcome of social behaviour. In other words, social structures are recursive in that they are both a condition and a consequence of social action. However, Suddaby and Greenwood (2009) and Giddens (1980) underline that social structures in fact are reflexive.

Ryan et al. (2002) state that this interpretive approach requires detailed studies of accounting practices by taking a holistic view. Therefore, it is essential to learn existing and updated accounting practices within their historical, economic, social, and organisational context (Collier 2001; Hopwood 1990). This interpretive study is based on the belief that accounting practices are socially constructed and can be changed by the social actors themselves. It views performance measurement as a social practice. Therefore, accounting is not an independent phenomenon, but it can be changed by organisational and broader societal factors, and can also act as a vehicle for organisational transformation (Hopwood 1990; Libby and Waterhouse 1996). The interpretive approach rejects the idea of studying accounting in isolation of studying social and organisational contexts (Broadbent and Guthrie 1992). Such views differ from mainstream management research which views management accounting practices as variables that are governed by the general laws of nature (Hofstede 1980).

Under this rubric, organisational members are assumed to be rational and to maximise utility, and accounting is assumed to be value free. Existing structures are thus taken for granted (Chua 1986). The objective of this mainstream research is to provide explanations and predictions based on understanding how the variables interact within the existing structures. The distinctions between mainstream, interpretive, and critical research have been further stressed by Chua (1986) by saying that:
mainstream accounting is grounded in a common set of philosophical assumptions about knowledge, the empirical world, and the relationship between theory and practice. …by changing this set of assumptions, fundamentally different and potentially rich research insights are obtained. Two alternative worldviews and their underlying assumptions may be elucidated – the interpretive and the critical (Chua 1986, p. 601).

Since the interpretive method views reality as publicly and informally (therefore socially) constructed, emergent, and continuously redefined research methods, such as surveys and experimental designs, tend to be unsuitable for the current study. Surveys and experimental designs are examples of quantitative research methods which view the world as having objective reality, and therefore contradict the theoretical foundations of an interpretive approach. Qualitative research methods such as case studies are therefore preferred since they provide an intensive study of the subjects’ world, and also emphasise their meanings, views, and perceptions.

The next section explains a qualitative method; specifically an interpretive case study and a longitudinal research method.

3.3 Research design: Interpretive, historical, and longitudinal case study methods

Qualitative research is a mixture of rational, exploratory, and intuitive approaches, in which the skills and the experience of the researcher play an important role in data analysis (Lee, Mitchell and Sablynski 1999). Since it focuses on social processes and not social structures, a qualitative research methodology is well suited for studying organisations, groups, and individuals (Strauss and Corbin 1998), and is therefore appropriate for this study, which involves organisational transformation and changes in performance measurement practices.

Lee et al. (1999) have identified four major characteristics of qualitative research: 1) the research must be conducted in a natural setting and not in the laboratory; 2) the qualitative data is derived from the participants’ perspective. To avoid bias, the researcher must not impose a particular interpretation on the data; 3) the research is also flexible, in the sense that the qualitative design can and should be readily adapted to match the demands of the immediate research situation, and 4) qualitative instruments, observation methods, and modes of analysis are not standardised and could take many forms.
When is a case study the best method to use for qualitative research? Case studies are well suited for the purpose of description, interpretation, and explanation, and can effectively address questions such as ‘What has changed?’ and ‘How does change occur?’ Case studies are not suitable for issues of prevalence, generalisability, and calibration. Hence, a case study is the most suitable method for providing answers for questions such as ‘How has an organisation changed its performance measurement system?’ By adopting an interpretive case study, changes can be analysed contextually, historically, and processually (Dawson 1997; Pettigrew 1995). A study of change should be analysed holistically to provide a complete analysis of the issues involved when implementing a performance measurement system.

There were several steps involved in this case study. First, I formulated the research questions as those questions shape the research design, research methods, and data generation techniques. A review of theories that could perhaps shape the case study was also done during this preparation stage. Second, I collected evidence from articles and documentation, and from assessing the outcomes of actions. Finally, I identified and explained the patterns that could be found in documents. Because an interpretive case study is an emergent study, I refined the research questions until data saturation had been achieved. The case study method also enabled me to adopt a holistic approach for obtaining a rich description of the processes of the evolution of performance measurement (Yin 1989).

The current study also uses a grounded theory methodology which has proven to be successful in the fields of organisational learning and institutional theory (Crossan and Bedrow 2003; Greenwood and Suddaby 2006; Prochno 2002; Zietsma et al. 2002; Zilber 2002). This study triangulates the information collected from the organisational documents. Gathering and examining an organisation’s historical documents provides a perspective of institutional developments that can contribute to the understanding of the organisation’s culture and its social processes (Arneson 1993). According to Berends, Boersma and Weggeman (2003), only through historical inquiries and research we can reveal the powerful, stable, and dynamic features of social constructs of organisational learning.

To understand the evolution of the performance measurement tool, I have used a longitudinal case study method looking at data available from the chosen research
organisation between 1980 and 2013. According to Otley and Berry (1994), longitudinal case studies are beneficial in the study of the organisational practices development as they allow researchers to consider the historical, social, economic, and organisational contexts of the particular activity being studied.

The case organisation’s authorisation to access data specifically requested that some internal information (pre-2014), and particularly documentation issued during and after 2014, was to be kept confidential. The specific details of some factors relating to performance measurement, including some performance measurement indicators, cannot be reported in the thesis, although they were made available to the researcher for thematic analysis.

In my research, I also examined the contents of the documents. I took an interpretive or constructivist approach – that is, I sought to make meaning from the papers and thus form an understanding of the not-for-profit sector, and performance measurement and its institutionalisation, recognising that I would do this differently from other researchers. To emphasise this, I have expressed myself in the first person where possible, a common interpretive practice that acknowledges authors’ active creation of research. My coding was guided by my research questions, my research experience, and my interest in epistemology – that is, the study of theories of knowledge or ways of knowing. Within those influences, I kept codes concrete and as close as possible to the raw data.

I used the enumeration and cross tabulation functions of the NVivo software extensively to cross check the completeness of the coding; to compare prevalent reporting practices with marginal practices; to test emergent interpretations, and to search for gaps and alternative explanations. I kept a record of my decision-making. In addition, the many documents examined in my research included reports and the minutes of meetings of the organisation’s focus groups. All these documents have been carefully analysed as focus groups are effective in eliciting data on the cultural norms of a group and in generating broad overviews of issues of concern to the cultural groups or subgroups represented.

Also, indirect observation was used in my research as I decided to be entirely unobtrusive in my observation-by-default method. This was useful as there were many sensitive topics that were likely to elicit a reaction. An indirect observational method also helped me avoid potential ethical concerns. However, I decided not to include observations or observation analysis in my research as the archival records (the documents that describe the activities
of people at a certain time or in a certain time period) were available to me. Archival records contained marketing and communication departments’ media and documents files, and were especially useful since using them kept the data collection process of the observational study entirely unobtrusive. However, I cannot fully eliminate the risk of ‘selective deposit’, which is the selective addition and omission of information to or from an archival record. There could be easily overlooked biases inherent in many archival records.

3.4 Summary

The objective of my research is to explore the institutionalisation of performance measurement systems. To achieve this aim, an interpretive method is used. This method is the second most commonly used approach for studying organisations (Gioia and Pitre 1990), and arguably the first to be applied to the study of institutionalisation in organisations (Scott 2001; Greenwood et al. 2008; Tolbert and Zucker 1996). Interpretive methods are distinctly subjective in focus and look at the ways in which actors experience institutions (Gephart 2004).

DiMaggio and Powell (1983) also draw attention to the powerful cognitive or ideational forces that derive from a common understanding, and which form the engine of institutional isomorphism. The central idea spawned by interpretive assumptions is that institutional change is invariably accompanied by shifts in meaning, understanding, and values. Researchers have adopted a number of different techniques to analyse shifts in meaning. Some have used traditional ethnographic techniques (Barley 1986; Zilber 2002), while others have used participant observation (Bartunek 1984), longitudinal case studies (Fligstein 1990; Greenwood and Hinings 1988), discourse analysis (Lawrence and Phillips 2004; Phillips and Malhotra 2008), content analysis (Suddaby and Greenwood 2005; Zilber 2006), symbolic interactionism (Barley 2008), and cultural framing analysis (Hirsch 1986). Keeping these techniques in mind I adopted the approach of using a longitudinal case study and content analysis in my research.

Having access to very rich data sources from early 1980 to 2013, and with a desire to critically evaluate them and analyse them beyond simply ‘confirming or refuting the efficiency of some contemporary causal relationship’ (Jacques 2006), I decided to use a
historical research technique in my thesis in addition to the longitudinal case study technique. Historical research techniques are many and varied, but inevitably focus on archival documentation of both primary and secondary sources (Ventresca and Mohr 2002), and on retrospective interviews. Historiography is ‘an empirical research paradigm using an interpretive or qualitative approach which focuses on a chronology over a substantial period of time in order to obtain a fuller and richer understanding of a situation or set of circumstances’ (O’Brien et al. 2004, p. 137). Historiography is, therefore, not to be confused with longitudinal studies, time series analyses, or ‘evolutionary’ studies, as each of these lacks an element of interpretation by the researcher.

Greenwood et al. (2008) had an idea that institutional change should be theorised broadly and involve the use of multiple methodological paradigms. To achieve a deeper understanding of institutional change, and of the process of institutionalisation of performance measurement in my case organisation, I attempt to mix the various levels of analysis in my study. The difference between those who see institutions as relatively stable, isomorphic structures, and those who see institutions as subject to bouts of revolutionary, divergent change, might be simply explained by the point of view of the researcher.

The contrast between episodic and continuous change reflects differences in the perspective of the observer. From a distance (the macro level of analysis), when observers examine the flow of events that constitute organising, they see what looks like repetitive action, routine and inertia dotted with occasional episodes of revolutionary change. But a view from closer in (the micro level of analysis) suggests ongoing adaptation and adjustment. Although these adaptations may be small, they tend to be frequent and continuous across units, which means they are capable of altering structure and strategy (Weick and Quinn 1999, p.362).

Treating institutions as complex entities that interact across multiple levels of analysis implies that researchers should expand their range of methodological tools. In order to accomplish the goal of encouraging more pluralistic methods for researching institutional change, the traditional model for writing and presenting management research must be adapted (Greenwood, Suddaby and Hinings 2002).
4

DATA GENERATION AND ANALYSIS
4.1 Introduction

This chapter presents the main empirical findings of the research and builds on the literature review and the exploratory case study, and the conceptual and empirical questions formulated in the previous chapters. The research design derived both from the constructive process of developing research questions, and from ontology and epistemology.

Chapter 3 showed that ontology led me to a social constructivist view of reality. Epistemologically this led me to examine the processes that are enacted by social discourse. As my research questions concern change in organisations, I am committed to a long term case study in which change was mandated. This research is about the institutionalisation of performance measurement in an Australian not-for-profit organisation. Therefore, the most important part of it was to choose a case organisation that was wholly Australian, officially registered, and which operated as a not-for-profit organisation. More than 20 organisations were shortlisted for the research, but only one Australian-based not-for-profit organisation was selected. The selection criteria were that the organisation had to be a not-for-profit organisation that:

- had a head office on the East Coast of Australia and had multiple sites across the state
- had been established more than 20 years
- was registered as a charity
- was in receipt of external funds
- was focused on delivering community-based projects to local beneficiaries
- specialised in providing services for families, children and youth, people with disability, older people, job seekers, students, refugees, those struggling with addictions and more
- had not been a part of any previously conducted academic research so a deeper understanding of performance measurement in not-for-profit sector is gained.

Significantly for this study, and in addition to the selection criteria above, I had the advantage of knowing the case organisation while being employed in the not-for-profit sector. As a result, I knew some of the case organisation’s personnel very well, was invited to attend various meetings, and was highly supported throughout my research. This helped
me to understand the organisation’s mission, vision, policies and procedures, the way it operated on the market, and the targets the organisation was trying to achieve.

In the next sections, the case study is presented, and the findings from the analysis of three panels of data are followed by the rationale for the case, the data collection tools, and the data analysis techniques used. Three separate and parallel analyses were carried out and the results were combined to generate a richer understanding. Mingers (2002) advises that such an approach produces richer and more reliable results.

The first panel of data used for the longitudinal analysis of my case study consisted of publicly available documents, annual reports, and strategic plans. The reason for setting up this panel of data was to help the organisation identify, find, sort, and systematise its historical data. Verus’ CEO and senior personnel confirmed that collecting and keeping data had always been, and remains, a major problem for the organisation. Therefore, by collecting this data and analysing it, I contributed significantly to the organisation’s data management.

In addition to the above, this first panel of data (Data Panel I) was put together in order to examine the organisation’s financial and non-financial performance measurement systems, to track the organisation’s historical timeline and development, and to examine the impact of the government’s reforms on the organisation. This study utilised annual reports and all the other documents in the panel as a principal focus of the organisation’s disclosures (Thompson and Zakaria 2004). According to Gray, Kouhy and Lapers (1995), annual reports are widely viewed as the main official and legal documents which are produced on a regular basis and which act as an important repository of a firm’s communication within its political, social, and economic systems. All Panel I data was collected from the organisation itself, from government, other websites, media releases, and published documents. The second panel of data (Data Panel II) consisted of the organisation’s internal and external documents. The third panel of data (Data Panel III) consisted of two surveys conducted by management consultants during the period under review (Table 4-1 Empirical phases of the research) and is detailed in APPENDIX E: Data Inventory Table (data collected between 2012 and 2014). This data was analysed using thematic analysis using MindManager and NVivo analytical software.
Table 4-1 Empirical phases of the research

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<th>Empirical phases</th>
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<td>1. Exploratory case study – Data Panel I.</td>
<td><em>Publicly available documents</em></td>
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<td>• Published annual reports (1999-2013)</td>
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<td>• Homepage of the case organisation</td>
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<td>• The organisation’s press releases</td>
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<td>• Annual information statement (2013)</td>
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<td>• Australian Tax Office (ATO) data (Business activity statements, PAYG summaries, ABR) (2012-2013)</td>
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<td></td>
<td>• Strategic plan</td>
</tr>
<tr>
<td></td>
<td>• Australian Community Services Sector (ACSS) reports</td>
</tr>
<tr>
<td></td>
<td>• Councils minutes and annual reports</td>
</tr>
<tr>
<td></td>
<td>• Newspaper articles</td>
</tr>
<tr>
<td></td>
<td>• Government websites</td>
</tr>
<tr>
<td>2. In-depth case study – Data Panel II.</td>
<td>• Vision and mission statements</td>
</tr>
<tr>
<td></td>
<td>• Internal memos</td>
</tr>
<tr>
<td></td>
<td>• Internal magazines and bulletins</td>
</tr>
<tr>
<td></td>
<td>• Policies and procedures</td>
</tr>
<tr>
<td></td>
<td>• Minutes of meetings</td>
</tr>
<tr>
<td></td>
<td>• Training manuals</td>
</tr>
<tr>
<td>3. In-depth case study – Data Panel III.</td>
<td>• Reports of two surveys conducted since 2007 by the Voice Project, the leading provider of employee engagement survey (also known as climate survey, employee survey, staff opinion survey, voice survey) and service quality survey (also known as customer satisfaction survey, client survey, internal quality survey).</td>
</tr>
</tbody>
</table>

4.2 Data generation

Following the review of the literature and the formulation of the research questions, I set out to identify the major issues being faced by the organisation.

4.2.1 Case organisation - Verus

The objectives of this study are to understand the process of the organisational change to find what performance measurement systems, if any, had been used in my case organisation; what had happened to the organisation’s performance measurement system
practices after it introduced the government reforms; what forms of isomorphism had there been in the organisation, and how had performance measurement become institutionalised in the case organisation.

In addition to these objectives, my aim was to provide a comprehensive description of the case organisation. As this could only be achieved by examining its history in detail, I investigated the background of the organisation. The next sections in this thesis discuss both organisational and accounting changes in Verus.

Although what happened in the organisation after the introduction of government reforms in the not-for-profit sector is described in detail in this chapter it also illustrates some changes that happened in the case organisation before and after the not-for-profit sector reforms were introduced. These sector reviews of the history of the organisation are needed in order to understand the organisation is as it is today.

4.2.1.1 Introduction

Verus has earned its reputation as one of Australia’s most reliable and respected providers of the delivery of a variety of services to people with disabilities, their carers, children and young people, couples, and families. For more than 30 years, the organisation has been working according to its mission and vision by assisting people to find accommodation, seek suitable employment, accomplish daily living tasks, acquire new skills, access services, establish networks, and join the broader community. Verus operates more than 140 programmes and services for families, children and youth, people with disability, older people, job seekers, students, refugees, those struggling with addictions, and more.

4.2.1.2 Verus background and timeline

To guarantee confidentiality and privacy to Verus, but at the same time to introduce organisation in my research, I am using McMahon’s (2002) Redefining the Beginnings of Social Work in Australia work, which has a reference to Verus’ first steps.

McMahon states that there is a long history of philanthropy in Australia which starts from the Protestant Evangelical revival in the Anglican and other Protestant churches, with an emphasis on personal responsibility, social control of the poorer classes, and child saving. Between 1800 and 1850, colonial men and women were heavily involved in at least 18 separate philanthropic and moral reform causes in Australia. This philanthropy predates
the founding of the Charity Organisation Societies in Sydney in 1878, in Adelaide in 1885, and in Melbourne in 1887.

Associated with the history of religious sectarianism in Australia, Catholics had different traditions and purposes for establishing philanthropic services. For Catholics in the early colonies, the social issues that mobilised action were issues of social justice that affected them as Catholics: religious freedom for Catholics, Irish immigration, the franchise, and access to Catholic convicts and orphans (O’Farrell 1992). Much of this social welfare work was carried out by Catholic religious sisterhoods. Catholic religious sisters were able to be active in providing welfare services precisely because of their religious affiliation; other working women were not able to enjoy such independence.

The 1920s and 1930s were hard times, with an economic depression that saw massive unemployment, poverty, and hardship. The Depression revealed charities’ main roles and positioned them as the state’s right-hand for identifying the eligible from the non-eligible. One of the best examples in Australian history was the task given by the Victorian government to the Ladies Benevolent Society of allocating state government emergency support packages to the unemployed part of the population. The Society had already established a suburban process for delivering supplies, and it had a reputation for being strict in sorting out the non-eligible and undeserving population. However, Mendelsohn (1979) reflected in his studies that the Society’s failure to manage and to handle social welfare indicated the commencement of the end for charitable organisations.

The Depression discontinued forever the employment and use of voluntary organisations and societies as the main sources of relief by starting to apply higher rates of taxes on those charitable organisations and slowly changing their philosophy of help and relief. World War II (1939-45) needed voluntary charities again to provide support, relief, and the delivery of services to the community. As a result, the distress that had happened in the nineteenth century start to disappear slowly (Mendelsohn 1979).

During this era, several non-government organisations receiving state government subsidies were providing social services, meals, housing and a range of support to those in need. These organisations were growing rapidly. They increased in size, had more fundraising capabilities, could hire more professional workers, and could even find resources to conduct the research for identifying the requirements and needs of their customers, as well as gauging public opinion on their performance and position in the
charitable sector. The records of the Melbourne-based Brotherhood of St Laurence were among other significant documents that identified poverty in the late 1960s in Australia. The government had to respond quickly and therefore the State and Territory Councils of Social Service were established to manage the services of non-government welfare agencies (Mendelsohn 1979).

Verus’ history goes back to 1788, but only early in the 1980s did the organisation officially adopt a new logo featuring its new operational name. In 2013, Verus was known as a community-based, not-for-profit organisation with a network of centres across metropolitan and regional areas, and on the rural East Coast of New South Wales (NSW). Each year, Verus promotes the dignity, equality and participation of its service users, through the provision of more than 50,000 occasions of service each year.

Verus’ vision is to be a humane professional organisation that recognises individuals’ rights and responsibilities, values and respects clients through the delivery of responsive, flexible and effective services, empowers people to seek help, and supports recovery, management, and resilience. Verus’ mission states that the organisation aims to provide a range of human services to its clients which will enhance their quality of life and their participation within the community. Verus solidly focuses on the requirements and goals of its clients. Its philosophy is based on a simple set of principles: respect, equality, compassion, and empowerment for all, regardless of gender, religion, sexual orientation, culture, or age.

The organisation’s aims are:

… to provide people with equitable access to services and information, acknowledging the diversity, needs, rights and worth of all people;

Historical changes and Verus’ timeline are presented in detail in APPENDIX A: Historical data of Verus. A timeline of government initiatives in Verus is presented in Table 4-2.
### Table 4-2 A summary of historical data for Verus (1980s to 2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Verus initiatives</th>
<th>Government initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2001</td>
<td>• A new taxation system led to a significant number of workers’ compensation claims.</td>
<td>• Charities Definition Inquiry.</td>
</tr>
<tr>
<td></td>
<td>• Verus formed strategic alliances with banks, media, and other businesses as it could no longer rely solely on government funding.</td>
<td>• Implementation of new taxation system.</td>
</tr>
<tr>
<td></td>
<td>• Comprehensive strategic occupational health and safety plan developed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Programme management restructured from five to four areas. All programme managers confirmed that quality and effectiveness were key performance requirements.</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>• The strategic planning team developed various strategic plans.</td>
<td>• First year of new taxation system.</td>
</tr>
<tr>
<td></td>
<td>• The Corporate Services team was expanded through a major organisational restructure and by hiring experts in HR and Finance.</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>• Funding increased.</td>
<td>• Charities Bill Draft (2003).</td>
</tr>
<tr>
<td></td>
<td>• Implementation of risk management processes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A new OH&amp;S committee was elected.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Strategic planning was conducted at all levels in the organisation, from the board to management, and to individual services levels.</td>
<td></td>
</tr>
<tr>
<td>2004 - 2006</td>
<td>• The board and management developed a strategic plan.</td>
<td>• Extension of Charitable Purpose Act 2004 commenced.</td>
</tr>
<tr>
<td></td>
<td>• In-house staff training was conducted.</td>
<td>• Taxation Ruling on charities - TR 2005/21 (ATO).</td>
</tr>
<tr>
<td></td>
<td>• OH&amp;S committee was revitalised.</td>
<td>• Funding bodies looked for evidence of excellence and governance capability.</td>
</tr>
<tr>
<td></td>
<td>• Managers’ meetings were introduced.</td>
<td>• International Financial Reporting Standards were implemented.</td>
</tr>
<tr>
<td></td>
<td>• Board training was conducted.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Risk management workshops were held for managers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An annual process integrated planning for strategic, financial, and performance programmes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A new financial accounting package was implemented for financial monitoring and reporting.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Development of a data collection system to collect and report on important data.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An employee survey with a 64% response was carried out, and an action plan was developed.</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Verus initiatives</td>
<td>Government initiatives</td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 2008     | • Operations restructuring.  
• Development of the accounting and reporting systems.  
• A quality framework was developed (preliminary data was required for implementing client satisfaction surveys).  
• An organisational systems and risk manager was appointed.                                                                                                                                                                           | • Senate Economics Committee Report.  
• Australian government announced reform of not-for-profit sector.                                                                                                                                                                                                                           |
| 2009     | • Key performance, statistical reporting processes established and renewed.  
• Implementation of the safety management plan.  
• Organisational surveys were conducted by independent consultant.  
• Establishment of the organisational systems and risk management programmes and committee.  
• Changes to risk management framework.  
• Quality, accreditation, and monitoring processes improvement.  
• Implementation of knowledge management system.  
• Creation of risk management policy.                                                                                                                                                                                                                                                  | • The Government Guarantee of deposits (response to Global Financial Crisis).  
• Financial Stability Forum.                                                                                                                                                                                                                                                                                                                   |
| 2010-2013| • Board endorsed Verus’ quality assurance framework. This framework shaped the quality assurance activities undertaken by individual Verus services into the future.  
• Recognition of the importance of the organisation’s research and evaluation activities. A number of focus groups were established to ensure that Verus became a people-centred organisation.                                                                                                                                                     | • The Council and Office of the Not-for-Profit sector was established.  
• The Public Benefit Test Bill (2010) and The Contribution of the Not-for-Profit Sector report.  
• Passed the Tax Laws Amendment (Public Benefit Test) Bill (2010).  
• The first Verus Reconciliation Action Plan was published. The plan set a number of goals to achieve reconciliation with measurable targets around building respect, and relationships and opportunities with the Aboriginal and Torres Strait Islander community.  
• Strategic Plan.  
• Community services restructured into regional groups. Regional offices with dedicated administration staff were established.                                                                                                                                                       | • Passed the Tax Laws Amendment (Special Conditions for Not-for-profit Concessions) Bill (2012).  
• The Australian Charities and Not-for-profits Commission Regulation amendment.  
• Not-for-Profit Sector Freedom to Advocate Bill. |
By 2013, the Australian Charities and Not-for-profits Commission (ACNC) had approved Verus as a reporting charity, requiring it to submit an Annual Information Statement to ACNC. Total revenues increased by more than A$2.0 million in 2012, which was from increased grant funding. A reduction in rendering of service and sale of goods income was offset in part by increased rental income, the sale of assets, and other sundry income. Investment income held steady despite falling interest rates and an uninspiring share market performances. Total revenue for 2013 was recorded as more than A$19 million. The organisational structure of Verus was under review and in a state of change from 2012 to 2013, after the needs of performance measurement and the organisation’s development were recognised. The new structure was designed to re-orient the business towards the future needs of its customers.

4.2.1.3 The mission of the board and its involvement in performance measurement

Verus is governed by a board consisting of a chairman and eight other members. One of the main roles of the board consists of raising funds to use in accomplishing the organisation’s mission. Therefore, the board is responsible for determining Verus’ mission and purpose. The board of directors is open to self-evaluation, and it supports and evaluates the chief executive officer with the goals of the organisation. The board creates and periodically updates a strategic plan to carry out the organisation’s goals and ensures effective organisational planning. Board members have a fiduciary responsibility to ensure Verus follows the legal and ethical standards for business in general as well as those standards unique to not-for-profit organisations. Board members ensure that the organisation complies with all applicable federal, state, and local laws and regulations, and that it remains committed to its established mission and therefore acquires sufficient resources for the organisation’s operations and to finance the services adequately.

Verus’ board of directors and its CEO are advocates and champions for the rights of all disadvantaged people. All members serve on a voluntary basis (they are nominated by either a council or the Head Organisation, or co-opted by the board), dedicating their time and expertise to a cause close to their hearts. Below is a brief summary of the board members’ profile:

- members are part-time volunteers
• they display the aims, targets, priorities and actions of participants
• they appreciate knowledge and faithfulness to the sector at the time of appointment to the board
• they bring their knowledge, experience, and education to the organisation and are willing to share this knowledge and to contribute
• they possess diversity and do not discriminate against gender, religion, sexual orientation, culture, or age
• they differentiate themselves from their for-profit colleagues and align their responsibilities with the organisation’s mission.

4.3 Pre-data collection stage

Given the explanatory approach to the research, and the significant reliance on documentary evidence and professionally conducted surveys, it is important to highlight two factors that may have influenced the successful start and completion of this research:

Knowledge of the not-for-profit sector

I had worked in the not-for-profit sector for three years before starting the research, both as a finance officer and as a financial accountant. This gave me the opportunity to learn how the not-for-profit sector operates, to be involved in developing and implementing policies, plans, and initiatives in a number of different settings and contexts.

Accessibility

The positions I held while working for a not-for-profit sector, as well as my assignments over the years, brought me into direct contact with most, if not all, of the senior personnel of the case organisation as well as managers and other professionals. Good working relationships with these key individuals made it possible for me to gain access to information, whether documentary evidence or to appointments for meetings.

Next, I look at three panels of data collected in this phase of the study, with documentary research being the first and the second panels.

[Documents] can tell us a great deal about the way in which events were constructed at the time, the reasons employed, as well as providing materials upon which to base further research investigation … [and] can tell us about the aspiration and intentions of the period
to which they refer and describe places and social relationships at [that] time (May 1997, p. 164).

The sources of documentary information drawn upon in this study were divided into two categories: (a) generic literature on government reforms in Australia in the not-for-profit sector, on performance measurement, and on institutionalisation, and (b) documentation that was directly related to the specific case of the institutionalisation of performance measurement, and related to the way government reforms influenced the not-for-profit organisation identified for this research.

Reference to the generic literature on government reforms was intended to provide a background to the research issue. The second category of documentation covered an array of records and reports that specifically addressed the case of the institutionalisation of performance measurement, and included a variety of documents including: correspondence, minutes of meetings, media and press releases, and newspaper articles.

The second research method adopted for collecting data in this phase of the study involved the analysis of professionally conducted surveys. The objective of analysing this data was primarily to obtain first-hand data of the case organisation under review, so as to corroborate the data obtained from the documentary evidence.

Documentary research is one of the techniques least explained in the literature (May 1997; Mogalakwe 2006). While the method of data collection and analysis adopted by this research evolved in response to the content and to the quality and quantity of the documentation available, the procedures and techniques developed by well-established qualitative research studies were rigorously followed. In particular, the research treated documentary evidence in the same way as survey results. The data collected from the documentary sources of evidence was analysed using general principles of data codification proposed by Strauss and Corbin (1998). By so doing, it was possible to organise the issues identified during the data collection process into discrete categories according to their respective properties and dimensions (Strauss and Corbin 1998).

My study uses an adapted form of the grounded theory methodology by triangulating data collected from organisational internal documents, publicly available documents, and surveys. I intentionally did not refer to the use of grounded theory in my research as I am still unconvinced that the adaptive form of grounded theory is a true grounded theory. For
example, my adaptive grounded theory shows that traditional research designs usually rely on a literature review leading to the formation of a hypothesis. This hypothesis is then put to the test by experimentation in the real world. Grounded theory investigates the actualities in the real world and analyses the data with no preconceived hypothesis (Glaser and Strauss 1967).

Data collection is usually but not exclusively carried out by means of interviews. Analysis of interview data in qualitative research tends to result in descriptions of an interpretivist view of the events, whereas grounded theory data analysis involves searching out the concepts behind the actualities by looking for codes, then concepts and finally categories. In my work, I used publicly available documents to generate data from the first tier sample. Following coding and analysis of this data, I analysed the second and third panels of the data (internal documentation and then survey results). Glaser and Strauss (1967) also advocated using data triangulation and suggested that different data can provide different ways to understand the phenomena under investigation. Yet again, they heavily relied on interviews and observations.

McCann and Clark (2003) suggested that researchers often misuse grounded theory by analysing data when they have finished collecting it rather than constantly comparing it. They argued that this undermines one of the main premises of grounded theory – that a cyclical approach rather than a linear method is used. However, they did not clarify exactly how this cyclical approach should be undertaken. In practice, many researchers are bound by time or ethical constraints, and the cyclical model of entering the field, then collecting, analysing, coding, and categorising data, before theorising and returning to the field for each case in the sample, is almost unworkable. The misuse of the method is a result of these impracticalities in the cyclical model.

To overcome this, I used a staged approach for data collection and analysis by collecting and simultaneously analysing the data at different stages in the research process. This upheld the principle of theoretical sampling, as it allowed for the theoretical collecting, coding, and analysis of the data collected from the sample at each stage, while allowing a return to the field to collect further data for category saturation and improvement of the emerging theory. This complied with Glaser and Strauss’s intended use of theoretical sampling, as they stated that the researcher can undertake theoretical sampling ‘on previously collected data’ (Glaser and Strauss 1967).
Prior to the actual research, a copy of the ‘Information Sheet’, which was prepared during the second of the DBA academic programmes, was given to the chief executive officer (CEO) of the organisation and the purpose of the research was explained to the board and senior personnel. The way of conducting this research was highly supported and the pre-data collection phase kicked off. This phase involved meeting with the CEO and senior management team, as well as with some managers, to discuss history-related issues of performance measurement, the organisation’s archived documents, and the accessibility and storage of data. By exploring different topics in the conversations it was possible to identify some contingent or common factors, some of which could be related to the previously reviewed literature.

4.4 The data collection stage

This research employs a case study approach for generating data. By adopting such a design, data is accumulated from various sources such as internal documents, professionally conducted surveys, published reports or statements, and press releases. Several methods of data collection have permitted me to triangulate the data. This led my work to produce a much better and more thorough analysis of the organisation’s structures, culture, and its internal and external operations, services, and achievements.

I have adopted more of an unstructured style than a structured style for this case study. This style of informal participation allowed me to be flexible when pursuing new ideas as they arose. Hence, emerging lines of enquiry could be explored more easily.

4.4.1 Meetings

Attending meetings, discussions, and training sessions can provide better data than relying on the recollection of others who were present at the meeting. I attended monthly finance meetings, some training sessions, and several HR inductions during the data collection phase of the research.

My research deliberately avoided interviews and used archival (documentary) data only so that I could concentrate on descriptions given at the given time, and not retrospectively. It is true that most qualitative research is based on interviews or observations, but the interview does have definite limitations as a research tool (Hunting, 1983). McCormick and James (1988) note that both interviewers and respondents are sources of bias, the former through the questions they ask, or their perceived role and presence, the latter
through their perception of the interview, their memory of events, their ability to answer, and their motivation in taking part in the interview. They suggest that whatever procedure for collecting data is selected, it should always be examined critically to assess to what extent it is likely to be reliable and valid.

Walford (2007, p. 147) argues that ‘interviews alone are an insufficient form of data to study social life’. That is, as both interviewer and interviewee may have incomplete knowledge or even faulty memories. Hence, this lets me question the appropriateness of using interviews as the only transparent means of eliciting data that would inform understandings of the meanings interviewees make of their lived experiences (Potter and Hepburn, 2005).

Undoubtedly, large amounts of data were expected to be revealed through interviews. Therefore, I followed Scheurich (1995, p. 249), who stresses that it is important for interviewers to ‘highlight the baggage they get out of the interview’. In addition, interviews have also been criticised (Robson 2002, p. 94) as being time consuming with regard to both data collection and analysis because they need to be transcribed, coded, and possibly translated, as was the case in the present study.

**Table 4-3 Meetings attended during the research**

<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting</th>
<th>Length (approximate)</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>16/09/2011</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>21/09/2011</td>
<td>Meeting of HR, finance, and marketing teams regarding implementation of Verus research and evaluation team. This team undertakes vital research and evaluation activities that enhance service delivery and lead to the identification of new and improved service models.</td>
<td>1.5 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>20/10/2011</td>
<td>Board meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>21/10/2011</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>27/10/2011</td>
<td>HR – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>17/11/2011</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>15/12/2011</td>
<td>Training and accreditation committee meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>19/01/2012</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>24/01/2012</td>
<td>Clinical Services group meeting</td>
<td>2 hours</td>
<td>East Coast of Australia</td>
</tr>
<tr>
<td>10/02/2012</td>
<td>Human Resources – new employee welcome and induction</td>
<td>7 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>Date</td>
<td>Meeting</td>
<td>Length (approximate)</td>
<td>Location</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------------------------</td>
<td>----------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>17/02/2012</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>20/02/2012</td>
<td>Youth, Family and Children group meeting</td>
<td>2 hours</td>
<td>East Coast of Australia</td>
</tr>
<tr>
<td>23/03/2012</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>30/03/2012</td>
<td>Youth, Family and Children group meeting</td>
<td>2 hours</td>
<td>East Coast of Australia</td>
</tr>
<tr>
<td>26/04/2012</td>
<td>Marketing and communications team – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>27/04/2012</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>30/04/2012</td>
<td>Youth, Family and Children group meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>24/05/2012</td>
<td>Finance – monthly meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>25/05/2012</td>
<td>Clinical Services group meeting (re: personal, financial, relationship, grief, and trauma counselling).</td>
<td>1 hour</td>
<td>East Coast of Australia</td>
</tr>
<tr>
<td>22/06/2012</td>
<td>Board meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>20/07/2012</td>
<td>Senior management meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
<tr>
<td>12/02/2013</td>
<td>Work, health and safety committee meeting</td>
<td>2 hours</td>
<td>Head Office</td>
</tr>
</tbody>
</table>

### 4.4.2 Documentary evidence

Data was also collected from formal reports and press releases (annual reports etc.), minutes of meetings, informal records, and memos. I faced no obstacles in getting the published statements and reports as these were publicly available. Many more documents were accessed from the organisation’s marketing department and from the organisation’s servers/drivers, and a significant amount of data was gathered from archive documents. The documents that I included in my analysis are summarised in Table 4-4.

#### Table 4-4 Documentary evidence

<table>
<thead>
<tr>
<th>Timing of the reviews</th>
<th>Documentary evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before the case study</td>
<td>• Newspaper articles</td>
</tr>
<tr>
<td></td>
<td>• Magazines articles</td>
</tr>
<tr>
<td></td>
<td>• Published annual reports – 1999-2013</td>
</tr>
<tr>
<td></td>
<td>• Home page of the case organisation</td>
</tr>
<tr>
<td></td>
<td>• Press releases</td>
</tr>
<tr>
<td></td>
<td>• Regulator’s reports</td>
</tr>
<tr>
<td></td>
<td>• Annual information statement 2013</td>
</tr>
<tr>
<td></td>
<td>• ATO data 2012-2013 (Business activity statements, PAYG Summaries, ABR)</td>
</tr>
<tr>
<td></td>
<td>• Strategic plan</td>
</tr>
<tr>
<td></td>
<td>• Australian Community Services Sector (ACSS) reports</td>
</tr>
<tr>
<td>During the case study</td>
<td>• Councils minutes and annual reports</td>
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<tr>
<td>• Vision and mission statements</td>
<td>• Vision and mission statements</td>
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<td>• Internal memos</td>
<td>• Internal memos</td>
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<td>• Internal magazines and bulletins</td>
<td>• Internal magazines and bulletins</td>
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<td>• Policies and procedures</td>
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<td>• Minutes of meetings</td>
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<tr>
<td>• Training manuals</td>
<td>• Training manuals</td>
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There were many compelling reasons for reviewing these documents:

- to obtain information regarding the background of the organisation
- to obtain information concerning the governance of a not-for-profit organisation
- to understand the formal organisational processes, procedures, and rules
- to understand the formal process of managing the performance of the organisation
- to find out the types of information used for managing the performance of employees
- to find out the formal roles associated with the performance measurement system
- to find out about specific issues being discussed in the meetings (especially if they related to the institutionalisation of performance measurement)
- to be aware of changes due to government initiatives
- to be aware of changes that had been successfully implemented
- to find out about changes that were being promoted but had not been followed through, and to record the reasons for the lack of follow-through
- to determine who was in control of the meeting or who had more say in the meeting than other staff
- to determine the characteristics of the people hired by the organisation
- to determine the types of training given to employees
- to determine the role of the board and senior management.

All evidence collected was recorded in an orderly and coherent manner for subsequent analysis and reflection. The first stage of obtaining data was getting access to Verus’ shared drive on the server, which resulted in the collection of more than 5GB of data. For security and confidentiality purposes all data was stored on a Verus workstation designated for the research (a Windows 7 computer), which was password protected and did not allow the user to copy any data from the computer, neither to transfer to it via email or internet.
Every document that could be copied from the Verus server was downloaded in three weeks. At the same time, requested archival files were obtained from storage. Most data in Australia can be securely destroyed (shredded) after seven years; however, Verus managed to keep some of the old documents (early 1980s, middle 1990s, and early 2000s) either at its head office’s storage facility or at its old premises. Interestingly enough, many of the archived documents were written in shorthand (written in an abbreviated symbolic writing method that increases speed and brevity of writing as compared to normal method of writing a language). One Verus volunteer had to assist me in translating the documents and checking the importance or relevance to the research. Old documents were either scanned or noted and saved on the computer. MindManager is a software tool that can visually represent various sources of information and their relationships, and could therefore help the researcher to map out various sections of the server and its structure. This technique enabled thorough documentation and cross-checking of the collected data. The data was double checked and compared to the data existing on the joint drive, it also provided a visual representation of the relationships between the documents. MindManager software was installed on the workstation by Verus’ Information Technology manager.

A second stage of data collection was finished and any documents that were not successfully downloaded and copied in the first round were acquired. Misplaced documents were identified and were provided within three weeks by the Verus marketing and communication department.

All of the collected documents were used to map out the history of the institutionalisation of performance measurement in Verus, as well as to guide, cross check, and augment the survey data.

4.4.3 Survey data

Surveys previously organised and conducted by an independent company, the Voice Project, were open-ended in nature, and had followed a general survey guide. Respondents were selected through a process of theoretical sampling (Appendix C: Surveys and results). The main purpose was to use the survey results to gain additional insights into, and a deeper understanding of, the process of institutionalisation that was either missed or not identifiable through document analysis.

Five stages of the Voice Project services have been used by Verus:
1. **Design and consultation**: planning ensured that the survey results accurately reflected the voice of the organisation’s employees.

2. **Distribution**: survey administration and distribution were geared towards the organisation’s workforce.

3. **Analysis and reporting**: delivery of analysis of survey data. This included detailed analyses, including visual and graphical representation of key information; detailed statistical analyses; demographic cuts of the data; historical; industry-specific and all-industry benchmarks; professional advice and recommendations on the implications of the survey results.

4. **Plan of actions**: feedback and communication assistance of survey results to the organisation’s employees.

5. **Implementation and follow up**: post-survey process and the post-survey review advice sharing, and sharing research-validated solutions which address key organisational issues.

In quantitative research, researchers are normally concerned with the reliability and validity of their evidence (Ryan et al. 2002). To ensure reliability, researchers need to be independent and neutral observers. However, in a qualitative case study, their interpretation of, and their involvement with, the subject matter are important elements in the study. Thus, in this case study, I have ensured that appropriate and reliable research methods and procedures have been adopted to achieve procedural reliability. In other words, I have provided a robust and comprehensive research design that can specifically address the research questions. All the evidence collected has been recorded and the case findings have been fully documented.

In research based on a case study, first the validity of particular sources of evidence is determined by comparing it with other sources of data. Several data sources for a particular issue were collected for this study so that the data could be triangulated (Scapens 2004). For example, to confirm the findings of employee resistance to the system, the process of data triangulation involved analysing published interviews and blogs of several organisational members on the matter, as well as analysing several published statements and minutes of meetings. Second, the validity of particular sources of evidence was assessed by collecting other evidence about those sources by triangulation. By using
different research methods, for example through document reviews and survey results, I was able to assess the validity of particular evidence.

4.5 Data analysis

Data analysis in a qualitative study is conducted at the same time as data is collected. With progress on the development of theory it helps the researcher to understand and shape the study as it progresses. Analysing the case findings can be done by means of a reflective log or diary, filing the data in categories, applying simple coding schemes, and displaying data by means of visual representations such as diagrams, spreadsheets, or flowcharts (Irvine and Gaffikin 2006). This is the process of collecting, organising, and interpreting data so that it makes sense. There is no standardised process for analysing data in qualitative research, but rather, there is a ‘fluid’ process.

I have adopted the thematic network approach (Figure 4-1) proposed by Attride-Stirling (2001). This method of analysis illustrates the main ideas in a web-like illustration (a network) that summarises the main themes in a piece of text. The technique provides a practical and effective way of conducting an analysis. First, it enables a systematic analysis of textual data, and second, each step in the analysis is clearly disclosed. Third, it allows a sensitive, insightful, and rich exploration of the structures and underlying patterns in the text. In other words, thematic analysis seeks to uncover the themes salient in the text at different levels, and to facilitate the structuring and presentation of these themes.

![Figure 4-1 Structure of a thematic network (Attride-Stirling 2001).](image)
In the analysis, thematic networks firstly assist in the extraction of basic themes, being the lowest order themes in the text. Basic themes do not provide much information about the text or groups of texts, but are, rather, statements of belief anchored on a central notion. In order to make sense, the basic themes are read together with other basic themes. Secondly, basic themes are categorised and grouped together into organising themes. Organising themes are clusters of basic themes.

The organising themes, therefore, are more abstract and more revealing than basic themes are about the content of the text. Their role is to enhance the meaning and significance of a broader theme that unites several of them into a global theme. This hierarchy of themes thus leads to the final step of thematic analysis whereby organising themes are brought together to illustrate a single conclusion or a higher level theme known as the global theme. The steps for analysis when employing a thematic network are given in Table 4-5.

Steps in text analysis employing theme analysis is proposed by Attride-Stirling (2001).

**Table 4-5 Steps in text analysis employing theme analysis (Attride-Stirling 2001).**

<table>
<thead>
<tr>
<th>Stages and steps</th>
<th>Analysis details</th>
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<tbody>
<tr>
<td><strong>Analysis stage A: Reduction or breakdown of text</strong></td>
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</table>
| Step 1. Code the material | a) Devise a coding framework.  
  b) Dissect the text into text segments using the coding framework. |
| Step 2. Identify themes | a) Abstract the themes from the coded text segments.  
  b) Refine the themes. |
| Step 3. Construct thematic networks | a) Arrange the themes.  
  b) Select the basic themes.  
  c) Rearrange basic themes into organising themes.  
  d) Deduce the global themes.  
  e) Illustrate the result as thematic networks.  
  f) Verify and refine the networks. |
| **Analysis stage B: Exploration of text** |
| Step 4. Describe and explore the thematic networks | a) Describe the networks.  
  b) Explore the networks. |
| Step 5. Summarise the thematic networks | - |
| **Analysis stage C: Integration of exploration** |
| Step 6. Interpret patterns | - |

(Source: Attride-Stirling 2001).
Verus reports were analysed and the documents mentioned were selected through theoretical sampling. Various meeting minutes, annual reports, board meeting reports, and strategic planning reports, starting from oldest and finishing with the modern ones, were added to the first panel of documents as they contained the most complete information on Verus’ interpretation and institutionalisation of performance measurement. More details and explanations of how the coding framework was developed can be found in APPENDIX F: NVivo data analysis.

Analysis was conducted at Verus’ head office using NVivo software where all documents was changed into a suitable format (.doc, .txt, .rtf) and photos, pictures and other images were removed from the text, and replaced with an explanation of the content of the image and its location in the original document. This step enhanced the NVivo speed because the software struggles with managing various images and therefore loses its speed and productivity.

NVivo enables the storage of documents and coded key words, phrases, and sentences for use in later analysis. It also has ‘Decision Explorer’ incorporated as a module for effective and dynamic mapping. During the period of analysis for the research project (2011-2013), NVivo was the best available application for such text analysis.

Through NVivo microanalysis, which analysed all Verus reports and documentation, firstly word by word and then track by track, codes were used for various texts to characterise theoretical rather than descriptive understanding as well as meaning. These codes came from the actual data and ensured that the final idea was based on the data itself. All codes worked as possible indicators of the research questions and were considered to be temporary until they were permanently visible and presented in the data.

Memos were created in NVivo to define the importance and the meaning of each code. They were later developed as the coding process continued and were checked for likenesses and variances. These memos were grouped into classes representing the ideas and main concepts of analysed data. The classes were then categorised according to the properties and characteristics of the points of interest they represented, the movements through which they were expressed, the penalties that they created, and the conditions that influenced them. These properties and attributes helped describe the classes and gave them their explanatory powers. By continuously matching the data and by consolidating similar points of interest with the equivalent theoretical label, the main idea of the theory began to
develop (Corbin and Strauss 1990). This principal concept was constantly revised as more and more data was analysed. Constant comparisons like this against newly collected data not only helped to improve precision (phenomena were only grouped with similar points of interest, and classes were split when the properties of points of interest varied from other similar points of interest), but also helped to maintain consistency (similar points of interest were always recorded together and in the same place). The final main class, as well as its relationship with other classes, was increasingly abstracted and was required to establish or improve the primary concept of the process of institutionalisation.

NVivo’s text search, Word Frequency Query, and metrics coding queries were all used to explore the consequences of the government’s not-for-profit reforms on the organisation, and particularly on the board’s decisions. A word ‘tag cloud’ was used to show the different themes represented as words of different sizes according to their frequency in the source text. A word tag cloud is useful during thematic analysis because it can identify and display several themes in a single diagram (Figure 4-2).

NVivo has many useful tools that qualitative researchers can use to identify patterns in data. However, care should be taken not to overemphasise numbers such as percentage coverage. All diagrams and figures generated by the software should be analysed in detail to make sure that they reflect the actual counts.

For NVivo, the word count function is called a Word Frequency Query. NVivo has two possible displays of the output from this query: a basic list of words and the number of times they have been found in the selected document, and a tag cloud in which the words are displayed with their font size proportional to their frequency (Figure 4-2).

Not all of the results are meaningful as indications of useful concepts, for example one of the most frequently used word in Figure 4-2 was ‘children’. This was used in several different senses and thus did not lend itself to any particular thematic code. Judgement was still needed to select coding categories, although some useful information could be seen very quickly. The data in Figure 4-2 is about the organisation’s targets, achievements, and priorities, so the prominence of words like ‘organisation’, ‘mission’, and ‘reporting’ is interesting.
By studying the tag cloud, summary outputs, and node previews it became possible to gain some ideas about the most commonly used terms in the text. These terms became the obvious starting points for building a coding scheme. As I developed the ideas for the coding scheme I considered an important aspect of its structure: either to create a separate set of codes for each question in my data, or to have a common coding scheme across all questions. As a result of this, I decided to create a group of codes for each question in the data. This was a straightforward operation in NVivo by using the Tree nodes area to generate a hierarchical structure.

Voice Project carried out a research-validated survey for the organisation. The survey was both psychometrically reliable and valid (Figure 4-3). It included extensive all-industry or industry-specific benchmarks for assessing the organisation’s performance relative to other organisations in the not-for-profit sector, and delivered comprehensive, easy-to-interpret reports. Its recommendations were helpful for prioritising the focus areas likely to lead to improvements in measuring performance.
Diverse diagrams, including a tree map or word tree were generated to present the findings graphically. The word tree is an option that is available in NVivo for running a Text Search Query. It shows the results as a tree with branches which represent the various contexts in which the chosen word or phrase occurs. In my study the chosen word was ‘performance’. This helped me see associations and relationships between words and phrases in my project data. A larger font size indicates a greater frequency.
Figure 4-4 NVivo analysis: a word tree for the word ‘performance’

According to Miller (2006) qualitative research may include various data sources as its aim to bring multiple points of view to examine identified research questions. This section therefore explains and implements the qualitative data analysis adopted in this study. An interpretive paradigm in the research attempted to reveal the major themes concentrated in the data and the connections between the subjects. As a result, the research questions were carefully mapped with the organisational data obtained, and analysed by implementing the theoretical and methodological methods.

NVivo allowed me to specify categories in advance by using the Create Node interface to create Free nodes and Tree nodes. Free nodes gather up emergent ideas and are either an initial coding or a code that has no networking with other nodes, while Tree nodes gather up hierarchically ordered categories.
Figure 4-5 shows the coding of the nodes in NVivo. It is important to assign free nodes later in the analysis because they can provide some of the important themes. Coding the Tree nodes in NVivo could identify new concepts and ideas for an existing theoretical framework, and therefore the data was analysed multiple times.

![Figure 4-5 Coding Nodes in NVivo](image)

The NVivo software helped to prepare the raw data for transformation into data codes. Lewins (2007) defined qualitative coding as a procedure by which parts of data are recognised as being linked to, or being a sample of, a broader knowledge, theme, idea, or group. This development helped the researcher to systematise, classify, and develop ideas from the data. For example, carefully examining and reading the board minutes and then identifying the meaning of each line, sentence, and section, resulted in allocating and generating codes in which the key words were used to describe and outline the ideas.

### 4.6 Results of the study

#### 4.6.1 Changes and challenges

Verus started looking at implementing a performance measurement system in 2000-2001. This was at about the same time as the Balanced Scorecard became popular in the non-for-profit sector in Australia (Birch 1998). The organisation had never had an officially recognised performance measurement system, although it had picked up some of the
indicators and key points from Process Standard Improvement and from its Quality Management System to ensure the smooth running of the financial and customer service operations. These systems were implemented due to the introduction of a new taxation system and the government’s reforms of the not-for-profit sector. Verus realised that it could not fully rely on government funding, and it started to form strategic alliances with banks, media, and other businesses. At the same time, programmes were reduced from five to four areas, with all programmes being managed using programme and service efficiency as key performance requirements. Several members, however, claimed that these systems sometimes overlapped, and hence created confusion. Restructuring the corporate services team and bringing more experts into the HR and finance teams smoothed and eliminated this confusion, and helped the strategic planning team develop new strategic plans.

4.6.2 Verus’ strategic plan, organisational systems, and risk management

With the appointment of the chief executive officer in the early 1980s, and director of operations and the director of corporate services in the early 2000s, Verus started to implement its first formal risk management processes for identifying and addressing organisational risk. At the same time, strategic planning was conducted at all levels of the organisation from board to management, and to individual service levels. In the early 2000s, the board and senior management team developed the first strategic plan, and later revised the organisation’s governance charter. Work on the remuneration and benefits policy was completed at the same time. After this, Verus implemented a programme known as organisational systems and risk management. This programme concentrated on improving Verus’ core business and internal processes for achieving its growth and stability in the not-for-profit sector market. Various performance enhancements, management, marketing, and necessary technical initiatives were undertaken, including establishing a governance and engagement committee, quality assurance and evaluation committee, improving standard processes, and implementing employee empowerment programmes. By 2012, these initiatives transformed Verus into one of the strongest and most trusted not-for-profit organisation in the East Coast area of Australia.

For several years, Verus’ annual reports had been conducted by PricewaterhouseCoopers. However, in early 2000 a new accounting system was established in the organisation followed by the purchase of new accounting software. Verus’ finance and accounting team produced its first in-house annual report which was audited by PricewaterhouseCoopers.
Independent consultants in accounting and financial services had been providing investment and strategic advice to Verus, and had recognised the potential actions that needed to be taken. As a result of their reports, under the newly developed quality assurance and evaluation framework, about 20 initiatives were planned for 31 implementations. Some of these initiatives were recognised as being strategic (e.g. effective resource management was established, such as implementing an online incident and hazard management system), to ensure that services were working in an efficient and effective manner, while other initiatives were recognised as normal business activities (e.g. to improve credit control).

All managers were responsible for achieving organisational goals. To assist the monitoring and tracking of the key performance indicators of the initiatives, Verus set up a unit called the Development Committee which focused on driving the change, and acted as an intermediary between the organisations’ divisions. The committee was also responsible for disseminating information to organisational members on matters relating to various plans and procedures. A number of focus groups were established to ensure that Verus became a person-centred organisation.

Verus gave itself a target of four years to improve its performance in the local market. Driven by its strategic plan, mission, vision, and values this choice was centred on a strong desire to know about, and to have evidence of, the impact of its services. A four-phase implementation strategy was followed to introduce Results Based Accountability (RBA) to the Foundation’s services, and to help them to define, collect, and review client outcomes data.

Road blocks appeared immediately, mainly stemming from the lack of outcomes measurements within the organisation. Most of Verus’ services were found to be reporting only on outputs (the provision of consistently high quality relationship services to its clients against target numbers of clients, consistent with government funding agreements), as required by funders. Another huge barrier to seamless implementation was the lack of an overarching database with the capacity to capture and analyse the outcome data that was needed.

Staff approval and buy-in was identified from the outset as imperative for the success of the initiative. Choosing to start with the service staff had huge benefits for both their acceptance of measuring the outcomes and their use of the results. Allowing staff to define
their own outcomes for their services increased their sense of ownership of the process, and increased their accountability to the client.

4.6.3 Changes in the organisational culture

Because of direct dependency on the government (the funding body), the dominant culture in Verus was a public service culture. Barry Bozeman (1987) suggested that ‘publicness’ is based on the degree to which an organisation is influenced by government and by market factors. An important essay by Smith and Lipsky (1993) described the phenomenon of government contracting with not-for-profit organisations to provide public services, and the changes to the culture, operations, and value systems of those private organisations effectively withdrawing the line between public and private, and government and not-for-profit organisations. Young (2000) took this line of thinking further in arguing that not-for-profit organisations have a role which may define them through their relationship with government. Young (2000) offered the idea that not-for-profit organisations serve to supplement, complement, or advocate against government.

Therefore, Verus’ management style shows as being very bureaucratic, with the focus of its organisational activities being mostly directed towards ensuring a continuous supply of services to the public. As such, it was quite understandable that this particular not-for-profit organisation concentrated on funding reliability indicators and customer satisfaction as performance measures.

Measurements such as the number of clients treated each hour, or each day, week, month, quarter, or year, was needed because the organisation was required to report to the funding body, and the funding body’s concern was making sure the reliability index was met (e.g. reliability of funding).

Furthermore, Verus was established to play a role in developing the area and its population. The provision of services to various areas, including rural areas, was put in place. As such, concentrating on client satisfaction became part of the organisation’s mission. At the same time, Verus started working with other not-for-profit organisations engaged in state emergency services, disaster recovery, emergency support because at that time Australia had experienced a number of large scale and devastating natural disasters, including catastrophic bushfires, widespread floods, and damaging storms. Natural disasters are a feature of the Australian climate and landscape and will continue to be so,
not least because climate change is making weather patterns less predictable and more extreme. Such events can have personal, social, economic, and environmental impacts that can take many years to recover from.

During that period, Verus’ annual reports revealed lower funding levels and lower returns. The returns were not given importance because in those days the focus of the government was not on the bottom line figures. Instead, measures such as the level of top management support, and training personnel, were regarded as better indicators of performance rather than measures such as improvements in productivity.

4.6.4 Development of a performance-based culture

In driving the not-for-profit reforms, the government put forward several initiatives to ensure that the activities of not-for-profit organisations focused on performance. Thus, through the not-for-profit reforms, Verus was expected to inculcate a new working culture in its staff, based on performance. In line with the new performance measurement concept, not-for-profit organisations were encouraged to adopt performance management best practices such as the Balanced Scorecard and Total Quality Management.

Performance measurement in Verus ranged from measuring the performance of specific members of the organisation against the accomplishment of organisational objectives for evaluating organisational competence. The commercial orientation present in the organisation confirms that the organisation’s business and strategic plans became more complex every year. Therefore, measuring individual and organisational performance becomes more challenging and requires more attention now. In the past, not-for-profit organisations were challenged while attempting to manage performance. Many of these difficulties and inabilities are still evident in the various not-for-profit organisations nowadays (Australian National Audit Office 2002).

The inculcation of a performance-driven culture was also carried out at the board of directors’ level. This is discussed in detail in the theoretical analysis of the case findings in Chapter 5, in which the NVivo analysis is also discussed.

4.6.5 Impact of government reforms

Public management and government reforms in the not-for-profit sector, especially legislative changes, have changed the way Verus is expected to govern itself. These
reforms included various legislative changes, changes to government grants, and mandatory ways of writing and submitting contracts (confrontational tendering procedures) strengthen the importance of not-for-profit boards to be tactical but business-like in their dealings with government, as well as to be effective in managing their activities while continuing to follow their missions and values. There were many other reforms, including the 1998 Corporate Law Economic Reform Programme (CLERP) which influenced the expectations of boards’ performances in not-for-profit organisations (Lyons 1998).

4.6.6 The impact of federal government policy, regulations, and fundings

Seven significant reviews have been completed in the not-for-profit sector since 1995. One of them was regarded as the most powerful in Australian history: the Productivity Commission’s research report released in 2010. During the 2011 elections, the federal government announced its readiness to support the reforms and its programmes and it therefore established the Office for the Not-for-Profit Sector. This office was governed by the Department of the Prime Minister and Cabinet first, and was later transferred to the Australian Charities and Not-for-profits Commission (ACNC).

The ACNC was tasked with promoting the decrease of needless regulatory responsibilities in the not-for-profit sector. The experience of the Verus network is that the organisation has been subject to three tiers of regulatory compliance:

1. Service-specific regulations and compliance (for example aged care), where the priority has correctly been on the protection of those most vulnerable in our communities.

2. Funding allocations (grants and contracts) and application processes, contracting and agreement-making, monitoring and reporting, and acquittals.

3. Organisational accountability to the ACNC under state and Commonwealth law.

However, Verus noted that the ACNC requirements had caused double reporting due to the double charitable registration requirements and the double annual reporting requirements. Under this new regime the organisation was required to report on its annual activities in two ways: by submitting both an Annual Information Statement and an annual financial report, whereas prior to the act it only sent an annual financial report to ASIC.
Also, the organisation was required to report some regular matters of operation to the ACNC, such as annual activity reports, as well as other operational details to the Australian Securities and Investments Commission (ASIC), including changes to its auditor details. In its experience, the administration of Verus had previously been ‘clear and straightforward when ASIC was the single regulator’, unlike the current situation in which it is now ‘unclear as to which regulator obligations exist’. Verus’ finance team recorded this regulatory and compliance framework as being ‘fragmented, inconsistent, duplicative and costly to the sector’ (Verus, Finance Team Meeting October 2011).

4.6.7 Changes in law

Australian organisations are under constant changes of the laws, standards, principles, and values relating to corporate governance. These changes to corporate governance derive from the establishment of the Australian Standard on Compliance and the modifications to corporate law. The Corporate Law Economic Reform programme [CLERP] 1997, 1999 is applicable to the public, private, and non-profit sectors. The main changes that affected Verus were the reviews of the board of directors’ duties which added the evaluation of the CEO’s performance and the board’s own performance by establishing and implementing a new Business Judgement Rule. This rule specifies the significance of capability and competence of the directors as the decision-establishers, decision-creators, and decision-makers, and the proficiency of the organisational members.

Verus’ board and senior personnel became accountable for the performance of the organisation and its monitoring (from the stakeholders point of view). The board continues to approve the values and the strategic plans of the organisation as well as to appoint, review, and evaluate the capability and performance of the CEO. Under CLERP, the board has to ensure that the organisation has the ability, desire, and therefore the capacity to accomplish its goals and achieve its objectives. This includes the presence and the competence of the staff that the management of the organisation delegates to. The board also has to evaluate its performance as a team of the organisation (the board).

The board has oversight of the values and ethics of the organisation, and establishes a strategic plan for developing a framework to evaluate organisational and board performance.
Under CLERP, the board’s primary focus became to continuously monitor and influence the performance of the organisation. However, data analysis does not provide evidence that the board’s desire, skills, competence, and constant performance evaluation does indeed affect or change organisational performance. In addition, data analysis could not provide evidence on the criteria used by the Verus board to appraise the organisation’s or the board’s performance.

4.6.8 Organisational governance

The ‘Organisational Governance: Integrated Framework’ was developed and introduced in 1998 by The Australian Centre for Organisational Governance as a result of the Australian Control Criteria’s draft introduced by the Institute of Internal Auditors of Australia.

Australia needed a stronger, better planned, and strategic view of organisational governance, stewardship, and profession neutrality. The governance framework, in the interests of stakeholders, supports the professionalisation of stewardship by boards of directors and highlights the importance of the values-based development of the organisation as an answer to stakeholders’ requirements. In promoting these actions, the framework strongly encourages transparency of performance measurement so that directors and stakeholders may contribute towards introducing effective and powerful governance.

4.6.9 Verus’ responses to external force

The global economic recession caused substantial growth of, and demand for, public welfare services. At the same time, Verus faced a decrease in donations and funds from the government and the public, lower returns on its investment funds, higher levels of job and wage dissatisfaction among employees, and as a result of all these problems, a decrease in the efficiency of its customer services provision.

Economic depression and very slow recovery and growth was forecast for Australia in 2009 and 2010, therefore the main concern for the not-for-profit organisations was the effect of the economic downturn on unemployment. As unemployment rose, Verus reported an increase in the community of the number of people who either suffered from financial instability and insecurity or were in need of welfare services, including emergency relief and accommodation. Fewer customers sought employment or needed counselling services at that time. Nevertheless, Verus faced significant demands to provide
additional services to the community, and this started to test its readiness and its expertise for running a successful not-for-profit organisation.

At the same time, the number of applications to the government for funds increased, and funds receipts from the government became very competitive due to the economic recession. This applied substantial pressure on the resources of the organisation as it became harder to operate with limited grants and still deliver the same level of services as well as run the same programmes as before the crisis. Verus’ funding had dramatically declined. To cover the funding shortfalls, the organisation had to reduce expenditure, develop new fundraising and marketing initiatives, and utilise reserve funds. Many not-for-profit organisations had to reduce their number of employees to cover their funding shortfalls and to maintain liquidity; however Verus decided not to follow this strategy and instead it decreased its administrative expenses and traded some of its assets. By doing this, Verus stabilised its position in the not-for-profit market and retained its status as being a reliable, well-known, and trusted service provider to the public. The government therefore supported Verus and provided the organisation with enough funding to meet the demands of important services needed in the community during the economic downturn. Despite the challenges facing the sector, Verus maintained its focus on its core mission and its priorities, and on making sure that its core business was aligned with its mission.

The organisation reported that it was concerned about controlling the finances of its operations during the economic depression, and stated that it was reducing administrative and travel costs. More people had been made redundant and were unemployed and therefore there was a high increase in the number of volunteers. The data analysis in Chapter 4 revealed that there was an almost 50 per cent increase in volunteers in the 2008-2009 year. There were over 600 new and existing volunteers working in Verus departments in 2008.

Employees of the organisation concentrated on establishing and managing relationships with government departments (the major funding providers), as well as with major and potential donors. Senior personnel had to working closely with their managers and employees, acting as a bridge between the organisational members and the board, and in this way helped effectively manage all challenges and uncertainties in the organisation. New marketing campaigns were implemented and successfully run by the advertising and marketing unit of the organisation. These campaigns increased public awareness of the
issues experienced by Verus, and of its services provision, and differentiated Verus from other not-for-profit organisations.

Verus identified a number of positive outcomes from the economic downturn, including an increased focus on good governance, improved management of risks and reserves, and more opportunities for increased engagement with the board on financial management and strategy planning. There were also opportunities during the economic recession to raise awareness of problems such as homelessness, and to emphasise the importance of the not-for-profit organisations for the community.

At the same time, the government, being the major funding body, realised that there was a need to introduce some government initiatives which could result in the improvement of the performance of not-for-profit organisations. Therefore, the transformation and the deregulation of the sector started to take place under the government reforms. This allowed greater competition among the sector’s participants and resulted in creating more effective service provision to the customers.

In reaction to the government reforms, Verus made several changes. It first changed its organisational structure, adopting a decentralised structure in which decisions could be made at the strategic unit level. New departments were established and managed by the directors, and strategic planning became the main focus area. Proficiency and productivity (effectiveness) therefore became key factors in measuring the performance of the organisation. Despite this, the public service culture was still powerful and strong in the organisation, and its management and administration style remained bureaucratic.

Verus’ departments were not assessed on their return on assets or return on investments. The amount of grants and government funding they received, and the funding they spent (costs), were the key performance indicators. On the staff side, promotions and career advancement were still based on seniority, and although the organisation introduced a formal performance appraisal system, its compensation scheme was still not linked directly to its organisational strategy. However, in reporting to the regulator, Verus consolidated its group performance rather than reporting on individual entities. At the same time, Verus felt the need for a change in its culture. Schein (2010) wrote that it is the growing strength of culture that makes cultural change so difficult in a mature company. ‘Nothing short of a “burning platform”, some major crisis, will motivate a real assessment and change process’ (Schein 2010, p. 291).
In the first decade of Verus’ development, the organisation was a mature (constituted in 1847) and complex organisation, comprising over 63 small administrative district and units. Verus divisions had to report to the Head Organisation on a regular basis and the members of the board therefore were appointed by the Head Organisation. Originally, there were 17 board members, only two of whom were ex-officio. In mature organisations like this, phenomena develop that strengthened their resistance to change (D’Ortenzio 2012). Three organisational phenomena played a part in the life of the Head Organisation and its influence on Verus.

First phenomenon: Entrenched mental models

Basic assumptions or mental models can be held more strongly in mature organisations (Schein 1996). If the organisation has had a long history of success based on certain assumptions, it is unlikely to want to contest those assumptions (Kotter 1996).

Second phenomenon: The illusion that practice equates to espoused values

As Schein (1996) argues, over time established institutes can develop the illusion that their adopted values are actually how the organisation runs its business and therefore how it operates. Established institutes implement a positive ideology or a ‘face’ that leads them to claim what they aspire to be, when in practice they are not aligned with their underlying assumptions. In short, they deny the current reality. Examples of this phenomenon are seen in the Head Organisation in the annual reports of the early 1990s. For instance, in reviewing the documents, at no stage did I find any written reports that reflected the following concerning trends:

a) Ageing personnel.

b) A decline in the number of employees or clients.

c) The erosion of capital investment, which was meant for maintaining operational viability across small administrative district and units. This erosion resulted in the adoption of operational practices that were non-sustainable.

d) Constant measurement of performance relating to both the organisation’s financial efficiency and its effectiveness in meeting organisational goals, and keeping the organisation’s mission connected to the organisation and to its subunit goals, which in turn linked to individual objectives. Individual effort is then not dispersed, but rather, it is
focused in ways that provide good organisational performance and not just good individual performance.

These trends occurred over a period of years and were reflected in Verus’ programmes.

_Third Phenomenon: Resistance of system archetypes_

Another influence in mature organisations that strengthens their resistance to change is ‘system archetypes’. These are patterns of behaviour within organisations that occur again and again, despite changes in people or settings. Schein (1996) continues:

> Consequently [system archetypes] produce a sense of déjà vu if leverages within the system archetype continue to remain unexamined: the organisation will attempt to fix a problem, but if the system archetype leverage is not identified or altered, the problem eventually returns or is worsened (Schein 1996, p. 223).

An example of a system archetype is the erosion of goals. Whenever there is a gap between an organisational goal and the current situation, there will be pressure to improve the situation, either by changing the organisation itself or changing the goal.

These three phenomena played a crucial role in Verus’ attempt to introduce the Balanced Scorecard. The proposed implementation of the Balanced Scorecard by Verus’ CEO and the directors was rejected by the board of directors. As this performance measurement system was new in the sector at that time, most of the Head Organisation members did not understand the scorecard and had no commitment to it. After meeting with the Head Organisation, the board of directors rejected the scorecard as being ‘destructive to the aims of the organisation’, and as a result they discontinued its development.

### 4.6.10 Changes in the case organisation

Australian not-for-profit organisations have been undergoing significant government reforms which have impacted all charities providing services to the public. The ACNC Act was established in 2012 and brought new reforms in the areas of accounting (reporting requirements) and governance (new standards and procedures). All these reforms are under control of the Australian Charities and Not-for-profits Commission (ACNC), Australia’s first and new national supervisory body. From 3 December 2012 all not-for-profit organisations operating for the purpose of providing welfare services with a non-profit generation mission, and which were previously exempted by the Australian Tax Office
(ATO) from paying Goods and Services Tax (GST) or income tax, had to be registered under the ACNC Act. The effect of the ACNC Act on any particular not-for-profit organisation is determined by its legal form. For instance, the impact of the act and its regulations on an incorporated association is not the same as on a company limited by guarantee.

From 1 July 2013, most ACNC-registered charities were required to apply new governance standards to their policies and procedures. This altered their missions and the way of running their daily activities, services, and operations. This government requirement for new governance standards was considered a major impact on the charities and their organisational performances mainly because the new governance standards modified the potential obligations of the directors of the organisations. The Corporations Act changed the legal duties of the board and its directors, while some of the old, established duties were no longer applicable to the not-for-profit organisations and their directors. From 1 January 2014 a new legal definition of ‘charity’ was introduced by the Charities Act 2013. Under the ACNC Act this definition was applied to all not-for-profit organisations to define their eligibility for registration as charities.

In order to satisfy contractual obligations, Verus found itself having to meet other demands from the government, and consequently it changed its internal structure. These changes to its internal structure were evidenced by it becoming more centralised and bureaucratic. This in turn led to it operating in a more formal manner and with an entrepreneurial edge.

Under the terms of the government’s contracts, Verus had to deliver services efficiently. Many staff members reported that this requirement introduced pressures that the organisation had not experienced before the development of the contracts. These pressures resulted in increased levels of responsibility, and increased workloads for volunteers and members. To cope with this demand, the role of the volunteer became more formal, less autonomous, and subject to more supervision and more performance reviews. This led to volunteers feeling demotivated, resulting in a high turnover of volunteers and committee members. The remaining volunteers reported that their role and participation became limited, and many were replaced by paid employees with the necessary skills and managerial experience to achieve the performance outcomes stipulated in the government’s contracts.
This shift towards professionalism contributed to the removal of the differences between volunteers and paid employees, causing tension between them. Further, Verus also found itself having to provide more support to staff, especially to volunteers. The organisation’s reports showed that their resources had become strained by having to meet the added costs of training and recruitment, and the costs of other administrative needs. These tensions and strains led many staff members to report being ‘fatigued’ by government demands.

In addition, Verus started to strongly encourage managers and other personnel to put in place valuation techniques to smooth and moderate the assessment reports. The organisation also encouraged senior personnel to adopt target-based assessments and essential competency assessments on a wider basis. The overall objective was to enable sector management to recognise good performance and distinguish it from bad performance. This was done in order to force the management culture to make a first move in the direction of a performance- and services-based culture.

Verus started linking its performance measurement system to the organisation’s strategic goals. Clearly this shift occurred because an integrated approach usually means more time for front line operations, but beyond this, it also helps to align organisational values with the employees’ work ethic and performance. At the same time, Verus started to pay more attention to employees’ career goals during their performance discussions. The increased concentration on employees’ career goals helped to stimulate career development and to encourage people to be mobile and to grow within the sector, thus creating a larger pool of sector leaders and talent. In addition to this, the organisation started to focus on the ‘motivational’ aspect of performance measurement, thus moving away from evaluating individuals and towards evaluating programmes and functions in the organisation. This shift meant a greater focus on results, and emphasised the need to develop measures and indicators of performance. It departed from the outdated model in which employees were rated after a conversation with their manager.

4.7 Summary of the results of the study

4.7.1 Panels I and II of the data

Panels I and II of the data contained publicly available documents, as well internal and external documents. The main focus was to analyse the annual reports, government-related reports, and minutes of the finance department and the board. Analysis shows that the
Inculation of a performance-driven culture was initiated at the board of directors’ level. The board became the leadership and decision-making team of the organisation. The influence of the Head Organisation started to fade, and Verus’ board of directors could make decisions without consulting the Head Organisation. The board took on additional responsibilities and became liable, under the Wrongs Act 1958, for the actions of volunteers and other workers in the organisation.

The board also became responsible for implementing an integrated risk management framework to enhance decision-making and compliance. Risk management was taken into account in all decisions and was supported by a risk register. Risk management was included as a standing item on the board’s agenda.

*Good Governance: Principles and Guidance for Not-for-Profit Organisations* (Australian Institute of Company Directors 2013) was a document written to define the commitments of directors to the not-for-profit sector. It was released at a time of significant reform for the not-for-profit sector. To be effective under this guidance, the Verus’ board of directors needed the right group of people, with an appropriate mix of skills, knowledge, and experience (e.g. professional backgrounds, industry experience, experience of philanthropic support) to fit with the organisation’s objectives and strategic goals. As such, it welcomed new members from education, accounting, client services, and health, as well as from other areas.

Traditionally we think of professionals as having superior intellectual training, as maintaining their own standards of excellence and success, and as being supported by associations that maintain the quality of the profession (Raelin 1948; 1985). This definition is functional, and defines professionals on the basis of what they do. Professionals in Verus can be found in a variety of areas, some of which are more receptive to professional practices than others. Professionals attain acceptable levels of control over their work in their organisations when their expertise is recognised and valued, and their services are in high demand (Raelin 1985). Verus’ Code of Conduct states that new professionals in the organisation:

… perform their duties to the best of their abilities and with professionalism, objectivity and integrity and with due regard to both a duty of care and the appropriate and respectful use of authority. They actively support and implement the principles and ethos espoused in
Verus’ Mission Statement and develop workable pathways to achieve the agency vision (Verus’ Code of Conduct).

Verus’ board started to review its own effectiveness periodically with a view to taking steps to improve the quality of its governance, boardroom discussions, and decision-making. In some cases, this review included using external facilitators, and/or a formal board or governance assessment tool. In other cases, the review involved informal one-on-one interviews conducted by the CEO, or by another designated board member, or by an expert external facilitator. (An external facilitator was sometimes involved because one of the issues being assessed was often the effectiveness of the CEO.) The reviews were supplemented by discussions at board meetings, typically without management being present. The performance of the board was enhanced by orienting new board members, mentoring less-experienced members, and allocating appropriate resources for the professional development of all board members.

Analysis of the meeting minutes revealed that Verus had never aligned its performance measurement processes with its organisational targets. The performance measurement tool was driven predominately by the government reform practices, rather than by being intensely connected to the operational needs of the organisation or to the outcomes sought by government. As such, the organisation did not have processes for evaluating and identifying its performance measurement systems.

Verus did not attempt to assess the organisational influence of the performance measurement system, and there were no processes in place either to effectively evaluate the performance measurement results, or to create connections between managing single unit performances and refining the organisation’s performance. In addition, progress towards performance measurement was delayed by the employees’ resistance which arose from their poor understanding of the key performance indicators. Performance measurement systems were not supported and therefore were not considered to be effective in supporting personnel to assess, improve, and develop their own performance, or to enhance their proficiencies, or to assess and eliminate their underperformance. These factors contributed to Verus’ struggle to establish solid connections and relationships between the implementation of the performance measurement system results and their impact on organisational performance.
The data analysis in this chapter suggests that performance measurement was not always associated with the organisation’s requirements or was not always combined with other practices. It was therefore not supported by personnel and could not be regarded as a high priority at different levels of the organisation.

Analysis of the finance meetings minutes revealed that while the implementation of Goods and Services Tax (GST) highlighted the importance of accountants and the necessity of reviewing accounting practices in Verus, this recognition did not occur in a vacuum. Rather, it represented a growing interest and popularity in updated accountability procedures in the organisation that had never been exposed before to corporate accounting practices.

Before the not-for-profit government reforms, Verus was a conservative and charitable organisation with a traditional and very typical – for not-for-profit organisations – accounting system which was based mainly on cash transactions (expenses, donations, and wages). Because of the government’s funding requirements and the organisation’s obligation to meet the changing demands of society and customers, Verus entered into a period of forceful and sometimes extreme change and was pressured to establish a new accounting system which was similar to a business- and corporate-style accounting system. Verus struggled to fulfil expectations of an advanced level of accounting practice, and therefore the establishment of a new accounting system had a significant impact on the organisation’s culture, structure, personnel, and its systems.

Accounting tasks that were once performed by certain members (usually without any formal bookkeeping, finance, or accounting education) were delegated to newly recruited accounting professionals. Accountants came to Verus from the corporate world, including and starting with the appointment of the director of operations and the director of corporate services. They wanted to improve accounting techniques in the organisation and to adopt accounting practices that they had brought with them from the corporate world. They believed that by developing an effective accounting system they could increase the use of accounting for making decisions. This therefore could lead into setting agendas for organisational structure and its development. The accountants did not however expect that this task would be very challenging for them as Verus’ main purpose was to maintain its mission, and thus the new accounting techniques had to be aligned with the organisation’s vision and objectives.
4.7.2 Panel III of the data

An analysis of the data in Panel III (see Appendix C: Surveys and results, and Appendix D: Data analysis evidence) shows that the federal government’s policy, regulation, and funding have been identified as having the greatest negative impact on Verus. This was confirmed by a major survey carried out by Pro Bono Australia, Net Balance’s Research Institute, and the Community Council for Australia.

Of significance are comments made by Verus’ senior management about the increased demands in accountability and onerous reporting in recent years, which they felt had resulted in changes to the allocation of time and responsibility. Where head office staff used to have time to volunteer in various areas of Verus, and/or visit other departments and areas of the organisation, they now spent most of their time in the office.

Increased administrative duties were closely related to increased competition in the field. An analysis of the surveys (see Appendix D: Data analysis evidence) revealed that planning, satisfying funding requirements, and financial management took up a substantial proportion of employees’ time, and employees associated a higher level of accountability and a more business-like approach with these administrative activities.

The pressure on operational activities and the trend of increasing administrative activities in the organisation became visible at the same time as government introduced new changes into the not-for-profit business, and are the direct result of restructuring the funding of grants. The restructuring, in turn, called for greater demands on projects, and for grant applications to focus on funding requirements, particularly with a regional focus.

References made to the objectives of grant funding highlighted the increasing pressure for grant applications to have a regional focus. The analysis of the organisation’s financial documents showed that this made it much harder for cost centres (i.e. specific areas of the organisation), because if a cost centre did not have the required regional focus, it tended not to get funding.

The organisation’s accountants confirmed that processing grants was also affected by government reforms, and that larger and more common grants, such as from the Department of Family and Community Services and the Department of Ageing, Disability and Home Care, were later processed by one system with tighter application guidelines. Analysis of the organisation’s internal documentation indicated that the highest funding
decrease was from the return on investment income and from government and public donors. There was a major decrease in investment income in the 2008-2009 financial year. Verus, therefore, supported the old system as it had shorter application forms which took less time and effort to complete. Verus’ personnel remarked that the grant application process was just too complicated as there were many other facets to consider, such as increased litigation in relation to volunteers.

In answering questions about grant applications, finance staff, managers, and other personnel confirmed that in the case of successful funding applications, reporting on, and the guidelines for, grant applications were becoming more stringent. Some 85 per cent of Verus’ staff indicated that they had applied for some form of funding external to the affiliated councils in the organisation. This figure shows that Verus competed for a sizeable proportion of the funding in the funding market.

4.8 Summary

This chapter has discussed the findings of a study into an Australian not-for-profit organisation, and has provided an explanatory framework, grounded in new institutional sociology theory, for the initial adoption of a performance measurement system.

Performance measurement in Verus was intended to produce objective, relevant information on programme or organisational performance that could be used to strengthen management and to inform decision-making, achieve results, improve overall performance, and increase accountability. Performance measurement systems were necessary to support a variety of management functions, including monitoring and reporting, strategic planning, budgeting and financial management, programme management, programme evaluation, performance measurement, quality improvement, process improvement, contract management, external benchmarking, and communication with the public.

Data analysis confirmed that the performance measurement system in Verus was designed to support strategic planning only. Therefore, the organisation linked performance measurement to strategic goals, concentrating on programme and service efficiency, and client satisfaction. The organisation measured performance by measuring the provision of consistently high quality relationship services to its clients against target numbers of clients consistent with government funding agreements.
The relevance of this study has been justified through the recognition of the technical-rational nature of decision-making, and the institutional pressures associated with conforming to the government’s reforms associated with new performance measurements. Rather than positing institutional environments as extremes of a continuum, this study considered them as interdependent dimensions. While institutional theorists have a tendency to focus on the adaptive nature of organisational behaviour, it was found that management was proactive in dealing with the concerns of organisational competitiveness in the new public sector. Although management seeks legitimacy, it will endeavour to incorporate components in the design that enhance the organisation’s ability to be rational and competitive. Identifying the relationships that link the organisation’s technical and institutional environments is thus an important step towards closing the gap between conventional theoretical explanations of performance measurement practices, and those explanations informed by institutional theories.

As claimed in Chapter 1, there is a lack of research into understanding why new performance measurement systems (such as the Balanced Scorecard and Key Performance Indicators) have failed to emerge, or have emerged through time, and the relationship of those processes with organisational routines, especially within the Australian context.

By examining my case organisation, it was found that resistance in the organisation and the board was caused by changes – mainly through the government reforms. Data analysis showed that the change in fundraising, and the changing requirements of external agencies, were driving forces in Verus. When these changes threatened the organisation’s mission and the sensitive internal parts of the organisation (for instance, restructuring that led to redundancy), the changes were resisted by various levels of personnel. The organisation was forced to accept institutional pressures; however it did not totally adopt or implement them. The implementation of new performance measurement systems and accounting techniques was difficult because there were practical constraints on moving in the direction of a business-oriented model (personnel, education, and expertise), cultural constraints (organisational structures, procedures, and routines), and philosophical constraints (mission, direction, and orientation).

In the early chapters of my thesis, I described how performance measurement is more commonly used in not-for-profit organisations. I expected it be a known concept among the managers in the organisation, and that it was to some degree already implemented.
This picture did not accord completely with the results of my study. Performance measurement has been implemented in the organisation to a certain degree, and evidently how to measure its outcomes and impact has been much discussed, but the concept has not gained ground yet. One reason for the gap between the picture described in the introduction and my results is that all former research was done in either the US or the UK.

The complexity and the dynamic process of change have both been clarified in this chapter to give a better understanding of how an organisation can change due to institutional pressure. Rational choice theory, however, has been unable to provide an explanation of the processual, historical, or contextual change in an organisation. The new institutional sociology and the old institutional economics provide a wider perspective on the institutionalisation of the performance measurement system. The philosophical and methodological foundations of institutional theory enabled this study on the institutionalisation of new accounting practices in an organisation. In other words, institutional theory allowed the researcher to understand the development of stable patterns of behaviour towards the performance measurement system, which is based on a performance culture. Therefore, rather than trying to understand the implementation of a performance measurement system from a rational or economic perspective, I have chosen to understand the process of implementing a performance measurement system in Verus from a social perspective.
5

THEORETICAL ANALYSIS OF THE CASE FINDINGS
5.1 Introduction

Chapter 4 dealt with a detailed description of the case findings, and illustrated what changed and what did not change in the organisation in the previous 10-15 years. This chapter explains, from a theoretical perspective, why the changes happened the way they did. The aim of Chapter 5 is thus to provide an explanation based on institutional theory and on Laughlin’s (1991) framework of how and why the objectives were not met, despite several initiatives undertaken by the board of directors to instil a commercial orientation in Verus.

The chapter starts by understanding Verus within the context of its institutional environment.

5.2 Institutional environment

The analysis of data in Chapter 4 confirmed that the institutional environment present in Verus responded to coercive, normative, and mimetic pressures in various ways. Because Verus is a mission-driven organisation, its pressures are ‘filtered’ by the board of directors to avoid compromising its mission.

Analysis shows that the Head Organisation, playing the role of the main shareholder in Verus, originally had the power to make important decisions. This was the first important environmental factor shaping the norms, beliefs, and traditions of Verus. The Head Organisation appointed the board of directors and senior personnel, made investment decisions, and approved policies and procedures, and although it did not meddle directly in the business activities of the organisation, it manifested its power through its funding, parishes, and marketing campaigns. However, Verus still keeps the beliefs, the norms, and the historical traditions shaped by the Head Organisation. Hence, the adoption of new measurement techniques, brought about by the development of the not-for-profit sector and by other programmes, has been rejected by the very conservative board of directors. As a result, recognising that the organisation has a culture based on an old mindset presents the challenge of how to change that mentality, and how to the change organisational culture to make the organisation move forward.

The second important environmental factor shaping the norms, beliefs, and traditions of Verus is the public – defined here as ‘customers at large’. As a major provider of services to the disabled, to children, and to youth in the East Coast area of Australia, Verus
responds to public demands, and its performance is subject to client satisfaction. If the public is not satisfied with the services that Verus offers it will voice its dissatisfaction in the media. No complaint from the public means that there is no complaint from the customers. Therefore, positive feedback from the public indicates that Verus is performing well.

Since its establishment in early 1980s, Verus has promoted itself as a customer-oriented organisation. Through its active involvement in community life, and by supporting local families and individuals, it has created and strengthened the public’s trust in it. Trust in institutions, or in the individuals who bring benefits to the needy, is the most important factor influencing public perception. Trust has an impact on perceived risk as well as on perceived benefit, and acceptance of the organisation is directly determined by the perceived risk and the perceived benefit. Trust therefore has an indirect impact on the public’s acceptance of Verus, and, to a certain extent, on the public’s perception of the way that Verus shapes its norms, beliefs, and traditions. According to North (1990), the ‘rules of the game’ are set by both the government and the public. Institutional environments governed by those rules enable and constrain organisational routines.

The third factor that is important in shaping the formal rules and informal routines in Verus is the government. In this study, Verus is viewed as an organisation that exists in an institutional environment because it is one of a group of organisations that relies heavily on government funding. The existence of these organisations is shaped by certain beliefs, norms, and values, and, to a certain extent, those values are due to the various roles that government has played during the growth of the not-for-profit sector in Australia. Among those government roles are: economic developer, investor, regulator, and public service provider.

### 5.2.1 Coercive isomorphism exerted by the government

Verus operates in a regulated industry in which projects and many of the rules and policies are determined by a regulator. Because of these conditions in the not-for-profit sector, Verus has no choice but to conform. Good performance is defined according to how the regulator or the funding bodies view the organisation’s performance.

Government therefore shapes Verus’ performance measurement practices through its role as a regulator, thus explaining why it concentrates so much on its reliability measures and
on its customer satisfaction (customer services) measures in its performance measurement system. On a yearly basis, Verus reports to the government and to the public on its performance (annual reports). Thus it is being coerced to focus on measures that concentrate on people rather than on finances, and simultaneously provide a return to its shareholders. Various regulations that govern Verus’ activities are aimed at meeting the needs of the regulator and at ensuring its survival and legitimacy. This ‘coercive isomorphism’ might have shaped the performance measurement system practices in Verus, particularly at the time when it became a multi-service organisation (e.g. disability, family and children, mental health, employment). As a set of practices, a performance measurement system was adopted in Verus and conformed to the guidelines and regulations set by the government. In short, these coercive pressures shaped the performance measurement system and performance measurement practices in Verus after the global financial crisis.

According to Brignall and Modell (2000), the level of dependency of one organisation on various groups of stakeholders could also affect the choice of new performance practices, or performance practices already adopted by an organisation. The performance measurement practices and systems in Verus have also been influenced by the expectation of its dominant stakeholder: the government.

The rationale for this argument is that the combined force of the pressures exerted by various participants on Verus could have affected the balance among its performance dimensions. This is because different groups of stakeholders require different management information for making decisions relating to their specific requirements and interests. According to Brunsson (1990), information analysed to mobilise the help and support of a particular group of stakeholders is often limited and biased and inclined towards choosing and supporting a favourite and particular course of action. Quite often this leads to disproportionate contributions of the various dimensions when measuring organisational performance, hence giving different meanings to what constitutes ‘good performance’. To the regulator, good performance is defined by the ability of Verus to ensure continuous services to the public. Thus, it requires specific performance measures that can measure service reliability. Whereas to cater to the needs of the main shareholders, federal and state government, good performance is defined as being able to provide a high level of customer service (customer satisfaction) in various areas such as homelessness, mental health, disability, foster caring, and many other areas of social welfare.
When evaluating Verus, federal and state government both consider financial and public service aspects. Commercial orientation and public service orientation may serve as an institutional contradiction in Verus, although the dominant orientation will determine the rules and routines that prevail.

Analysis of data in Chapter 4 reveals that in Verus, government accounts for more than 60 per cent of shareholder power (Verus Annual Reports 2009, 2010, 2011, 2012, 2013). Therefore, the performance measurement system adopted by Verus is very much shaped by the dominant stakeholder – that is, by the government. Survival and legitimacy are very important factors shaping the systems practised by Verus. Although performance measurement systems can be chosen to drive economic efficiency, they may also be adopted to legitimise an organisation in the eyes of the dominant stakeholder. When this happens, performance measurement as well as performance measurement systems can become ‘rationalised myths’ that are presumed to be essential for the organisation (DiMaggio and Powell 1991). Being a government-funded organisation, Verus was obliged to follow all government requirements.

Verus thus experienced both coercive and regulative government pressures and this led to its adoption of certain performance indicators. The organisation is on its way towards full compliance of these pressures with the aim of gaining legitimacy, and satisfying the customers who represent the society that wants the organisation to comply with those pressures. However, this study also illustrates that in the early stages of introducing and developing the not-for-profit government reforms, Verus resisted external pressures to retain its core missions and to sustain its grassroots connections. These actions have resulted from recognising internal tensions or from resisting unwanted external pressures to change. Such contested spaces were sustained to some degree through mimetic isomorphism, where clusters of similar not-for-profit organisations exist in the field, and where peer behaviour exerts a greater influence than hierarchical pressures.

5.3 Institutionalisation through funding changes in not-for-profit organisations and the first signs of performance measurement systems

According to institutional theory, described in Chapter 2 and supported by the NVivo analysis of internal documents (board meetings, finance meetings, annual reports, strategic plans, and staff survey responses) in Chapter 4, there was some coercive, mimetic, and
normative isomorphism in Verus, which forced the introduction of new performance measurement techniques in the organisation.

For a new institution to develop, its status quo has to be modified. The questions here are: How can Verus change its public service orientation to a financial orientation? Is it possible to achieve this? In what ways do cultural, political, and social institutions enable or constrain the processes of organisational transformation?

The image of Verus from the 1980s and into the 2000s could be described as a bureaucratic, not-for-profit organisation with approximately 200 employees. It featured multiple or constantly changing principles and directions of management, communication problems among its services, and it had an undeveloped system of governance and accountability. All these characteristics were presented in the organisation because of the public sector style of management which had dominated Verus for 20 years.

The National Competition Policy (NCP) is a public sector reform that was introduced by the Australian government in 1993 and which introduced a New Public Management (NPM) framework. The public sector reforms were formulated on the beliefs that units, or various entities of the public sector, are similar if not the same to those in the private sector. Hoque (2005) called these beliefs business-like or accountable, viable, and competitive. Structural reforms significantly reshaped the not-for-profit sector in an effort to encourage accountability focused on pure outcomes (Hoque and Moll 2001). Verus’ rules and regulations are the products of the public sector culture which dominated it for many years. This culture concentrated mainly on welfare and social services rather than on accountability.

Performance management systems and performance measurement systems, as popular management tools, were also regarded in Verus as only one approach among many others for creating confidence and therefore trust in the particular way the not-for-profit sector operated. Using a performance measurement system as an instrument for moving forward (seeking to provide full and extensive support to people who require help, and to promote various social and economic policies), and as an instrument for governing the relationship and connectivity in public-private collaborations and partnerships, helped Verus to create the image of a modern not-for-profit organisation that used modern management techniques. A new performance measurement system was adopted as an instrument for realising competence by conforming to what was thought to be the behaviour of
professional management. From the new institutionalism perspective, such a practice can be classified and argued about as a form of mimetic isomorphism. The implementation of a performance measurement system here can be explained as an act of coercive isomorphism, and can be interpreted in this way if it is externally imposed on a not-for-profit organisation.

As has been discussed in the literature review chapter of this study, coercive isomorphism comes from formal and informal forces exerted on organisations by various not-for-profit entities on which they rely and are fully dependent on. Coercive isomorphism results from cultural expectations as well. Those expectations are usually present in the society in which the organisation has to function (DiMaggio and Powell 1991). Sometimes, institutional donors force the implementation of performance measurement systems on a not-for-profit organisation. In this case, coercive isomorphism should not be totally ruled out. Clearly, this proposition is not limited to the implementation of performance measurement systems in, and the development of, the not-for-profit sector. The argument can also be applied to the establishment, development or modernisation of any management practices which are imposed upon, or selected by, any organisations in response to external pressures which attempt to improve and increase their legitimacy.

There have been some attempts to bring ‘shocks’ or disturbances to Verus and its organisational culture since its establishment in early 1980s. Data analysis in Chapter 4 shows that the most powerful disturbances in Verus were new governance standards introduced by the ACNC, the National Disability Insurance Scheme (NDIS), fundraising regulations, the commitment to funding pay increases consistent with Fair Work Australia’s order on 22 June 2012 for equal pay, the National Rental Affordability Scheme, and the National Mental Health Commission. All these disturbances brought by the government have resulted in improvements in Verus’ efficiency.

The Industry Commission’s report about not-for-profit organisations, and particularly charitable organisations, in Australia, reinforced the importance of continued change and a transition to service contracting. The report discussed the selection of service providers and their roles and responsibilities, stipulating that this selection needed to be more open, clear, contestable, and accountable, and should be reviewed periodically (Industry Commission 1994). This report supported and summarised government concerns and highlighted the need of ensuring not-for-profit sector’s financial accountability and
performance improvement. Therefore, the data analysis in Chapter 4 confirmed that in order to improve its performance Verus had to implement private sector management techniques. The organisation attempted to develop and adapt new institutions that concentrated on financial orientation, even though it had to maintain the role of a public service provider concentrating on customer satisfaction.

The government promoted the New Public Management (NPM) model but left it to be implemented by individual organisations without adequate guidance. Therefore, implementation of performance measurement systems occurred in individual organisations only. The data analysis described in Chapter 4 revealed that there was indeed an attempt to introduce the new institution into the organisation. But the instruments to support the transformation and implementation had not been created and developed correctly and therefore had inadequate guidance from the government. Verus’ senior management did not have a clear idea of which direction to follow as the organisation’s public sector roles were not accurately distinguished from the profit-making roles. The employees’ understanding and view of their work was heavily dominated by their public sector role. This finding is in line with Williams’ (2007) suggestion that the organisation did not have enough external forces or ‘shocks’ that could trigger a substantial change and therefore institutionalise the new orientation in Verus.

Management, leadership, and culture became the main areas in Verus that needed improvement in 2010. The organisation showed an obvious lack of drive for financial efficiency, and there were no hints of a commercial orientation in Verus. Not-for-profit governments’ reforms introduced to the sector experienced resistance to their implementation. The data analysis in Chapter 4 also showed that the performance management system (e.g. the Balanced Scorecard) was not favoured by the organisation’s members. Rather than focusing on services efficiency within organisation, the board, under the influence of the Head Organisation, continued following the organisation’s mission and ensured that customer satisfaction (by promoting social and economic policies) was given a greater priority. The private sector would expect Verus to adopt and establish a business strategy that would directly challenge its traditional strategies. Therefore the new model of arranging an organisational structure and running its business was not approved by the organisation’s senior personnel.
By using the framework developed by Laughlin in 1991 to analyse Verus’ data, this study reveals that the introduction of the early performance measurement systems, as an external shock to the organisation, could not change the interpretive schemes of its personnel. Similar findings have also been found in studies by Alwi (2009). Performance measurement systems only managed to make accounting practices visible in organisations, while interpretive scheme remained unaffected.

In addition, my data analysis shows that the early performance measurement systems could not disconfirm practices to Verus’ personnel. Therefore the public culture (the client services orientation) remained untouched and therefore unchallenged. People are generally hesitant to change (Schein 1999). It takes time for them to forget or to stop using old processes and to start learning new processes. These movements from old ways of thinking to new ways of thinking are quite significant for many people and can be very uncomfortable, thus resulting in rise of anxiety.

However, the organisation’s members might still be willing to transform if three factors are in balance: 1) the psychological safety to overcome anxiety, 2) the mechanisms of understanding anxiety, and 3) the establishment of survival anxiety. The creation of psychological safety always comes after the creation of survival anxiety. In Verus, there was insufficient power to create survival anxiety, therefore its personnel could not properly relate their daily work, priorities, and activities to the modern paradigm of doing the work and running the business.

5.4 Internal change and its forces

Data analysis in Chapter 4 shows that the global financial crisis of 2009 became the main environmental disturbance in Verus, and put the organisation into an unexpected financial situation. The government had put strong pressure on not-for-profit organisations to improve their performances because there was a huge demand for customer services. An ultimatum was given to all not-for-profit organisations, including Verus, to show improvement; failure to show improvement could lead to cuts in government funding programmes, and the possible deregulation of the sector.

On account of the government’s new approach towards not-for-profit organisations, Verus had to change its organisational structure and review the possibility of adopting the Balanced Scorecard framework for its performance management system. Organisational
Restructuring can be viewed as the transformation in the design archetype (Laughlin 1991). This change became necessary in the organisation for establishing stability among the interpretive schemes and the subsystems. Data analysis in Chapter 4 also showed that the interpretive schemes in the organisation stayed unchanged. However, the design archetype and the subsystem were transformed. The design archetype change was reflected in strategic plan development, organisational development and restructuring, including the development unit, HR, finance, and IT sections, as well as introducing a new performance measurement system based on the organisation’s mission and vision. All these changes were necessary to establish and identify organisational performance indicators.

The change in the subsystem can be easily recognised (refer to Chapter 4). The appointment of a corporate services director first, and an operations and development director as head of the subsidiaries later (the development committee, strategic planning committee, as well as quality assurance and the evaluation committee), both directly accountable to the CEO, are the main proof of the change in the subsystems. Although efficiency had become an important factor in assessing Verus’ performance, instead of focusing on it, Verus was still under the influence of the public service culture. This culture remained as the dominant culture in the organisation.

Data analysis also provided evidence that Verus’ attempt to introduce the Balanced Scorecard was a result of the mimetic pressures faced by organisation. However, the indirect power of the Head Organisation prevented the Balanced Scorecard being implemented, and the interpretive scheme in Verus remained unaffected. Senior management was following the old style of controlling and governing the organisation, and preferred to keep the hierarchical culture in its power. This culture emphasised position changes and a non-participative approach in the organisation (Kennedy 2002).

Even though the accountability system was recognised and implemented to transform the interpretive scheme, Verus’ divisions were not assessed by using financial indicators (investments and their return), but rather on customer (public) satisfaction. Verus’ senior personnel took the government’s threat to cut funding and to deregulate the sector quite seriously. Therefore, as the data analysis in Chapter 4 shows, Verus started working on its strategic planning more intensively. This time, improving its internal processes, strengthening its core business, working on performance measurement indicators, and looking for other areas of services were included in its plan.
Management initiatives and technical probes were undertaken to assist Verus monitor and improve the effectiveness of its organisational aims. These initiatives included improving processes, introducing a development of information pathways for reporting information across the whole organisation to ensure that all levels had the information they needed (including service, people, and financial reporting), appointing a manager responsible for data reporting and analysis to provide relevant service and client data to the organisation.

At the same time Verus received the results of its organisational surveys and was supported by a professional company to identify possible initiatives applicable to the organisation’s mission and strategy. Consultants usually introduce mimetic isomorphism by identifying and suggesting either the same, or similar, administrative, management, and accounting techniques to various groups in a similar institutional setting (environment) (Granlund and Lukka 1998). This was the case with Verus, where mimetic pressures led to the implementation of various programmes.

The quality assurance and evaluation committee, and the government and engagement committee discussed about 20 initiatives and suggested 31 different implementations. Some initiatives were recognised as being strategic (e.g. effective resource management was established to implement initiatives such as online incident and hazard management to ensure that services were working in an efficient and effective manner), while others were recognised as normal business activities (e.g. improving credit control).

All initiatives had their own key performance indicators, controlled by an organisation’s divisions. The idea of delegating accountability and responsibility in the organisation was also introduced at this time. Data analysis revealed that committees were the owners of the various initiatives, which they passed to the development director. Operations and the development director delegated the responsibility for implementation to the managers, and the managers passed the initiatives to specific individuals who then developed, established, and implemented them. This process ensured that initiatives relating to performance measurement were not overlooked, missed, or abandoned, but rather, understood as of being of high importance (Verus’ internal documentation).

Verus continued working on improving its services quality, customer satisfaction, accreditation, and the monitoring of its development and its processes. The new risk management committee concentrated on improving Verus’ efficiency and profitability.
Some themes were recognised under the quality assurance and evaluation plan:

- Improving the functioning of the organisation.
- Responding to adverse incidents.
- Identifying system strengths.
- Identifying areas that needed to be improved.
- Ensuring compliance with rules and regulations.
- Reporting on numbers of services provided.
- Refocusing on programme goals.
- Analysing patterns of service delivery.
- Expanding marketing opportunities.

These themes revealed the importance of the financial implications for Verus. Some initiatives, including the performance measurement system, became important for the success of the strategic plan, while other, less significant initiatives were still needed for the effective development of the organisation (Verus’ internal documentation).

During this period, the new performance measurement system was established to introduce the awareness of ratings based purely on performance. Under the quality assurance and evaluation committee guidance, an assessment system using a modern rating tool was developed and linked directly to employee recognition and salary packages. Employees received special training to make certain that the modern system was recognised as a form of performance assessment. Therefore, this new remuneration scheme (the remuneration and benefits policy) provided an interpretive scheme to the organisation’s personnel. The ways in which the staff used to conduct their activities, prioritise their work, and achieve results in Verus were challenged because of a performance measurement system implementation which was driven purely by a performance culture. Receiving fringe benefits and working flexible hours have never been interpretive schemes in the public sector nor in its culture. Government reforms in the not-for-profit sector developed these ideas and the emphasis fell on being rewarded for individual performance.

5.4.1 Institutionalisation of performance measurement systems

Data analysis in Chapter 4 confirmed that the government introduced its reforms in the not-for-profit sector as a result of various economic disturbances. These shocks (Laughlin 1991) were introduced to transform the interpretive scheme of not-for-profit organisations.
Stakeholders criticised all not-for-profit organisations and considered using them based only on their size and not by their levels of service or customer satisfaction.

The institutionalisation of performance measurement systems can be discussed from the economic point of view, which can suggest that an organisation’s personnel are rational; hence the emphasis on goals for improving efficiency (Scott 2001). This statement was supported by my data analysis, which revealed that Verus and its senior personnel used to make decisions and implement accounting policies and practices to improve performance only for economic reasons. The need to improve economic performance comes from the fact that under the modern government regulations for the not-for-profit sector, the boards of directors and their CEOs need to evaluate their own performance on an annual basis.

However, despite the pressures of government funding programmes and customer service regulations, performance measurement system practices in Verus were seen as belonging to the human resources domain, and thus loosely coupled to business activities. Therefore, a clarification from the economic perspective is not sufficient to explain the institutionalisation of a performance measurement system in Verus.

Institutional theory highlights that external and internal forces have particular powers to shape an organisation and its structure (Brignall and Modell 2000). Data analysis has confirmed that Verus’ organisational structure was indeed changed due to the organisation’s expectation of following government reforms in the not-for-profit sector which required certain restructuring practices to be adopted. Verus met the expectations of its stakeholders by implementing some rationalised myths. These myths allowed Verus to increase its validity and to secure significant resources for its future existence and growth in the not-for-profit sector. From this perspective, performance measurement systems in Verus may well be regarded as a rationalised myth. Usually, the application of modernised myths is viewed as a system of levels shown by other substantial institutes through various processes of isomorphism (DiMaggio and Powell 1991). Therefore, as per Scott (2001), technical clarifications of an organisational structure are seen as partially completed and consequently require support from an efficient myth and the legitimacy framework.

New institutional systems also offer a clarification for the institutionalisation of accounting and performance measurement systems that could be more balanced from a social perspective than from an economic point of view. Grounded on new institutional systems, these pressures of isomorphism might trigger the organisational change, even when the
technical or economic benefits (or both) are missing (DiMaggio and Powell 1991; Scott 2001). These pressures of isomorphism were encountered in Verus to replicate how schemes could arise from internal or external pressures (DiMaggio and Powell 1991).

Suchman (1995) shows us that the matter of legitimacy is significant for an organisation to guarantee continuous support, security, or funding from the environment. Data analysis in Chapter 4 revealed that legitimacy for Verus was recognised as being very similar to other not-for-profit organisations, particularly in managing performance and following the rules set by the key stakeholder. Organisations such as Verus struggle to acquire or preserve legitimacy by adopting new structures (Deephouse 1996; DiMaggio and Powell 1991). Therefore, it should be anticipated that Verus would follow the government’s not-for-profit reforms in order to achieve legitimacy. Failure to achieve and prove the the government’s anticipated intentions meant that the organisation was not viable, and hence it put its own survival at risk. Therefore, the institutionalisation of a performance measurement system in Verus, from the government’s point of view, was the product of its own actions to legalise its existence.

Verus’ institutionalisation of a performance measurement system could also have been due to isomorphic disturbances caused by various environmental agents in the institutional setting. Verus could also have taken on isomorphic movement in a rational and careful manner. In other words, Verus’ senior personnel were aware that they were mimicking other not-for-profit organisations in order to adopt the Balanced Scorecard as the organisation’s performance measurement framework. Data analysis showed that Verus had also undertaken some isomorphic actions without even understanding that they were replicating other environmental players. They might have claimed that their actions were rational, even when there was little justification to support such actions. This process is consistent with the idea of institutionalisation and the concept that institutional procedures and purposes are frequently ‘taken for granted’ and ‘obvious’ (Galaskiewicz and Wasserman 1989).

There is a possibility that Verus could also have adopted its performance measurement system in order to increase efficiency. New institutional sociology researchers have found that technical and institutional pressures are not mutually exclusive (Hopper and Major 2007). Both technical and institutional pressures can co-exist to shape the diffusion of accounting innovations in an organisation, irrespective of public or private ownership
(Hopper and Major 2007; Malmi 1999). However, in Verus the implementation of the new performance measurement system before the government’s not-for-profit sector reforms could not be due to competitive isomorphism because the organisation was not facing real competition. The entry of other charities into the regulated not-for-profit sector did not affect Verus’ position as a trusted service provider.

The case data, however, suggested that institutional isomorphism shaped performance measurement system practices in Verus. The organisation functions in an institutional environment and responds to coercive, normative, and mimetic pressures in various ways.

During the implementation of the government’s not-for-profit reforms, it seems that coercive isomorphism shaped performance measurement system practices in Verus, but not as strongly as normative isomorphism. The board of directors and the CEO were coerced into announcing operating results publicly. To remain strong in the market, Verus had to perform well and provide a high level of customer service. Positive and high results meant high levels of customer service and high levels of government funding. The government expected to see a high level of achievement from its reforms of the not-for-profit sector.

The second type of isomorphism, mimetic isomorphism, occurs when charities imitate other not-for-profit organisations because of environmental instability, uncertainty, lack of adequate technologies, or unclear goals. Data analysis showed that implementation and development of a performance measurement system in Verus in the years 2007-2010 was the result of mimetic isomorphism because the Balanced Scorecard became a popular performance measurement tool among several non-for-profit organisations. However, the case data shows that the Balanced Scorecard concept, due to the resistance of the board of directors and the Head Organisation, had not yet been introduced into Verus.

Normative isomorphism is recognised as arising from the impact of the professions on businesses and organisational structures. Data analysis revealed that the board members and senior personnel of Verus had specialised work experience and had been involved in professional networks. All of these factors influenced the way in which professional personnel organised their activities, responsibilities, and actions in the organisation. Most of the senior personnel of Verus, as well as the board of directors, were professionals with qualifications such as bachelor or masters degrees in accounting, finance, and management, or in customer services areas.
The newly created corporate and development directorate concentrated on the three-year strategic plan development first, linking it to key performance indicators. It then highlighted the importance of a performance-based culture by introducing a performance measurement system and connecting individual performance directly with rewards. Under the new directorate, the importance of a performance measurement system was stressed in terms of managing employee performance. DiMaggio and Powell (1991) proposed that both culture and professions must be considered and accepted as important for developing and spreading rationalised procedures across an organisation. This statement mainly applies to new accounting techniques.

To summarise, data analysis explained how coercive, mimetic, and normative types of isomorphism shaped and explained institutionalisation of performance measurement systems in Verus. However, each type of isomorphism occurred at a different point in the organisation’s life. Coercive isomorphism was the first type that appeared in organisation and was more dominant before 2007. Mimetic isomorphism appeared to be dominant in Verus between 2007 and 2010, while normative isomorphism showed only in 2012.

Whichever type of isomorphism shaped the performance measurement system in Verus, identifying it is just a way of explaining why Verus adopted its performance measurement system practices. The isomorphic pressures did not guarantee that the organisation would adopt the accounting techniques necessary for increased efficiency or greater performance enrichment. Quite often the techniques were considered to be necessary and suitable because internal and external parties could view the organisation as being legitimate. The performance measurement system policy, with several other related policies that were implemented to satisfy the government’s not-for-profit organisations reforms, has thus become the organisation’s ‘rationalised myth’ (Meyer and Rowan 1991).

Figure 5-1 shows the process of organisational change in Verus, shaped by both of the environmental disturbances. The figure shows that environmental disturbances of Verus, in the form of not-for-profit reforms, brought with them coercive isomorphism which tried to change organisation’s public service orientation. Verus was being coerced by the government to become a hybrid organisation: besides keeping its role as a public service provider, it was also expected to become a commercialised entity. As such, it was required to adopt accounting practices which promoted the maximisation of profit.
5.4.2 Environmental disturbances

The environmental disturbance introduced in to Verus in the early 2000s was meant to challenge its interpretive scheme. Institutional change was expected to happen through the government’s reforms of the not-for-profit sector. During the early period of the reforms, coercive isomorphism (funding rules and accountability guidelines) seems to have shaped the organisational reality of the organisation (pre-2007). The organisation was directly dependent on government funding and thus had to react to changing policies and pressures to improve its services. It was also indirectly dependent on wider public opinion to remain in a position of power in the not-for-profit, social welfare sector.
Mimetic isomorphism (copying other not-for-profit organisations that have successful grant applications) came later (2007-2010), during the process of organisational transformation. Accounting practices and performance measurement and management tools (including the Balance Scorecard), and the use of key performance indicators, value-based management, and benchmarking were among the innovations promoted in the 2000s by senior personnel, with the help of consultants, in not-for-profit organisations. As a result, many organisations started to introduce accounting innovations as part of their performance measurement practices.

Coercive pressures had led to goal ambiguity and to an uncertain environment, which in turn created mimetic behaviour. The data analysis in Chapter 4 revealed that the public sector framework triggered the renewal, development, and establishment of various rules and regulations in Verus, and therefore this framework focused heavily on customer service and welfare provision rather than on accountability. The presence of a performance measurement system as a steering tool to govern the relationship in public-private partnerships helped Verus to form the impression of being a contemporary not-for-profit organisation with established, modern management techniques. Its performance measurement system became a tool which was used to show its competence by conforming to what was regarded as behaviour which was up to a high management level.

Three types of isomorphism (mimetic, coercive, and normative) that occur simultaneously in processes of organisational and institutional change can add to the literature by showing that only heterogeneous not-for-profit organisations are inclined to have these three types of isomorphism. Therefore, heterogeneity means that best practice (the term of a hundred years ago was ‘the one best way’) has not yet swept through the not-for-profit world. The implication is that ultimately, efficient and productive organisational methods have not yet been discovered, disseminated, and institutionalised in the not-for-profit sector in Australia. Few would disagree with this statement. Second, and more positively, variety means that institutional expectations are not so uniform or so powerful as to enshrine only conformity and to banish innovation. The not-for-profit world may have more imagination and possibilities. Third, weaker pressures for conformity make room for the search for more efficient ways to use resources and more productive ways to pursue not-for-profit missions. We should be prepared to see some failures too, and understand them as part of the process of improving the not-for-profit sector. Fourth, variety in the not-for-profit sector means less bureaucratic and corporate hegemony. We know that the pressure and
temptation along these lines is strong, but in the variety we should find not-for-profits with fulfilling rather than routinised work, and with structures that emphasise equality and diversity rather than hierarchy and conformity. Fifth, heterogeneity means responsiveness.

The variety of needs and desires for public goods in our society exceeds the capacity of government, which focuses more readily on the demands of the voting majority and of powerful elites. The private sector, including private not-for-profits, is better suited to match a varied supply of services to a diverse set of demands. Finally, variety means a broad organisational repertoire with which to face uncertainty and change in the future. Some adaptation to changing demands is possible, but the survival of the not-for-profit sector, before any shift in demands – if future demands are radically different from present ones – depends mainly on the existence of the organisational forms that will cope best with those future challenges.

Therefore, data analysis showed that this development resulted in two major isomorphic pressures for organisations: the assimilation of its service delivery processes within not-for-profit organisations practices, and the homogenisation of its service effectiveness and proficiency with other not-for-profit sector organisations. Specific managerial education programmes and the employment of professionals (accounting, social services) in organisations across different sectors, contributed to normative isomorphism, leading to the development of a more enthusiastic service orientation. Normative isomorphism is seen in the organisation as the use of professionals to target, organise, and manage government and non-government grants.

NVivo’s thematic analysis of internal memos in Chapter 4 reveals that the Balanced Scorecard concept was introduced to Verus in the 2000s. The idea of introducing the Balanced Scorecard was due more to the influence of senior personnel and external consultants than being driven solely by economic motives. Thus, during the post-privatisation era, mimetic isomorphism appeared to shape the guidelines and routines of the organisation and initiated the first order level of change in Verus.

The global financial crisis of 2009 was also a form of environmental disturbance to Verus, which established its development directorate as a response to the need for better efficiency. Financial orientation was emphasised through the introduction of a modern performance management system which concentrated on key performance indicators (the strategic plan), and the competencies of employees based on performance. The
introduction of this performance-based culture was meant to improve Verus’ performance. However, during the early stages, the new performance measurement system was resisted because it challenged the organisation.

For example, the organisation emphasised team, and area or cost centre performance, rather than individual performance. This was demonstrated in the way that bonuses (flexible working arrangements, etc.) were determined by looking at the overall performance of the organisation. Verus also focused on customer service delivery, where the emphasis was more on the number of services provided to customers, and their satisfaction with the services, than on attracting more government funds, or minimising the organisation’s costs, or improving investment strategies. The organisation’s focus explains its resistance to organisational change where the design archetypes changed temporarily but later returned to their original positions. Therefore, the environmental disturbances led to changes in the design archetypes and subsystems, but not necessarily to the interpretive schemes.

The government re-emphasised the need for a culture of higher performance among not-for-profit organisations, including Verus, through its reforms of the not-for-profit sector. Normative isomorphism seemed to dominate during the period before the government introduced its reforms of the not-for-profit sector. Although mimetic isomorphism also played some role in shaping the organisational reality of Verus, the role of the board of directors in bringing significant changes to the organisation, was emphasised. Verus and other not-for-profit organisations were led by senior professional personnel. Financial key performance indicators were stressed as they had become important under the not-for-profit sector reforms. The subsystems (cost centres) of Verus were gradually dominated by senior personnel, the directors, and under new policies and routines, the board of directors played a lesser role.

In Verus, resistance to the Balanced Scorecard was overtly shown by the board of directors. The traditional structures that were shown to accommodate the performance measurement system could not clarify the actual organisational performance. The distinction between ceremonial and operational structures is difficult to generalise, but, as argued by Fogarty and Rogers (2005), they each assume a range of forms and degrees. Orton and Weick (1990) explained this separation as a decoupling concept, meaning that they are distinct and separate.
As in Verus, the performance measurement system was implemented, but not wholly as intended. During the survey, one of the mid-level personnel of the organisation explained it like this:

The customer service officers are basically hesitant to change. They follow the instructions but only to the point that is suitable to them.

One of the managers confirmed the existence of loose coupling in Verus and noted:

The rules exist at all divisions and its locations but managers only inspect to ensure compliance at one of them, or if managers inspect for compliance but don’t retrain employees to improve performance.

Modell (2001) illustrated how institutional contradictions due to inconsistent standards and rationalities add to the lack of coordination and coherence in a performance measurement system. Because of the lack of trust among the senior workers and the administration personnel (human resources, finance, directors), a new budgeting system was also resisted. As a result, work practices were loosely coupled to written procedures, and it was the procedures that explained separation and its outcome of the ceremonial and operational structures. The data analysis in Chapter 4 confirmed that as a result of loose coupling, a modern budgeting system was created, although it was separated from the daily operations and therefore was not effective as a source of information for decision-making.

The performance measurement system in Verus was institutionalised ceremonially, mainly because a system of accountability did not materialise in the organisation as it was loosely coupled to the operational structures. Therefore, the performance measurement system was seen as an institutionalised rationalised myth only. The data analysis in Chapter 4 showed that the legal and regulatory systems, usually known as environmental factors in this study, included both public opinion and customer services of a professional standard. These environmental factors and norms played a significant role in the formation and establishment of rationalised myths, and applied forces and pressures on an organisation in many complex ways. The myths that were developed within the organisation were the response to multiple forces and their aim was to improve effectiveness and efficiency. However, their main target was changed to achieving the organisation’s validity and liquidity. Therefore, the performance measurement system recognised by Verus as a measure of productivity and efficiency, was in reality a modernised myth which Verus
implemented to achieve validity, and thus also to guarantee its stability, growth, and recognition in the not-for-profit sector.

The theory of new institutional sociology explained the development of institutionalisation in Verus only at the macro level view of the social processes. Therefore, a further study from the micro level perspective and its analysis is still required for identifying and explaining a change in the accounting processes. This further study might include various social actions with, participation in, observation of, and interactions with various organisations. Using old institutional economics and supporting my research with the Laughlin’s (1991) framework helped me to describe, clarify, and demonstrate Verus’ performance measurement system and its institutionalisation from the small-scale interactions between individuals’ point of view (micro level).

5.4.3 Verus’ personnel and its changes

In order to transform an organisation with a public service culture and which relies heavily on government funding, to become business-like and profit-driven, a not-for-profit organisation must change its managerial habits, practices, and policies (Sharma and Lawrence 2007). Therefore, as the data analysis in Chapter 4 reveals, the internal changes in Verus were triggered and controlled by the government’s not-for-profit reforms and were very obvious. Under these reforms, three professionals, each with at least a bachelor degree and with extensive accounting, finance, and management skills, were appointed as directors of departments working under the CEO. Their duties highlighted the importance of a profit-making orientation and the modifications needed to start its implementation in the organisation.

The CEO’s letter, published in the organisation’s annual report, highlighted the importance of upcoming changes and their implementation (CEO Verus 2009). The board of directors, with the CEO and departmental directors, introduced several changes to Verus that directly affected all areas (departments) of Verus.

Laughlin’s (1991) model brings the first level and the second order directions. Therefore, various changes take morphostatic and morphogenetic pathways. The first order transformation refers to superficial changes whereby Verus is ‘making things look different, while remaining basically as they have always been’ (Smith 1982, p. 318). The
second order change refers to changes ‘that penetrate so deeply into the “genetic code” that all future generations acquire and reflect these changes’ (Smith 1982, p. 318).

Under the National Competition Policy (NCP), one of the government’s not-for-profit initiatives for a first order change pathway was initiated and was categorised as a ‘re-orientation’ transformation for Verus. This change shows that finding appropriate systems and structures that would accept environmental disturbances was the purpose of senior personnel so that they would have better control of the design archetypes. This meant that the new designs and the new subsystems complemented each other. They did not change or modify the existing interpretive systems. The board of directors, the CEO, and senior personnel made some changes to the performance, accountability, and business of Verus; however, it was done at an insignificant and minimal level. To maintain the customer service orientation, and to keep this aligned with its mission, as well as to be recognised as a widely accepted part of its divisions (the subsystem), Verus appointed key personnel with a performance and commercial orientation (director of client services and director of corporate services) to take responsibility for essential business processes, procedures, and operations.

It was during this period of the government’s not-for-profit reforms that the modern organisational structure was established and approved by the key personnel. Verus was controlled by the board of directors, the CEO, and directors, followed by the managers. The design archetype of the organisation was constantly transforming to keep a balance between its interpretive schemes and its various subsystems (divisions and units). The modern structure was established to improve customer-staff relationships, and to speed up response times to customers. This led to an improvement of customer services and their efficiency. Business and financial progress was given the greatest priority. The data analysis in Chapter 4 showed that new accounting and finance policies were developed and implemented.

The focus on a business-like model was also demonstrated by creating cash flow spreadsheets and monitoring weekly cash flow. However, Verus’ business was still aligned with its mission and the organisation was still a major public service provider. Verus improved its accounting and finance operations (revenue collection, accruals, reporting, etc.). The importance of implementing a cost-minimising policy became a major part of this new and very modern design archetype. For example, Verus paid creditors’ invoices
through the accounting, finance, and purchasing software to keep petty cash expenses under control. It also introduced a salary and wage arrangement based on shift work so that it could manage unnecessary overtime expenses. There was some resistance to this from the workers because this approach directly affected their income, and challenged their routines as well as their interpretive schemes.

Another action taken by senior personnel to improve Verus’ financial position and its cash flow was to change its investment strategies. An outside finance and investment consultant was hired and a new, less conservative, and more balanced investment strategy was recommended to the board of directors.

A number of key administrative initiatives were implemented that supported person-directed services. These initiatives included a refined system of delegation, revamped human resources policies, the selection of an automated payroll system, an upgrade to the financial systems, and the appointment of a dedicated workplace health and safety advisor. As the data analysis in Chapter 4 shows, all of these changes or ‘re-orientation’ methods were also built in to Verus’ strategic plan.

While implementing the new strategy Verus was working on developing its quality assurance framework and its business continuity plan. The new management did not affect, stop, or discard the quality assurance framework or the business continuity plan, but instead integrated them as part of the key performance indicators in its strategic plan. Continuity of the formal guidelines and informal procedures was essential to make sure that the strategic plan would be implemented and would succeed over its three year term. Therefore, new programmes, practices, and procedures were considered to be practical and did not affect the already established interpretive scheme of the personnel.

The quality assurance framework and the business continuity plan would continue but had to be replaced by another programme by the end of 2015. The new programme would become part of the new strategic plan, which was designed to run for four years. Key performance indicators including a customer satisfaction index therefore gained necessary attention and became very significant in measuring performance in Verus. All new initiatives were seen as extensions of the quality assurance framework and the business continuity plan, although the new programme did not originate from either of these plans. As a result, the new programme could carry the same values as the old one.
5.4.4 Forces that influenced the changes in the organisation

Formal rules for setting key performance indicators for employees were established to ease the implementation of the performance measurement system. The first performance measurement system documents (recorded as notes) were made in 2006. Minutes of meetings and emails, as briefs on performance measurement system practices, also acted as carriers of information between management and employees. Minutes were produced for every performance measurement-related meeting to remind staff about the mandatory performance measurement system and its practice.

However, some procedures and policies, as noticed by one of the mid-level staff members, were not followed at all:

Many employees get very busy with their customers and either do not have time to access the computer or do not have a computer ready for use. Team meetings are the best places to discuss our key performance indicators and check where we are and how we progress in achieving our goals.

Some changes and adjustments to the system were made at the time that key performance indicator targets were established. The data analysis in Chapter 4 shows that some flexibility was given to mid-level personnel to use other facts and figures for performance appraisals, and not to follow the figures provided to them by the head office. These amendments were needed to adjust key performance measurement systems in line with the organisation’s mission to provide better customer services and therefore gain popularity from public.

The first major improvements in Verus were the change to its accounting processes and procedures, and the purchase of new accounting software. Preparation of the annual budget, its reports and the divisions’ monthly spending reports, as well as government funding allocation and control reports, had been the most time consuming and complex accounting task on the organisation. These changes in accounting processes happened after the organisational restructuring and resulted in a switch to a global budgeting system and the introduction of accrual accounting. Therefore the emphasis fell on computerised accounting and the need to recruit accounting professionals.

The introduction of accrual accounting revealed that organisational members were not ready for this change. They were reluctant to take control of finances which were
previously managed by the directors, and they had no training or experience of the new accounting software, accrual accounting, or the reporting policies.

Just as all levels in the organisation were not ready for the introduction of accrual accounting, there was also frustration with preparing, understanding, and interpreting budgets. Budget requirements and requests were not accompanied by satisfactory information and this resulted in head office being slow to prepare and grant budget approvals.

As a result of this frustration, some of Verus’ divisions felt that their mission was being changed and jeopardised. Some organisational members thought that they were being ordered to change and become more like professional accountants. This made them feel that the accountants were preparing budgets according to financial obligations and expenditure allocation rather than on customer services, values, and priorities. These organisational members wanted their budgets to be audited for clarity following the budgeting process performed by the accountants, and the explanations of the budget reductions done at head office level, without consulting the divisions.

The inconvenience of a business-oriented budgeting system in Verus was a reflection of a changed and modernised philosophical methodology and approach to budgeting. The organisation’s mission from an economic perspective was analysed in a more strictly than it had been in the past. However, the data analysis in Chapter 4, and in particular the analysis of the survey results, showed that the costing and budgeting policies, procedures, and processes did not help the organisation to set actual goals and therefore to become more mission-centred.

This became very noticeable at the board level, as non-finance and non-accountant board members found it difficult to understand a new accrual budgeting system that was so widely used in the world and of such importance to the Australian not-for-profit sector. The board and the senior personnel of Verus considered this modern budgeting system as a strategic tool focused on management and organisational planning. An attempt was made to streamline the budget approval process in its first year of operation, but this was not successful because the board did not usually have the chance to read, analyse, and interpret budget reports before meetings. As a result, when board members were challenged with massive quantities of data they were hesitant to make formal decisions.
In terms of budgeting, Verus had formal written procedures. In fact, to ease the implementation of the key performance indicators, a three-month variance analysis was done so that the inter-companies or the cost centres could transfer or return unused budget, and the key performance indicators could fall within the targeted range. In practical terms, although the organisation’s finance department prepared monthly variance cost analyses for all areas, mid-level personnel requested that the description and clarification of these analyses be changed to a bi-monthly or even a quarterly basis. These cost variance reports were not considered important because they were seen more as formal reports rather than as reports for decision-making purposes. Thus, the accounting, budgeting, and planning system in Verus was loosely coupled to the organisation’s mission and its procedures. All accountants in the organisation therefore continued playing the old and traditional roles. The subsystem (departments or units) was clearly dominated by mid-level personnel (senior customer service providers).

Performance measurement system changes in Verus were not linear. The data analysis in Chapter 4 showed that changes in the design archetypes and the subsystems resulted from the needs of the organisation at a particular time. The performance measurement system led to various pressures in the workplace (lack of motivation, low morale among the employees) mainly because of customer service, and policy and procedure implementation issues. Even though some training for assessing performance measurement system was piloted, this information was not passed on, nor was it communicated to the lower levels. Unfortunately the performance measurement system was seen as a human resources initiative and was thus considered for personnel evaluation only. However, the quality assurance and business continuity plan was accepted as an internal, middle management initiative and was therefore regarded as an organisational improvement in Verus.

The failure of the organisation to institutionalise its commercial orientation during the first government reforms of the not-for-profit organisations was due to the problems of establishing performance benchmarks. This happened because Verus was unsure about its own development and movements, as well as its targets.

Verus also had difficulties in determining the necessary performance measures. These problems were reflected in its target setting strategies. Verus was initially created as a sub-organisation of the Head Organisation, relying heavily on government funding, and had to follow the Head Organisation and government initiatives to achieve its targets. Setting key
performance indicators and goals at various organisational levels was completely up to the managers of the different areas (e.g. disability, child, youth, etc.). Discussions were held between managers and their mid-level personnel, although some areas did not have thorough discussions because the interpretive systems remained unaffected, or, as remarked by the manager of the youth area ‘… because we are still old fashioned and prefer to operate under the former governance and system’.

The data analysis in Chapter 4 showed that the implementation of the performance measurement systems was imperfect and very limited. Only customer services were aligned to the performance measurement system (the number of clients served per year receiving Centrelink allowances, the number of people with disabilities receiving help, the number of full-time employees). No fear or insecurity mechanisms were installed (the organisation’s sensitivity to market price risks associated with assets), and targets were inaccurate. Explanations of the failures to meet targets were often accepted. There was no follow up, and no penalties on the parties who had failed. Up to 2013 (the last year of data collection and research), no actions had been taken against poor performers.

The modern performance measurement system became the organisation’s new design archetype, but it did not have clear and strong target settings. It suffered from subjectivity in measuring performance and personnel’s understanding of key performance indicators. In addition, the system was criticised for being individualistic. To achieve specific targets, individual employees had to be able to work independently and disregard teamwork initiatives. Even though the teamwork idea was considered as a public value among personnel, under the modern performance measurement system, the value was seen as having been eroded.

Despite these obstacles, the data analysis in Chapter 4 evidenced that the performance measurement system was connected to the organisational strategy. Based on a cascading process, all staff members were informed about the key performance indicators, procedures, and routines. The performance measurement system slowly started to embed itself in the personnel’s routine in terms of performance appraisals. However, organisational members viewed performance measurement system practices only as human resources practices, and thus separate from professional and profit-making activities. Therefore, the modern design archetype influenced and later changed the subsystem but did not succeed in transforming the interpretive schemes.
Verus’ personnel often followed rules and procedures during the review period. Behaviour adjustments were put in place to suit the modern, new scheme (data collection and positive/negative reinforcement). Management took the appraisal period very seriously and worked hard on the implementation of various initiatives.

It seemed that, although the performance measurement system should have assisted Verus in moving towards its business-like model, personnel identified the performance measurement systems as being separate from their organisational activities. These systems therefore were very restricted and were more suitable to performance appraisal than to performance measurement. It was very similar to Burns and Vaivio’s (2001) studies in which the surface evidence suggested change and therefore the ‘new’ became a re-modelling and re-opening of the ‘old’.

Although attempts were made to use the performance measurement system as an instrument for the present, it remained a ceremonial tool. Stability and transformation are not necessarily opposite powers, but rather they are forces joined in an evolutionary process of transformation. Therefore the change was essential to maintain power and stability in the interpretive schemes of personnel.

Within the Verus context, change was needed to attain validity, stability, and legitimacy, and to gain the trust of the public as one of the largest, mostly government-funded organisations. It appeared that both transformation and stability influenced and shaped Verus’ organisational rules, policies, procedures, and routines. To remain unchanged, the existing interpretive schemes of the organisation, the subsystems, and the design archetypes had to be transformed. As a result, this study demonstrates that loose coupling in Verus arose from complex, vibrant, and dynamic accounting changes.

### 5.5 Summary

Modern and very new rules, practices and procedures, like a performance appraisal or an accountability system, cannot be institutionalised in the organisation if they transform and challenge well-developed and established institutions. However, the personnel of the organisation responsible for developing the new system can influence and enable the change by using their power. As a result, new rules and procedures are implemented at the ceremonial level only and thus they cannot be applied to the daily activities of the organisation. In Verus’ case, the implementation of modern performance measurement
systems such as a performance appraisal or accountability system was completed by using the powers possessed by the board of directors. Even though senior personnel had power over the means, resources, and processes for mobilising change, they still failed to bring about a new organisational reality.

Based on the new institutional sociology, the institutionalisation of the performance measurement system in Verus was not trigged by government pressures but rather it was driven by institutional pressures. Organisational transformation in this not-for-profit organisation occurred because the isomorphic developments made Verus act and become similar to, but not really more efficient than, other not-for-profit organisations. Data analysis revealed that Verus was concerned about its financial reporting, and concentrated on improving its reporting and providing a high level of customer services. However, its implementation and development of new structures and processes in 2012 was due to mimetic isomorphism. Verus also showed the implementation of structures and procedures imposed by the government, its main funding provider, happened at the first stage of the reforms’ introductions and therefore were the results of coercive isomorphism.

Professionals with at least a bachelor degree working in the organisation, such as directors, board members, and senior personnel including accountants, also forced Verus to adopt policies, structures, and procedures that were dependable and in line with the understanding, norms, theoretical frameworks, and ethics adopted by the organisational members. Normative isomorphism can be described as using this type of force, which was common, powerful, and dominant during the Australian government’s not-for-profit sector reforms.

Data analysis supported by Laughlin’s (1991) framework showed that Verus had first order (morphostatic) transformation pathways. The change was visible in the design archetype as well as in Verus’ subsystems, and supported the current interpretive scheme. This change was supported by the modern subsystems and appeared as an accountability and performance measurement system, comprising equally a strategic planning committee and organisational development personnel. During the period under research (early 1980 to 2013) Verus experienced many transformations, re-organisations, and changes but it always concentrated on the design standards. Therefore, the modifications in the subsystems came out of the changes and modifications of the design model.
All of the above supports Laughlin’s framework where, for an organisation to be in its perfect state, the subsystems, interpretive schemes, and the design archetypes must be in balance. Any form of disturbance coming from either the internal or external environment, could alter the organisation’s stable state. There are various forms of disturbance, however, and Laughlin’s (1991) framework demonstrates that organisations are prone to change only if they are forced, pushed, or disturbed into producing, making or doing something. Therefore, this research demonstrates that the not-for-profit government reforms are analysed as environmental disturbances that change and challenge the stable position of the researched organisation.

The government’s reforms of the not-for-profit sector are considered to be environmental forces in the organisation, and its public reaction, as shown by the data analysis in Chapter 4, showed that Verus’ dependency on the Head Organisation failed to disturb the organisation’s interpretive scheme, which left Verus’ powerful, stable, and dominant culture unchanged. It was not enough to have a strategic plan and key performance indicators implemented for challenging the interpretive schemes of personnel. However, the disturbances managed to bring some minor changes and transformations in the design archetype and the subsystems. All of these showed the ceremonial use of the performance measurement system.

As mentioned before in this thesis, the Australian Charities and Not-for-profits Commission (ACNC), established on 3 December 2012, was the national independent regulator of charities. As result, a system of accountability was implemented at the divisional level in Verus. The establishment of the ACNC formed part of a broader programme of reforms taking place at the Commonwealth level to support the not-for-profit sector. These reforms resulted in the government becoming accountable for the successful development of the not-for-profit sector. In terms of not-for-profit organisations receiving government funding, Verus indicated that because it received government funding it was ‘required to submit detailed financial and operational information to both the state-based government registration body and the Australian government department responsible for the administration of funding for charities’. The organisation also reported that it had a responsibility to ‘provide full reporting information on the expenditure of funds provided for mental health and disability’ to the relevant government department in the government health sector.
The accountability relationships appeared to be clear and extant, with upwards accountability to the funder as the principal, and the acquittal of accountability provided by financial reporting. However, Verus is still in the process of change because of the government reforms in the not-for-profit sector. Therefore, more research is needed to find out, explain, and summarise what environmental force can initiate and trigger second order (morphogenetic) change in Verus.

Although there has been clear progress since the introduction of the government’s not-for-profit reforms, Verus still had too many issues that needed to be addressed. The major issue that required urgent attention was the completion of the business-like model of organisational change (CEO, internal document).

My study found that three types of isomorphic forces existed at different stages of the organisation’s life, and explained how these isomorphic forces could exist during organisational transformation. The level of isomorphic pressure depended on the environmental conditions surrounding the organisation. I felt that the different actors (for example the government, public, and the board) became the forces to bring about the change process. It is therefore argued that these actors were the reason for the existence of the different types of isomorphism throughout the organisational and accounting change process in Verus.

Verus presented as a bureaucratic organisation with multiple management structures, a limited culture of measurement, and an old and very traditional scheme of accountability. These features are the inherited genetic code resulting from an administrative system that has controlled has been present in Verus for more than 20 years. The organisation’s strategic plan had been implemented and then refined every two to three years as Verus conformed to the expectations of external pressures by producing a strategic plan (a rational myth) that would enable it to gain legitimacy. Therefore, Verus responded to institutional isomorphism, and as a result of this its formal performance measurement practices became decoupled from its organisational activities. There is path dependency in an organisation that replicates these characteristics. Despite the external pressures, the formal performance measurement practices were decoupled from organisational activities, implying that the formal rules and procedures of performance measurement were for ceremonial purposes only.
Recent work on the commercialisation of the not-for-profit sector could further support these findings (Hwang and Powell, 2009), although I have chosen not to expand this area in my thesis. Commercialisation has a transformative effect on the goals, motives, methods, income distribution, and governance of not-for-profit organisations. At the same time, however, commercialisation tends to sideline the social mission of not-for-profit organisations.

The data collected showed that Verus was not engaging much in commercial ventures, and despite going through many government reforms it did not change or modify its mission, goals, or income distribution. This confirmed that Verus’ commercial activity can be seen as a self-regulatory mechanism that enables, rather than hinders, this not-for-profit organisation to deliver its mission in a hostile environment.

Moeller and Valentinov (2012) argue that this criticism of not-for-profit commercialisation is based on what von Bertalanffy designated as the ‘mechanistic’ view of the not-for-profit sector. Their research note utilises von Bertalanffy’s general systems theory to argue that not-for-profit organisations are open systems that maintain themselves in an environment in which the supply of critical resources is insecure. Accordingly, commercial activities must be seen as the self-regulatory mechanism that enables, rather than hinders, not-for-profit organisations to deliver their missions in hostile environments, which is often the case today. Rather than touching this delicate area of the commercialisation of not-for-profit organisation, my thesis discussed not only how professional values and practices influence the character of the researched not-for-profit organisation (Hwang and Powell, 2009), but also how they influenced professionalism in the not-for-profit sector.

The process of institutionalisation commences with the introduction of new structural arrangements in response to a specific organisational problem or set of problems (for example, an organisation’s response to the emergence of a new external institution), and ‘the formalisation of such arrangements in the form of policies and procedures of a given organisation, or a set of organisations that confront the same or similar problems’ (Tolbert and Zucker 1996, p.181). The organisation’s new structural arrangements are a precursor to the construction of a new social reality within the organisation (Buller and McEvoy 1989; Tolbert and Zucker 1996; Burns and Scapens 2000). The formalisation of an organisation’s new structural arrangements will involve the formal documentation of an innovation into an organisation’s internal systems (including the organisation’s
management control system), and processes (including recruitment, socialisation, training and development, rewarding and sanctioning, and managerial decision-making processes), which extend both vertically and horizontally throughout an organisation.

The specification of measurable goals and/or outcomes throughout the various ‘levels’ of the organisation, and across the various divisions and/or departments of the organisation, will be a key part of the formalisation process (Goodman and Steckler 1989; Hasselbladh and Kallinikos 2000; Barley and Tolbert 1997; Burns and Scapens 2000; Dambrin et al. 2007). However, simply formalising new structural arrangements into the internal systems and processes of an organisation will not, of itself, provide evidence with regard to the ‘depth’ of institutionalisation owing to the potential of organisations to decouple systems and processes from actual operations while maintaining a veneer of ceremonial conformance with the new prescribed structural arrangements (Meyer and Rowan 1977; Kostova and Roth 2002). It is necessary, therefore, to explore the extent to which new structural arrangements have been internalised by the organisation.

Internalisation is the second facet of the process of institutionalisation: it is the antithesis of decoupling. Internalisation involves integrating new structural arrangements into key organisational systems and processes, including the explicit recognition of the emergent institution in the organisation’s structure, by the allocation of staffing resources – in particular, the appointment of tenured staff – and by the integration of the emergent institution into the organisation’s cyclical budget and decision-making processes (Goodman and Dean 1982). Internalisation also involves organisational members having a preference for, and commitment to, the new behaviour (Goodman and Dean 1982; Kostova and Roth 2002). The degree to which there are preferences for, and commitments to, the new behaviour throughout the organisation will largely depend upon 1) the extent to which there is coherence between the existing organising template and the new behaviour (Buller and McEvoy 1989; Tolbert and Zucker 1996; Greenwood and Hinings 1996; Burns and Scapens 2000); 2) the degree to which there is a social consensus across the organisation for the new behaviour (Goodman and Dean 1982; Barley and Tolbert 1997; Burns and Scapens 2000); 3) the extent to which there have been attempts to socialise existing and new organisational members with regard to the new emergent institution (Goodman and Dean 1982; DiMaggio 1988), and 4) the presence of potential sanctions that may be imposed as a result of non-conformance with the new institutions (D’Aunno et al. 1991).
The institutionalisation of new structural arrangements will be complete when the innovation has permeated throughout an organisation's internal operations and systems (vertically and horizontally), and the innovation has become uncritically accepted as a template for action forming the basis for ongoing interactions (Zucker 1977; Meyer and Rowan 1977; Goodman and Dean 1982; Eisenhardt 1988; Goodman et al. 1993; Tolbert and Zucker 1994, 1996; Greenwood and Hinings 1996; Greenwood et al. 2002).

In the event of decoupling, context (such as meetings and gatherings of professionals, whatever their positions) appears to be an important element. In such meetings, the importance of professional norms probably explains the decoupled behaviour. In other circumstances (for instance, meetings with funding bodies) the professional norms might not be quite so prominent, and thus would not generate decoupling. Therefore, the adoption of institutionalised performance measurement systems are, at first, decoupled from core values of the firm, but over time they seem to begin to introduce some degree of change.

The current study also revealed that the extent to which the performance measurement system was institutionalised in Verus was very limited, and although there were many factors inhibiting the institutionalisation process, it was the following factors that prevented the system becoming institutionalised: lack of full support and commitment from the top level leadership of the organisation; the organisation did not collect the most appropriate data; the organisation did not have the administrative and technological capability to gather new types of information; existing staff did not have the appropriate knowledge or skill to gather and to analyse the relevant performance data; there was resistance and a lack of commitment to performance measurement, and the culture of the organisation did not promote or support the constructive use of performance measures. Therefore, the data analysis in this study shows that the performance measurement systems in Verus were institutionalised ceremonially.

Some public organisations take on institutional characteristics (Perrow 1986; Selznick 1957; Wilson 1989; Collins and Porras 1994). These organisations combine a strong internal logic with high levels of legitimacy. They build a dedicated staff around a widely shared mission. They are remarkably durable, surviving environmental turbulence while preserving their identity. The public and politicians put their trust in them, turning these organisations into ‘vessels of societal aspiration’ (Selznick 1957). My research showed
that the leaders of the case organisation play a limited but crucial role in the institutionalisation process. Effective leaders selectively apply so-called ‘design principles’. Their role is less pronounced than students of public institutions sometimes suggest, but appear more important than conventional wisdom in public administration theory typically allows for. Therefore, the leadership is not necessarily the province of power-hungry individuals, although they do exist, of course. In fact, leadership plays a predominantly facilitative role, intervening at selected moments only. The art of leadership – and here I follow Selznick (1957) once again – is to recognise those crucial moments when leaders must make critical decisions. The institution builders apply a set of ‘design principles’ that help an organisation negotiate the currents of institutionalisation. The design principles deduced from institutional histories should be treated as hypotheses for future research. A long-term research effort into the organisational histories of public institutions is needed to establish whether these design principles can be confirmed. If they are found to be able to distinguish between low and highly institutionalised organisations, the field of not-for-profit organisations and administration research may help to build more effective not-for-profit organisations leaders and better public organisations.

Because the performance measurement systems in Verus were institutionalised ceremonially, the role of the performance measurement system as an accountability system did not materialise because the system was loosely coupled with the operational structures. The performance measurement systems were implemented as institutionalised rationalised myths. The environmental aspects such as legal and governing systems, norms of competitive organisations, public opinion, and various professional services, directly participated in the creation of institutionalised rationalised myths, and applied pressures on Verus in many complex ways. Verus responded to multiple pressures by assuming that the organisation was achieving and improving its efficiency. However, Verus was just reaching legitimacy and ensuring its survival, and therefore unintentionally creating the myths in the organisation which disguised performance measurement systems as efficiency measures.

My research confirmed Zietsma and Lawrence’s (2010) findings that the elements of change can be loosely coupled with elements of stability in the organisation. With loose coupling comes a move away from strict rules and towards the negotiation of perspectives. These results suggest a few important implications. The first echoes Weick’s (2000) assertion that ‘a loosely coupled system is not a flawed system. It is a social and cognitive
solution to constant environmental change’. With this loosely coupled system, instances of tight coupling and of decoupling emerge. And while encountering a lower degree of responsiveness than expected across the three dimensions creates frustration for core team members, I would not conclude, as did Heldal (2010, p.19-30), that tighter coupling equates to better collaboration.

Rather, I contend that the relationship between coupling and effective, collaborative client service is a complicated one and depends on the situation. Actions that increase responsiveness (i.e., that tighten coupling) are not necessarily required for a collaborative client service model. Certainly, tighter coupling, such as the core team achieves through targeted consultation requests, may sometimes be in the best interest of effective and collaborative care. But, in other situations, loose coupling may be more desirable because of the flexibility it offers. Finally, future work applying loose coupling theory to inter-professional education settings could potentially deepen researchers’ understanding of how the autonomy/interdependence tension influences performance measurement practices and initiatives. Past research in loose coupling has highlighted the importance of such flexibility, thereby suggesting that individuals engage in practices that simultaneously, and paradoxically, enact responsiveness and autonomy as they work to reconcile incompatibilities between institutional pressures (those outside a professional boundary), and technical pressures (those within a professional boundary). Flexibility, however, entails a certain degree of unpredictability, which can create frustration for those trying to work within a system. Furthermore, as Weick (2000, p. 380) points out, systems in which autonomy and responsiveness fluctuate can be inefficient because there are minimal rules and routines forcing the integration of practices. At the same time, however, loosely coupled systems may be more effective when assessed against criteria that index flexibility, the ability to improvise, and have the capability of self-design. When learners are present, however, their ability to decode the loosely coupled system will rely heavily on explicit discussion, which we saw only rarely in our observations.

Verus was experiencing changes in its culture, structure, and routines as a result of isomorphic pressures. The performance measurement system was introduced without seriously challenging the existing institution or the interpretive scheme (beliefs) of the organisational members. The performance measurement system in Verus decoupled from other management systems at the administrative level, despite the organisation’s intentions to reform. This subsequently paved the way for path dependency in the change process,
which in turn preserved the traditional features such as management style, rules and regulations, and personnel management that do not seem conducive to the implementation of performance measurement tools. As mentioned above, the notion of path dependency provides a means of theorising about such difficulties. In developing its performance measurement system, the organisation de-emphasised some basic tenets of performance measurement in the process. For example, the absence of the reward system in the performance measurement process gave rise to a compliance culture through ‘soft punishment’ (being chastised for not doing it), and a lack of full integration with other management systems. Performance measurement was thus deemed unsuccessful in altering the culture or routine of Verus to any appreciable degree, which resulted in the limited application of the performance measurement to activities of the organisation.

Change seems necessary by adapting to the rational myth in order to preserve the stability of an organisation, yet to be seen to be legitimate within the organisational field. Rationalised myths did bring change to Verus, but the organisation’s leadership culture succeeded by preserving the status quo. As Burns and Scapens (2000) concluded in their studies, ‘many things can happen, however all and everything can be just play-acting’.

When the current research was about to end, Verus was in the process of revamping and improving its strategic plan and its processes. It was under government pressure and was trying to establish a commercial or business-like model.

Accountability and compliance were still a major focus of the organisation. Verus had undergone internal and external audits and had conducted several staff and customer surveys. The organisation employed external consultants and as a result of all these changes, transformations, information gathering, and analysis, asked me to maintain confidentiality and to keep the organisation anonymous. The institutionalisation of Verus’ performance measurement systems after 2013 is still to be analysed.

The next and last chapter deals with the contributions and limitations of this study. Whenever possible, suggestions for future research in the area of organisational change are presented.
6

CONTRIBUTIONS AND LIMITATIONS OF THE STUDY
6.1 Introduction

The objective of this chapter is to highlight the contributions and limitations of the research. It focuses on the study’s contributions from the theoretical and practical perspectives, and discusses the research’s limitations which might affect the generalisation of the findings to specific organisations in the not-for-profit sector. The chapter concludes with propositions for future research.

6.2 Theoretical contributions

There are several contributions offered by this research. It provides insights into the process of organisational changes in Verus brought by the government’s not-for-profit sector reforms. Specifically, the study focuses on the performance measurement and its institutionalisation in Verus.

The first insight of the study is that environmental forces can lead to changes in design archetypes and subsystems, but not necessarily to changes of interpretive schemes. In Verus, government initiatives, such as the government’s reforms of not-for-profit organisations, affected both the design archetypes and the subsystems. New accounting practices, such as a performance measurement system based on a performance culture, were introduced. This brought the development and establishment of new regulations, rules, and procedures in Verus. Therefore, under these new design archetypes, Verus’ Head Organisation started losing its power and had less influence on the organisation. The board and the directorate became the dominant force. Despite the number of changes that took place in the organisation, its public service orientation remained unchanged.

The second insight is that the organisation’s stability and its change elements were intertwined during the process of organisational transformation, showing that stability and change can co-exist and shape the process of change. This chapter demonstrates how Verus changed due to environmental disturbances.

Despite the apparent changes in the organisation, it maintained its existing institutions. The environmental disturbances forced both its design archetype and subsystems to change. However, its interpretive scheme remained unchanged. As a result of this while some parts of the organisation changed, other parts remained intact. Thus, this study showed similar findings to previous studies (for example Burns and Scapens 2000a; Siti-Nabiha and Scapens 2005; Busco, Quattrone and Riccaboni 2007; Granlund 2001; Lukka 2007), which
claim that stability and transformation can co-exist and do not necessarily contradict one another. Both elements exist to shape the organisational reality of an organisation.

Siti-Nabiha and Scapens (2005), made some modifications to the system. In the new system, resistance to establishing key performance indicators was manifested by modifications to the system. In this study, modifications to the system were also made, but the new performance measurement system was seen as nothing more than another tool for employee performance appraisals.

Explicitly, under the new institutional sociology, formal rules legitimise the existence of an organisation, and thus provide stability to the informal routines (Burns and Scapens 2000a). In this case study, and before the introduction of the government’s not-for-profit reforms, Verus had already implemented a performance measurement system which concentrated on a performance-based culture. This performance measurement system was mainly limited to appraising employees, and was seen as a new tool to evaluate employee performance, although it was also used to maintain the informal routines of organisational members. When explaining the co-existence of stability and change during the process of organisational change, Lukka (2007) suggested an inverse relationship between formal rules and informal routines. He found that ‘informal routines can also act as the “protecting” device, legitimating the existing formal rule systems and shielding them from pressures for change’ (Lukka 2007, p. 76).

The third insight of the study comes from using institutional theory to clarify the case findings. Many studies in the area of implementing performance measurement systems have drawn upon rational choice theory rather than from institutional theory (for example, Davis and Albright 2004; Papalexandris, Ioannou and Prastacos 2004; Said et al. 2003). Under rational choice theory, managers are assumed to behave rationally when making decisions, and will always want to maximise their returns. Any change programme would be implemented if its perceived benefits are greater than its calculated costs. In this study, the researcher used institutional theory to provide an extension to, or a further understanding of, the establishment and development of performance measurement systems from different perspectives.

Rather than studying the establishment of a performance measurement system in Verus from a rational or an economic perspective, I chose to study the process from a social perspective. The complexity and the dynamic processes of change have been analysed in
this study to give a better understanding of how an organisation can change due to institutional pressure. Rational choice theory, however, was unable to provide an understanding of the processual, historical, or contextual changes in the organisation. New institutional sociology and old institutional economics provided a wider perspective on the institutionalisation of the performance measurement system in Verus. Philosophical and methodological foundations of institutional theory enabled the knowledge and understanding of the institutionalisation of new accounting practices in the organisation. In other words, institutional theory allowed the researcher to understand the development of stable patterns of employee behaviour towards a performance measurement system based on a performance culture.

It has been argued that little research has been done on the micro processes of institutionalisation (DiMaggio and Powell 1991; Johnson, Smith and Codling 2000; Tolbert and Zucker 1996). Studies using institutional theory, such as Euske and Riccaboni (1999), Collier (2001), and Modell (2001), focus on the organisational field level. Other studies on accounting change, such as Nor-Aziah and Scapens (2007), Soin et al. (2002), and Siti-Nabiha and Scapens (2005), focus on the organisational level of analysis. The current study focused on both the micro and the macro processes of the institutionalisation of accounting practices.

Using Laughlin’s (1991) famous framework to highlight stability of the dominant institution in Verus provides another contribution of the study. The study demonstrated that institutional theory and middle range theory can be used to explain the same phenomenon, but from different theoretical perspectives. Sharma and Lawrence (2007) found that the two theories could be used to clarify and analyse the processes of management accounting as well as financial accounting change in an organisation. In fact, several researchers have claimed that the middle range approach is the most commonly used theoretical background for understanding the role of management and financial accounting during organisational change (Broadbent and Laughlin 2005; Dumay and Guthrie 2007; Gurd 2008; Shanikat 2008; Sharma and Lawrence 2007). Gurd (2008) used both Laughlin’s (1991) framework and Gidden’s (1984) theory of structuration to understand the application of management and financial accounting during organisational change in an Australian-owned utility. Although Sharma and Lawrence (2007) used institutional theory as their main theoretical lens, they also used Laughlin’s (1991) framework to understand how the new organisational reality was created due to new public
management practices introduced into the case organisation. It is shown in this study that multiple theoretical lenses can be applied to the research to explain the process of organisational and accounting change. The two theories complement each other in the sense that institutional theory was applied to understand the institutionalisation of accounting practices. Therefore, Laughlin’s (1991) model was applied to understand the level of transformation that occurred in Verus. Thus, as a researcher, I could take advantage of how the theories complemented each other, and could obtain several interpretations of the same phenomena.

Lastly, the study also explains how the three isomorphic forces, coercive, mimetic, and normative, can co-exist during organisational transformation, and can provide explanations about how and why new management techniques entered the organisation. Interestingly, the study found that the different types of isomorphic forces existed at different stages of the organisation’s life. The level of isomorphic pressure depended on the environmental conditions surrounding the organisation. The researcher felt that the different actors (for example the government, the regulator, consultants, and professional bodies) could have brought about the change process. It is therefore argued that these actors were the reason for the existence of the different types of isomorphism throughout the organisational and accounting change processes in Verus.

6.3 Practical contributions

In addition to the theoretical contributions, this research also has some practical contributions. The nature of this work required me to unpack the organisational transformation process in detail to understand more fully how the process of change had taken place. Data interpretation shed light on how management innovations such as strategic planning, quality assurance, and key performance indicators had been constructed in, and transmitted through, the organisation. Understanding how key performance indicators have been used to instil a performance culture in this organisation provided a framework, or a skeleton, for the future implementation of new management accounting tools. Verus and other not-for-profit organisations might find that the results of this study are beneficial to them in that a change can take place by stages in a non-linear way, and that transformation is always subject to resistance. Hence, senior personnel in the organisations should plan to have enough financial backing to support any change reforms or innovations.
By probing deeper into the issues of organisational transformation and into its impact on accounting practices, specifically in the area of performance measurement systems, the systems designers in Verus could manage and configure management accounting and the reporting system better in the future. For example, the development team of Verus could develop general guidelines for formulating key performance indicators, irrespective of the location or type of service being provided, and this would allow the performance of employees holding the same position to be compared. This practice could inculcate some sense of competition in organisational members and could thus drive efficiency. Other not-for-profit organisations might also learn from Verus’ experience and close similar loopholes in their performance measurement systems.

In addition to the contributions above, this study brings the reader’s attention to the fact that, for the government reforms of the not-for-profit sector to be successful, there is a need to understand the existing not-for-profit organisations and the prevalent interpretive schemes of those organisations. This has been highlighted by Burns and Scapens (2000a), who argued that change management requires all three components: formal systems knowledge, an understanding of the organisational members’ habits, and an understanding of the interpretive schemes that are usually taken for granted or not appreciated in everyday activities. A deeper understanding of the embedded values and rules of the organisational participants could assist organisations in their attempt to reduce the barriers to change.

Changes in the external resource environment (i.e. government funding and regulation) produced change in the structural design of the organisation but not in the interpretive schemes used by key actors inside the organisation. As the data analysis shows, evolution involves major changes in the interpretive schemes, which reshapes the design archetype and subsystems, but it is chosen and agreed to by the whole organisation. Further research is needed to answer the question of whether integrated reporting can drive morphogenetic change towards more sustainable outcomes, as suggested by Eccles and Krzus (2010). Integrated reporting potentially offers opportunities to reconceptualise interpretive schemes due to its acknowledgement of the inter-connectedness of natural (environment), human (people), social (relationships between stakeholder groups), and financial capital to shape organisations. The broadening of organisations’ stewardship of all capital (IIRC 2013) is more reminiscent of an ecological modernisation interpretive scheme than the neoclassical economic ‘business-as-usual’ scheme with a single profit-maximisation focus.
Ecological modernisation is ‘people-centred (improving human welfare) and environment-centred (maintaining the integrity and variety of non-human nature)’, acknowledging that a prosperous economy depends on a healthy ecology, and vice versa (Stubbs and Cocklin 2008, p. 513). The stewardship concept might suggest that organisations that adopt integrated reporting buy into this view, although the capital framework need not be adhered to by organisations preparing integrated reports. However, the focus of integrated reporting on creating value and on the investment community audience, may suggest that integrated reporting reinforces neoclassical economic interpretive schemes, where ‘efficient and productive capital allocation’ acting as ‘a force for financial stability’ (IIRC 2013, p. 2) continues to take priority.

First, by understanding the characteristics of the existing institutions, system implementers could design programmes, policies, or reforms that would minimise resistance from organisational members. This is a difficult task to undertake because the status of being a not-for-profit organisation is sometimes taken for granted, and lies outside the conscious mind of organisational members. However, designing such programmes, policies, or reforms may help in terms of increasing the rate of successful implementation. Also, by taking appropriate measures, the level of change could take the form of the second order level (morphogenetic) rather than the first order level of change (morphostatic). The first order level of change might only bring superficial change to the organisation, and thus may not achieve the real objectives of the government’s not-for-profit reforms.

The use of the case study method for understanding an organisational change process might serve as a guideline to other researchers who might be interested in an alternative methodology for conducting research. Major and Hopper (2005) believe that case studies can recognise and explore subjects from the perspective of organisational members, bring forward previous findings, and assist in extending theories. This type of study also provides an opportunity to comprehend how organisational members construct their reality through social interaction.

Previous chapters demonstrate that this study involves several research stages, following the research steps suggested by Ryan et al. (2002). The stages consist of a literature review followed by establishing a research design. When the first stage was completed, preparation for data collection and later the collection of evidence started. The second stage – assessing evidence and identifying, and then explaining patterns – has taken a
while as the data collected was very rich. The last stages involved developing the theory and writing the report. Currently in Australia, research using a qualitative methodology, especially a case study research method, to study a not-for-profit organisation which is both a versatile service provider and a charitable organisation, is still quite rare. The lack of similar studies is due to the perception among researchers that this type of research is difficult to conduct because many organisations are unwilling to participate.

Finally, the findings of this study might not be relevant to the broader community of not-for-profit organisations, particular to those organisations that do not operate in the charitable section in Australia, but its outcomes still add to the collection of case study materials. More studies are required in order to extend the understanding of the processes of management and financial accounting and organisational change in the not-for-profit sector. Comparisons with other cases in similar industries, or in a similar context, could be made in order to gain a better knowledge and understanding of the issues involved in management and financial accounting, and organisational change.

6.4 Limitations and suggestions for future research

Previous chapters discussed in detail the case study method used in this study. Because of the method adopted, the research is limited to theoretical generalisations based on its findings. The findings cannot be generalised to the broader population of not-for-profit organisations in Australia statistically, because the case company itself was not selected to represent the population. Verus, the case company, is a unique not-for-profit organisation that has gone through several government reforms of the not-for-profit sector. Some changes were imposed on it, while some were internally driven. Hence, the results of this study cannot be taken out of the context of a unique, Australian, not-for-profit organisation operating in quite a stable social and business environment. In order to explore further the issues of organisational and accounting change within the context of an Australian not-for-profit organisation, a study should be conducted on another not-for-profit organisation. The results could then be compared to the current study to obtain a better understanding of how government reforms impact Australian not-for-profit organisations, and thereby cause various changes in those organisations.

Another possible avenue for further research would be to study the institutionalisation of performance measurement systems within the context of for-profit organisations. Such a study should shed light on how these organisations respond to changes in their
performance measurement systems, and thus a richer understanding of the process of institutionalisation of accounting practices could be obtained. Further theoretical extensions to institutional theory could then be proposed.

The current study mainly involved employees from head office, or employees who worked at head office during the research period. This limitation was due to time constraints and a geographically spread organisation. Additional insights might be obtained from other regions and other offices of the organisation, and therefore more case studies, concentrating on other services in the organisation, might give additional insights into the changes of performance measurement systems and practices.

In addition, this study found that the appointment of a director of corporate services and a director of operations, together with an increasing number of finance team employees, and the establishment of a development and control unit, all played important roles in shaping the organisational rules, policies, and routines in Verus. Since the focus of this study was not the changing roles of employees, the findings in this particular area are limited. It is therefore suggested that further research should be undertaken into the roles of the finance and development team members, and how those roles shaped the procedures and practices of the organisation.

This study also found that several other actors, such as the HR manager and HR employees, IT specialists, and the marketing department, could have also played significant roles, especially in terms of bringing or restricting change to the performance measurement system practices at Verus. The influence of the HR function over the other functions has not been investigated, and how HR and other services played their roles in shaping the new organisational reality for Verus has not been analysed in detail. Rather, it has been suggested that organisational members view performance measurement systems as being within the board’s area of responsibility. Therefore, human actors could have a significant influence on the rules and routines of an organisation. Further research into the role of human actors in bringing about change to interpretive schemes should be undertaken.

It is clear that this thesis has given rise to a number of interesting propositions. For example, a larger sample of published annual reports and internal documentation to be reviewed, particularly from 2014 and post-2014, is desirable. A future study is required on the impact that the ACNC had on the developing of the not-for-profit sector. The federal
government reform of the not-for-profit sector and the choices and decisions it made are surprising. Even though the ACNC Act is still in the development stage, the reform image remains unfinished and imperfect. The federal government haspronounced numerous aims to improve the administration of the sector by launching the ACNC, however there are some problems and shortcomings with the ACNC Act. The purpose of the ACNC is vague, as the ACNC Act does notgive precise details of the commission’s purpose besides the common management of the act.

In addition, another study is recommended to examine the current obstacles to boards developing and using performance indicators for corporate governance. This study may also be suitable to find out how individual board members might want to develop their own performance indicators to improve their own performance.

Data analysis in the current research also reveals that the organisation should pay more attention to evaluation. For example, members of the board should regularly and systematically evaluate the quality of their actions. Activities might include appointing new associates to the board, training and resourcing members well, discussing and debating topics to make wiser resolutions, and advising the CEO. The board’s self-evaluation should be systematic so that its members have a clear understanding and a vision of how they are performing as participants of a governing board.

Another type of evaluation that came from the data analysis was the (individual) performance evaluation of staff and volunteers. Employee performance appraisals, which evaluate the quality of an individual’s performance in the organisation, usually include the individual’s written job description and performance objectives to measure the quality of the individual’s progress towards completing the expected results defined in those papers. Continued problems with an individual’s performance are frequently the result of poor strategic planning, programme planning, and staff development. If overall planning is not done efficiently, individuals can experience continued frustration, anxiety, and stress, which leads to poor general performance. Knowledgeable leaders have learned that continued problems with performance levels are not always the consequence of a low work ethic – frequent problems may be the consequence of bigger, more systemic problems in the organisation.

Also, programme evaluation appeared to be more common than individual evaluation, particularly because donors demand that their investments make a difference in their
Programme evaluations are typically focused on the quality of their processes, goals, or outcomes. An ineffective programme evaluation is often the result of poor programme planning – programmes should be designed so they can be evaluated. Poor programme evaluation can also be the result of inadequate training on evaluation. Sometimes, leaders do not realise that they have the responsibility to inform the public that the not-for-profit organisation is indeed making a positive impact in the community. When programme evaluations are not performed well, or not performed at all, there is little feedback to the strategic and programme planning activities. When strategic and programme planning is done poorly, the entire organisation is adversely affected.

Cross-functional processes, which span several systems, such as programmes, functions, and projects, can also be evaluated. Common examples of major processes include information technology systems and the quality management of services. Because these cross-functional processes span so many areas of the organisation, problems can be the result of any type of ineffective planning, development, or operating activity.

Organisational evaluation, the ongoing evaluation of the entire organisation, is a major responsibility of all the leaders in the organisation. Leaders sometimes do not recognise that the activities of management include organisational evaluation – but it is indeed a management function as the activities of organisational evaluation are carried out every day, although they are usually not done systematically. As a result, useful evaluation information is not provided to the strategic and programme planning processes, and both of these processes can be ineffective because they do not focus on improving the quality of operations in the workplace.

In addition, some issues of trust and power could also provide interesting facts about the process of institutionalising performance measurement, accounting change, and organisational change in Verus. Therefore, it is suggested that research continues in this area and in this direction for a better and deeper understanding of how trust and power could affect the organisational reality of Verus. This understanding might provide additional insights into how the interaction between these concepts influences the process of management and the ways of thinking about various organisational members.

Knowledge is as critical to for-profit organisations as it is to not-for-profit organisations. As a result of the public sector reform movement, not-for-profit organisations are forced to change the way they manage and execute their activities. There is much literature pointing
to the problems that not-for-profit organisations have in this regard, although relatively little has been written on which adapted strategic management methods are most appropriate for the pursuit of non-profit activities in today’s knowledge economy. Social service non-profit organisations are now urged to use their organisational resources more effectively in the competitive non-profit environment. As found after analysing the data in this research, not-for-profit organisations urgently need a competent strategic management framework which allows the organisations to keep their independence and their ability to pursue social missions, while simultaneously enhancing organisational efficiency and effectiveness. The applicability of a number of popular strategic management concepts was examined within the non-profit context.

Intellectual capital allows not-for-profit organisations to pursue their social objectives and to use their resources effectively, while they simultaneously maintain their cherished qualities. Empirical research involving specific non-profit sub-sectors and methodologies needs to be carried out to test the findings in this paper.

Finally, strategic planning for public and non-profit organisations is important and will probably become part of the standard repertoire of public and non-profit planners. It is important, of course, for planners to be very careful about how they engage in strategic planning, since every situation is different, and since planning can be effective only if it is tailored to the specific situation in which it is to be used. Since strategic planning tends to fuse planning and decision-making, it makes sense to think of decision makers as strategic planners, and to think of strategic planners as facilitators of decision-making across the levels and functions of organisations and communities.

Strategic planning may help public and non-profit sport organisations to think and act strategically. There appears to be an ever-increasing interest in this area, and further studies could prove to be beneficial to those types of organisations. Further research should explore a number of theoretical and practical issues in order to advance the knowledge and practice of strategic planning for public and non-profit organisations within the sport sector. In particular, more detailed strategic planning models should specify key situational factors governing their use.

In conclusion, strategic planning is not a static product, which, once set, remains unchanged throughout the implementation of a strategy. It is a constantly evolving process,
trying to follow the continuous changes in the environment. Therefore, further analysis of strategic planning in the case organisation is also recommended.
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APPENDIX A:
Historical data of Verus

1788 - 1860

- The Anglican and Catholic Church were the first non-profit organisations present in the colony. Other denominations followed, opposed by the Anglicans and Catholics but generally tolerated by the government.
- All denominations moved to establish a system of schools, replacing a few small for-profit providers and institutions to care for the poor, particularly orphans.
- Independently of the churches, the social elite established institutions for the relief of poverty and one or two schools for the education of their own children. All these efforts received some support from the government.

1860 - 1920

- Growth of mutual benefit organisations. Friendly societies or lodges contracted with doctors to provide medical services, insure against loss of income due to illness, short-term unemployment insurance, and funeral expenses (Green and Cromwell 1984).
- Other mutual organisations, life insurance, and building societies.
- 50% of adult males belonged to a lodge.
- Trades unions flourished.
- From the mid-century, technical education and practical science, such as acclimatisation societies and mechanics institutes, flourished.
- 1880s a number of professional associations emerged.
- Sporting and recreation activities proceeded apace.
- Denominational schools in the 1860s and 1870s: the colonial governments moved to take over the denominational schools, but the Catholic Church held out and retained and expanded their school system.

Significantly, apart from their own exclusive social clubs, the elite did not involve themselves in the creation of non-denominational, non-profit organisations. This contrasts with the United States at this time.

1920 - 1960

- Early in this period, the business and professional classes grew. Examples: community service clubs such as Rotary, Lions, and Apex.
• 1920s - 1950s: associations and recreation clubs prospered, especially in smaller country towns.
• NSW late 1940s: the state government gave recreation clubs the exclusive right to operate poker machines (pokies). This transformed the clubs into major leisure centres.
• 1940s and 1970s: building societies – with government support – dominated housing finance.
• 1950s and 1960s: the emergence of parent-run organisations providing services to children with various forms of disability.
• Growth in government subsidies (Commonwealth governments): with exclusive right to tax income. This was a significant source of subsidies for health and community services and, in the 1960s, for school education.
• The decline of philanthropy; new expectations of addressing social disadvantage was the business of government.

1960 - 1990
• 1960s, 1970s, and 1980s: the first wave of a university-educated population swelled the ranks of counter-culture and the ‘Vietnam generation’.
• Thousands of new organisations formed: health services, housing, community development, aged care, disability services, child care, schools, culture, and recreation. The term ‘community’ was frequently invoked to describe these endeavours (Lyons 1985).
• Service provision mixed with advocacy: self-help groups organised themselves around rights: rights for women, for aborigines, for people with disabilities, for the aged, for gays.
• Mid-1980s: the decline of the non-profit sector in finance; deregulated financial markets created competition that finally destroyed most of the non-profit financial organisations.
• TV-sponsored sport attracts huge sums of money.

1980 - 2012 Verus

1980
• Establishment of Verus, a sub-organisation of the Head Organisation.

1993-1995
• The Industry Commission inquiry into Charitable Organisations in Australia.
2000-2001

- Charities Definition Inquiry.

2003

- Board of Taxation consultation on the draft Charities Bill 2003.

2004 - 2006

- May 2004: Announcement that the government would not proceed with the draft Charity Bill.
- July 2004: Extension of the Charitable Purpose Act 2004 commenced (following assent on 30 June). This act legislates for an extension to the common law definition of charity in respect of child care, closed religious orders, and self-help groups.

2007

- Verus works with state emergency services and disaster recovery after the storms and floods.
- Verus work began as a few key services including disability, family and children services.
- As an organisation, Verus had grown significantly since the early 1980s
- Verus employed over 200 staff and more than 600 volunteers across the regions in which it worked.

2008

- Restructure of the organisation and its departments. This required substantial reconfiguration of its accounting and reporting systems.
- April - Senate Standing Committee on Economics Inquiry into Disclosure regimes for charities and NFPs is conducted.
- May - The government announces Australia’s Future Tax System Review (the Henry Review).
- December - High Court decision in the case of Commissioner of Taxation v Word Investments Ltd, dismissing the ATO’s appeal against the decision of the full Federal Court on 14 November 2007.
• December - Senate Economics Committee report released. The committee endorsed 15 recommendations which focused on reforming the existing regulatory scheme for NFPs in Australia.

• December - The government released its discussion paper on improving the integrity of prescribed private funds.

2009

• Global Financial Crisis.

• Process improvement continues as a focus for the human resources team. Key performance and other statistical reporting processes were extensively reworked and enhanced.

• Electronic recruitment processes were implemented, improving responsiveness to applicants. Other internal efficiencies implemented.

• The human resources team took overall responsibility for drafting the Safety Management Plan and driving implementation of the initiatives.

• The staff survey was conducted during this period. Staff commitment to the organisation’s mission, vision and values, their clients and fellow team members continues to be some of Verus greatest strengths. Action plans to address areas for improvements were formulated.

• Organisational Systems and Risk Management: effective organisational systems, including risk management and Information and Communications Technology (ICT), support key strategic directions and sustainable growth and development. Verus risk management framework was reworked to review the identified risks and associated management plans.

• Over the past 12 months, management and staff members addressed the key strategic directions of mission, vision and leadership, quality caring services, organisation development, innovation and sustainable growth, and effective resource and risk management.

• Verus continued to improve systems that support quality, accreditation, and monitoring processes. The quality assurance and evaluation committee was established as a new board sub-committee to guide and oversee the development of best practice through effective quality systems and evaluation processes.

• A framework was developed to guide how Verus incorporated community development principles across its services.
• Work was completed on a Remuneration and Benefits Policy. An OH&S strategic plan was developed and implemented.
• Volunteer induction courses improved. Verus invested in resources to better research and develop growth opportunities. A comprehensive Tender Policy to guide the development, submission, and implementation of growth opportunities was developed.
• Strategic imperatives, resource and risk management, increasing regulatory compliance, governance, insurance and safety management issues required the development of increased professionalism and infrastructure. Formal governance and risk management processes were implemented to identify, address, monitor, and manage organisational risk. Verus invested in appropriate infrastructure and systems to effectively support ongoing growth, development and quality improvement.
• Verus implemented an Information Technology plan which dovetailed with the organisational strategic plan.
• Data management continued to be a major issue for the organisation. Datasets, reporting requirements, and funding body designed data systems differ between portfolios and services. This made the development of a single data management system difficult, if not impossible.
• Work progressed on the design of a knowledge management system.

2010 - 2011
• In Australia, Closing the gap between indigenous and non-indigenous Australians. These position papers were used as points of discussion leading up to elections in the Quality Caring Services.
• Innovation and Sustainable Growth: during the year directorate recognised the importance being placed on research and evaluation activities. A number of focus groups were established to ensure that Verus became a person-centred organisation.
• Effective Resource Management: Verus continued to implement initiatives to ensure that services were working in an efficient and effective manner. Online incident and hazard management was implemented.

2012
• Verus developed an organisational Reconciliation Action Plan and launched regional reconciliation action plans.

2013
• Strategic plan highlights: people have voice, choice, and control.
• Significant investigation was undertaken into alternative methods for capturing and reporting outcome data.
• A number of external accreditation events were conducted. An internal framework was developed which managed the development of policies and procedures.
Claim 1: Verus operates in an institutional environment and responds to coercive, normative, and mimetic pressures in a variety of ways.

The board, the public, and the government are all environmental agents of Verus. The three types of isomorphism – coercive, mimetic, and normative – shape and explain the institutionalisation of performance measurement system in Verus. However, the types of isomorphism existed at different points during the organisation’s life. For example, coercive isomorphism was more dominant during the early period of the government’s reforms of the not-for-profit sector. Mimetic isomorphism appeared to be dominant in Verus between 2007 and 2010, during and after the global financial crisis, and normative isomorphism was apparent in late 2012, during the preparation of the accruals and the applications for government funding.

Coercive isomorphism – funding rules and accountability guidelines

The organisation was directly dependent on government funding, and thus had to react to changing policies and pressures to improve its services. It was also indirectly dependent on wider public opinion to retain its power as a provider of social welfare in the not-for-profit sector. (Empirically proven. Refer to Chapters 4 and 5.)

Mimetic isomorphism – copying not-for-profit organisations that have experienced grant success and published their successful grant applications

Coercive pressures led to goal ambiguity and to an uncertain environment, which in turn created mimetic behaviour. The rules and regulations that existed in Verus were the result of the public sector framework, which focused heavily on welfare rather than on accountability. The existence of a performance management system as a steering instrument, and as a tool for governing relationships in public-private partnerships, helped Verus create the impression of a modern, not-for-profit organisation that was up to date with modern management techniques. The implementation of a performance measurement system was seen as a sign of the organisation’s competence by conforming to what was regarded as behaviour that met professional management standards.
This development resulted in two major isomorphic pressures for the organisations: the assimilation of its service delivery processes into not-for-profit sector practices, and the homogenisation of its service effectiveness and efficiency with other not-for-profit sector organisations. (Empirically proven. Refer to Chapters 4 and 5.)

Normative isomorphism – the use of professional environmentalists to target, prepare, and manage grants

Specific managerial education programmes and the employment of professionals across sectors such as accounting and social services contributed to normative isomorphism. (Empirically proven. Refer to Chapters 4 and 5)

Conclusion: My study explains how the three isomorphic forces might have existed during the organisation’s transformation, and when they might have existed during the different stages of the organisation’s life. The strength of these isomorphic pressures depended on the environmental conditions that surrounded the organisation. I felt that the different actors (for example the government, the public, and the board) could have become the forces that drove the change process. It is therefore argued that together they were the reason for the different types of isomorphism acting on the organisation, and for the accounting change process in Verus.

Claim 2 (from Claim 1): Verus’ responses to institutional isomorphism resulted in the formal practice of performance measurement becoming decoupled from the organisation’s activities.

The organisation’s strategic plan had been implemented or reviewed every two to three years, conforming to the expectations of external pressures by producing a strategic plan (a rational myth) that would enable the organisation to gain legitimacy. This is supported by DiMaggio and Powell (1991) and Aldrich and Fiol (1995).

Verus presented itself as a bureaucratic organisation with layers of management but lacking a measurement culture, and with a traditional system of accountability. These features are the inherited genetic code resulting from an administrative system that had governed the organisation for the past 20 years. (Empirically proven. Refer to Chapters 4 and 5.)
**Conclusion:** There is path dependency in an organisation which shows these characteristics. Despite the external pressures, the formal practice of performance measurement was decoupled from Verus’ organisational activities, implying that the existence of formal rules and procedures for performance measurement were for ceremonial purposes only.

**Claim 3:** The study revealed that the extent to which the performance measurement system had been institutionalised in Verus was very limited.

Although there were many factors inhibiting the institutionalisation process, it was the following factors that prevented the system from being institutionalised:

- a lack of full support and commitment from the top level leadership of the organisation
- the organisation did not collect the most appropriate data
- the organisation did not have the administrative or technological capability to gather new types of information
- existing staff did not have the appropriate knowledge and skills to gather and to analyse the relevant performance data
- there was resistance and a lack of commitment to performance measurement
- the culture of the organisation did not promote or support the constructive use of performance measures.

From the start, the performance management system (e.g. the Balanced Scorecard itself) was rejected by the organisation’s members. Instead of focusing on organisational efficiency, the board, under the influence of the Head Organisation, played a role to ensure that customer satisfaction was given the greatest priority. This new paradigm of doing business was not welcomed by the organisation’s members because, as a private sector organisation, Verus would have to adopt a way of doing business that would directly challenge its traditional way of working.

Laughlin’s (1991) framework suggested that the initial performance measurement system, when viewed as an ‘external jolt’, failed to change the interpretive schemes of the organisation’s members. Similar findings have been found in Abdul Rahman’s (1993) study. The new performance measurement system only managed to make the accounting practices visible within the organisation. The interpretive scheme, however, remained unchanged. (Empirically proven. Refer to Chapters 4 and 5.)
**Conclusion:** The performance measurement system in Verus was institutionalised ceremonially.

**Claim 4:** Because the performance measurement system in Verus was institutionalised ceremonially, its role as an accountability system did not materialise because it was loosely coupled from the operational structures.

The organisation’s performance measurement system was implemented as an institutionalised, rationalised myth. Environmental factors such as the legal and regulatory systems, public opinion, professional practices, and the norms of a competitive organisation, all have roles in the creation of institutionalised rationalised myths. These environmental factors exerted pressure on Verus in many complex ways. The myths evolved within Verus, which believed that its responses to multiple pressures were aimed at efficiency, when in reality they were aimed more at achieving legitimacy for the organisation. Hence, these technical procedures, such as the performance measurement system, disguised as efficiency measures, were the rationalised myths that Verus implemented to achieve legitimacy, and thus to ensure its survival. (Empirically proven. Refer to Chapters 4 and 5.)

**Claim 5:** Verus experienced changes in its culture, its structure, and its routines because isomorphic pressures led to organisational transformation, even when technical or economic advantages were lacking.

The performance measurement system was introduced without seriously challenging the prevailing institutions or the interpretive scheme (beliefs) of the organisation’s members. The performance measurement system in Verus decoupled from other management systems at the administrative level, despite the organisation’s intentions to reform. This subsequently paved the way for path dependency in a change process that preserved traditional features such as management style, rules and regulations, and personnel management, none of which seemed conducive to the application of performance measurement tools. As explained above, the notion of path dependency provides a means of theorising about such difficulties.

In developing its performance measurement system, the organisation de-emphasised some basic tenets of performance measurement, for example, the absence of a reward system in the performance measurement process. This gave rise to a compliance culture through ‘soft
punishment’ (being chastised for not adhering to the performance system process), and to a lack of integration with other management systems. Altering the culture or the routine of Verus to any appreciable degree was thus deemed unsuccessful as it resulted in a limited application of performance measurement to the activities of the organisation.

Change seemed necessary by adapting to the rational myth in order to preserve stability of the organisation, while still being seen as legitimate in the organisational field. The rationalised myth brought change to Verus, although the organisation’s dominant culture maintained its status quo. As Burns and Scapens (2000) conclude in their studies, ‘much would happen, but all would be play-acting’. When the research was about to end, Verus was in the process of revamping and improving its strategic plan and its processes. It is interesting to note that Verus is still in the process of changing, even though a question still remains as to the extent of its transformation. (Empirically proven. Refer to Chapters 4 and 5.)

**Conclusion:** The performance measurement system can be viewed as a rationalised myth.

**Claim 6: There was a lack of research into the processes through which new performance measurement systems (such as the Balanced Scorecard and Key Performance Indicators) have either failed to emerge or have emerged through time, and a lack of research into the relationships between those processes and organisational routines, especially within the Australian context.**

Resistance brought by changes (government reforms): while the necessity for some change, in terms of fundraising and meeting the requirements of external agencies such as government departments, was a driving force in the organisation, other changes which affected the fabric of the organisation and its mission were resisted. The organisation was forced to bow to institutional pressures, but it did not adopt them wholeheartedly or unreservedly. The constraints of moving towards business-oriented practices were practical in terms of personnel and expertise, cultural in terms of organisational structures and routines, and philosophical in terms of mission-orientation. The implementation of a new performance measurement system and new accounting techniques was problematic for all these reasons.

In Chapter 1 and Chapter 2 of my thesis I described how performance measurement was used in not-for-profit organisations. I expected this to be known by the managers in the
organisation, and understood that performance measurement was to some degree already implemented. This picture did not accord completely with the results of my study. Performance measurement had indeed been implemented to a certain degree, and how to measure its outcomes and impact were evidently much discussed, but the concept had not yet gained ground. One reason for the gap between the picture described in the introduction and my results is that all previous research was done in either the US or the UK. (Empirically proven. Refer to Chapters 4 and 5.)

Claim 7 (from the data analysis): Verus’ performance measurement system was only designed to support strategic planning.

Performance measurement was intended to produce objective, relevant information on programme or organisational performance that could be used by the organisation to strengthen management, inform decision-making, achieve results, improve overall performance, and increase accountability.

Performance measurement systems were necessary to support a variety of management functions, including:

- Monitoring and reporting
- Strategic planning
- Budgeting and financial management
- Programme management
- Programme evaluation
- Performance management
- Quality improvement
- Process improvement
- Contract management
- External benchmarking
- Communication with the public.

The outcome was that the performance measurement system was only designed to support strategic planning. (Empirically proven. Refer to Chapters 4 and 5.)

Conclusion: Verus linked its performance measurement to its strategic goals. This shift occurred due to its integrated approach, which meant that there was more time for front
line operations. Furthermore, the integrated approach also helped to align organisational values with the employee work ethic and with employee performance.

**Claim 8: Environmental disturbances can lead to changes in design archetypes and subsystems, but not necessarily to changes in interpretive schemes.**

In Verus, government initiatives, such as the not-for-profit reforms, affected both the design archetypes and the subsystems. New accounting practices, such as new accounting standards and the acquittal requirements of funding bodies, were introduced. These changes brought new rules and procedures to the organisation, with the result that the Head Organisation had less power under the new design archetypes, and the board and the directorate became more dominant. Despite the number of changes that took place in the organisation, the public service orientation remained unchanged. (Empirically proven. Refer to Chapters 4 and 5.)

**Claim 9: Stability and change elements were intertwined during the process of organisational transformation in Verus.**

Stability and change can co-exist to shape the process of change. Chapter 5 demonstrated how Verus changed due to environmental disturbances. Despite these apparent changes in the organisation, it maintained its existing institutions. The environmental disturbances forced both its design archetype and its subsystems to change, but not its interpretive scheme. While some parts of the organisation changed, other parts remained intact. Thus, this study shows similar findings to previous studies (Burns and Scapens 2000a; Busco, Quattrone, and Riccabonni 2007; Granlund 2001; Lukka 2007; Siti-Nabiha and Scapens 2005), which claim that stability and change can co-exist and do not necessarily contradict each other. Both elements shape the organisational reality of an organisation. (Empirically proven. Refer to Chapters 4 and 5.)

**Claim 10: The implementation of the performance measurement system was explained by using institutional theory.**

Many studies of the implementation of performance measurement systems have drawn upon rational choice theory rather than on institutional theory (Davis and Albright 2004; Othman et al. 2006; Papalexandris, Ioannou, and Prastacos 2004; Paperhausen and Einstein 2006; Said et al. 2003).
In rational choice theory, managers are assumed to behave rationally when making decisions, and always want to maximise their returns. Any change programme would be implemented if the perceived benefits were greater than the calculated costs. In this study, I used institutional theory to provide an extension or to gain further understanding of the implementation of a performance measurement system from different perspectives.

Claim 11: Rather than understanding the implementation of a performance measurement system in Verus from a rational or economic perspective, I have chosen to understand it from a social perspective.

The complex and dynamic processes of change have been studied here to give a better understanding of how an organisation can change due to institutional pressure. The use of rational choice theory, however, has been unable to provide an understanding of the processual, historical, and contextual changes in an organisation. New institutional sociology and old institutional economics provide a wider perspective of the institutionalisation of performance management systems. The philosophical and methodological foundations of institutional theory enabled this study on the institutionalisation of new accounting practices in an organisation. In other words, institutional theory allowed this researcher to understand the development of stable patterns of behaviour towards the performance management system, based on a performance culture. (Empirically proven. Refer to Chapters 4 and 5.)

Claim 12: Little research has been conducted on describing the relationship between theory and the micro and macro processes institutionalisation (DiMaggio and Powell 1991; Johnson, Smith and Codling 2000; Tolbert and Zucker 1996). My study has focused on describing the relationship between the micro and macro processes of the institutionalisation of accounting practices.

I used Laughlin’s (1991) framework to highlight the stability of Verus, and demonstrated that institutional theory and middle range theory could be used to explain the same phenomenon from different theoretical perspectives.

Sharma and Lawrence (2007) found that the two theories could be used to explain the process of accounting change in an organisation. In fact, several researchers have claimed that the middle range approach is the most commonly used theoretical framework for understanding the role of accounting during organisational changes (Broadbent and
Laughlin 2005; Dumay and Guthrie 2007; Gurd 2008; Shanikat 2008, Sharma and Lawrence 2007). Gurd (2008) used both Laughlin’s (1991) framework and Gidden’s (1984) structuration theory to understand the role of accounting during the organisational change process in an Australian-owned utility company. Although Sharma and Lawrence (2007) used institutional theory as their main theoretical lens, they also used Laughlin’s (1991) framework to understand how a new organisational reality was created as a result of new public management practices introduced into the case organisation. This study, therefore, shows that multiple theoretical lenses can be used to explain the process of organisational and accounting change. In it, the two theories complement each other, in the sense that institutional theory was used to understand the institutionalisation of accounting practices, and Laughlin’s (1991) framework was used to understand the level of change that occurred in Verus.

Claim 13: My study clarified how different types of isomorphism can contribute towards the institutionalisation of both performance measurement systems and management accounting practices in an organisation. I provided a rich explanation of the three types of isomorphism of performance measurement, but did not discuss this broadly in terms of management accounting practices.

This is a case study of one organisation over a time period of 20 years. Although resembling a longitudinal time frame, the duration of this study from the management accounting development point of view was fairly limited, and as such has not allowed ongoing investigations and monitoring to identify further changes in the organisation’s management accounting policies or practices that would enable a more accurate analysis. I therefore decided to omit management accounting practices from my study.

My study, however, shows that the data revealed little about the previous management accounting systems that were in place. From the publicly available documents, I can confirm that there seemed to be a lack of structured accounting policies or guidelines, although there was a policy manual with basic procedures for employees, such as expense claims and reimbursements. The study also found that there were systems in place, but that they were overridden easily due to their flexibility.

The result of the public sector reforms has been that since 30 June 1999, as required by Australian Accounting Standard 31 (AAS31), full accrual accounting has been adopted by the government in order to provide report users with a comprehensive summary of their
financial performance, financial position, and financing and investing activities. As a result of the necessity of meeting society’s changing expectations of the not-for-profit sector, and of satisfying the government’s funding requirements, the organisation was catapulted into a period of intense change as it adopted a new corporate-style accounting system. This had a significant effect on the organisation’s structure and culture, and on its systems, as it struggled to satisfy expectations of a higher level of accounting practice. Increasingly, accounting professionals were employed to perform tasks previously done by non-professional members.

This study adds to the growing literature on management accounting changes in the not-for-profit sector by raising awareness of the pervasiveness of organisational change. However, further research is needed to analyse the processes of management accounting and controlling changes, their impact on the organisation, and the far-reaching consequences of those processes that organisations have to deal with.

One contribution of this thesis is its view that multiple perspectives offer a more comprehensive understanding of organisational and accounting change (Broadbent and Laughlin 2005; Covaleski et al. 2003; Hoque and Hopper 1997; Laughlin 1995, 2004).

Future empirical studies of accounting and organisational change that use cross-sectional data might enhance our knowledge of accounting and organisational change in different settings. Given the changing role of accounting worldwide, such attempts could prove the robustness of the research results revealed in the current study.
APPENDIX C:
Surveys and results

D.1 Introduction and purpose

There were two surveys: The Employee Satisfaction Survey and the Staff Survey were conducted in 2009 and in 2011 respectively as a part of the strategic framework. They were two of several measures used to indicate overall organisational performance.

The surveys were sent to all employees in Verus. The board and the directorate of the organisation were keen to continue serving professionals who worked in not-for-profit sector. The surveys were designed to find out how the organisation set its objectives, measured its performance, and reported on its results.

The Employee Satisfaction Survey and Staff Survey were also designed to establish a baseline for employee engagement and for employee satisfaction across the organisation. The main aim was to identify performance measurement structures and the extent to which these structures help Verus meet its objectives. Additionally, the survey tried to identify examples of strengths and weaknesses in the performance measurement structures, and what needed to be done to further improve the assessment, monitoring, and reporting of financial and non-financial performance in the organisation. The survey also assessed overall employee satisfaction.

The survey was conducted online. All items appeared as statements to which participants responded by selecting their level of agreement from a five point scale: Strongly Agree, Agree, Neither Agree nor Disagree, Disagree, and Strongly Disagree.

The core survey structure addressed the engagement areas of:

- The relationship of job duties to the mission and goals of the organisation
- Communication with and input to the organisation
- Relationships and morale in the organisation
- Relationship with supervisors
- Workload, staffing, and resources
- Compensation and benefits
- Performance
• Training

The questions selected for this survey were standard employee satisfaction and/or engagement items. The demographic information collected for analysis included geographic area, employment type, length of service, age, gender, and ethnicity.

Each survey took respondents no more than 25 minutes to complete.

D.2 Survey results

2009 staff survey resulted in action plans for addressing the key areas of concern. Staff commitment to the organisation’s mission, its vision and values, its clients and fellow team members continues to be one of Verus greatest strengths. Action plans to address areas for improvement were also formulated.

D.2.1 Quality caring services

A significant number of responses in the staff survey referred to the core strength of the organisation being its focus on customer satisfaction. For example ‘Providing an excellent service to our clients is a priority for Verus staff’, and ‘Overall, the organisation makes a genuine and concerted effort to improve its services to clients’.

Verus has a strong philosophy of continuous quality improvement. This is supported by:

• Client and family involvement in service planning and service delivery.
• Practice development supported by workshops and newsletters.
• Participation in external accreditation and monitoring mechanisms that offer opportunities to identify areas for change and improvement.

As a result of the survey analysis, Verus Disability Services commenced development of a Quality of Life survey. Disability Services also engaged clients and family in the annual strategic and service planning processes. The format and role of client reference groups was being discussed as part of survey.
D.2.2 Key responses

<table>
<thead>
<tr>
<th>Statement</th>
<th>% agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>I believe in the overall purpose of Verus</td>
<td>94%</td>
</tr>
<tr>
<td>I believe in the work done by Verus</td>
<td>93%</td>
</tr>
<tr>
<td>I have good working relationships with my co-workers</td>
<td>90%</td>
</tr>
<tr>
<td>My work gives me a feeling of personal accomplishment</td>
<td>89%</td>
</tr>
<tr>
<td>My fellow Verus employees are committed to doing quality work</td>
<td>89%</td>
</tr>
<tr>
<td>Verus is socially responsible</td>
<td>89%</td>
</tr>
<tr>
<td>I would gladly refer a family or friend to Verus for employment</td>
<td>84%</td>
</tr>
</tbody>
</table>

D.2.3 Key answers (comments from the staff survey)

Statement: ‘Overall, Verus is successful’ (89%)

Comments:

- ‘The organisation as a whole lives by its values.’
- ‘Its commitment to equity, compassion and caring to all people in the community.’
- ‘Overall the organisation makes a genuine and concerted effort to improve its services to the clients.’
- ‘Respecting clients and believing in walking beside them rather than trying to “fix” them.’
- ‘Overall the employees of Verus respect and value one another.’
- ‘Warmth of working within an organisation where the employees honestly care for others.’
- ‘Incredible commitment of staff above and beyond expectations.’
- ‘Passion, dedication and commitment of its staff.’
- ‘Staff skills and knowledge within the organisation’.
- ‘The staff - all from CEO to support workers.’
- ‘Good knowledge of its communities and their client issues.’
- ‘Well-known organisation that people trust.’
- ‘Opportunities for professional development.’
The survey on employee satisfaction and performance points to a lack of employee recognition and reward, few learning opportunities, and low participation in decision-making. On the positive side, the survey found there were ‘high levels of job satisfaction’ (63%) with a majority of employees (85%) agreeing that they were not overly stressed in terms of completing their jobs, and were given significant support for helping their organisations achieve their goals. The survey found that there were ‘low levels of employee intentions to leave’ (12%).

A total of 86 employees of the organisations responded to the employee survey. In addition, 14 volunteers took part in the survey. Participants were drawn from the organisation’s disability, administration, human resources, child services, youth services, human resources, and information technology areas. The report recommends that the organisation should address employee recognition and non-financial rewards along with learning opportunities such as supporting training costs and engaging employees in organisational changes. The survey also set out to produce a benchmark report on volunteer staff satisfaction.

The survey found that 84% of employees reported a sense of belonging and attachment to their organisation. Only 14% felt that they received adequate training, support, and development opportunities. The most common reasons for volunteering fell into the categories of values, understanding, and enhancement. With regard to job satisfaction, 84% of volunteers agreed that they were satisfied with their positions. The vast majority of respondents reported having little or no intention to seek a transfer, resign, or apply for another job in the near future.

**D.2.4 Examples of the responses**

Comment from Verus Manager:

Resistance to change is common and in fact it is human nature to ask why something is being changed. So how can we bring stakeholders and staff on board to see that processes in our organisations need to change?

Some might say, “If it ain’t broke, don’t fix it” … but I would argue that a car doesn’t have to be totally broken to be a squeaking, petrol chugging, costly mess.

The same goes for processes in our place of work, they might not be broken but they certainly aren’t efficient?
A significant sector change such as the National Disability Insurance Scheme (NDIS) can create the need for many new processes and alterations in an organisation. This can be change at the organisational and strategic level, change at a service and procedural level and perhaps even change in employment and roles.

Such change is naturally overwhelming for many staff and in times of adjustment, internal communication is an often overlooked, but critical, tool that can help organisations through.

Internal communication is not about simply sending emails or transferring information to your staff. The very nature of communication suggests some sort of dialogue or interaction. Encourage staff to engage in conversation in person, in online forums or whatever way is appropriate for your workplace. Listen to what they have to say in these settings and share information openly.

Your staff and internal stakeholders’ opinions matter. Their perception is their reality of work on the ground in your organisation.

Don’t forget to go back to the basics of communication and consider the following to apply to internal audiences:

Who do you need to communicate with?

Perhaps it’s the whole organisation, managers or just certain teams. Make sure the information is relevant to the audience as this ensures they don’t tune out when they receive pieces of communication.

Why are you communicating?

Ask yourself, what difference do I want to make in the organisation or why do I need to transfer this information. The answer to this question will help you target your audience as well as decide the best medium to use. For example, ask yourself will you get a better buy-in to the change by calling a meeting or using a video or sending a memo?

What call to action do you need?

Are you asking your staff to take action or pass information on? Make this request or call to action as clear and simple as possible. Your teams are busy and asking them for feedback or to do something extra needs to be brief and obvious. Don’t forget to give them the tools they need to assist you in communicating or taking action.
Communication is such a core principle in business. In times of change be careful to not overlook one of your most important assets, the internal resources you already have.

And for those who continue to argue that ‘they’ve always done it like this – as W. Edwards Deming said, ‘I suppose it’s not necessary to change. Survival is not mandatory!’

Comments from Verus mid-level personnel:

**Opportunities for Growth**

- I receive the training I need to do my job well.
- My work is challenging, stimulating, and rewarding.

**Fairness**

- My manager treats all her employees fairly.
- Respect for Management.
- I respect the senior leaders of this organisation.
- The leaders of this organisation know what they are doing.
- I am very satisfied with my manager.
- Our senior managers demonstrate strong leadership skills.

**Teamwork**

Teamwork is encouraged and practised in this organisation.

**Quality and Customer Focus**

- This organisation understands its customers’ needs.
- This organisation is extremely focused on customer needs.

**Mission and Purpose**

- I have a good understanding of the mission and the goals of this organisation.
- My job is important in accomplishing the mission of the organisation.
D.3 Online survey questions

Part 1

Gathering information on employee satisfaction, this survey focuses on how employees feel about their job descriptions, positions within the company, relationships with colleagues and superiors, advancement opportunities, and overall satisfaction.

Group A. Possible answers are:

- Extremely Dissatisfied or Extremely Disagree
- Very Dissatisfied or Very Disagree
- Somewhat Dissatisfied or Somewhat Disagree
- Neutral
- Somewhat Satisfied or Somewhat Agree
- Extremely Satisfied or Extremely Agree

1. Overall, how satisfied are you working for organisation?
2. To what extent do you agree with the following statement: I would recommend this company as a good place to work.
3. What I like best about working for organisation is...
4. Things that the organisation should do to make it a better workplace are...
5. Please indicate the extent to which you agree with the following statements.
6. Organisation clearly conveys its mission to its employees.
7. Organisation clearly conveys the mission to its clients.
8. I agree with organisation overall mission.
9. I understand how my job aligns with organisation’s mission.
10. I feel like I am a part of organisation.
11. There is good communication from employees to managers in organisation.
12. There is good communication from managers to employees in organisation.
13. Overall, how satisfied are you working in your department?
14. What I like best about working in my department is...
15. Things that my department should do to make it a better place to work are...
16. Please indicate the extent to which you agree with the following statements:

Group B. Scale used:

- Disagree Completely
- Strongly Disagree
- Somewhat Disagree
SCU-DBA                          Dawson, Yelena

- Neither Agree Nor Disagree
- Somewhat Agree
- Strongly Agree
- Agree Completely

a) My job gives me the opportunity to learn.
b) I have the tools and resources I need to do my job.
c) I have the training I need to do my job.
d) I receive the right amount of recognition for my work.
e) I am aware of the advancement opportunities that exist in organisation for me.
f) I feel underutilised in my job.
g) The amount of work expected of me is reasonable.
h) It is easy to get along with my colleagues.
i) The morale in my department is high.
j) People in my department communicate sufficiently with one another.

**Group C.**

1. Which of the above factors most strongly affects your satisfaction with your work? Why?
2. Please indicate the extent to which you agree with the following statements:
   Scale used:
   - Disagree Completely
   - Strongly Disagree
   - Somewhat Disagree
   - Neither Agree Nor Disagree
   - Somewhat Agree
   - Strongly Agree
   - Agree Completely

a) Overall, my supervisor does a good job.
b) My supervisor actively listens to my suggestions.
c) My supervisor enables me to perform at my best.
d) My supervisor promotes an atmosphere of teamwork.
e) It is clear to me what my supervisor expects of me regarding my job performance.
f) My supervisor evaluates my work performance on a regular basis.
g) My supervisor provides me with actionable suggestions on what I can do to improve.
h) When I have questions or concerns, my supervisor is able to address them.
Group D.

1. What else about your supervisor affects your job satisfaction?
2. How satisfied are you with...

   Scale used:
   - Disagree Completely
   - Strongly Disagree
   - Somewhat Disagree
   - Neither Agree Nor Disagree
   - Somewhat Agree
   - Strongly Agree
   - Agree Completely

   a) your base pay?
   b) your bonus?
   c) your career progression at organisation so far?
   d) your possibilities for future career progression at organisation?
   e) the vacation time you receive?
   f) the retirement plan?
   g) your medical insurance?
   h) other benefits offered by organisation?
   i) the process used to determine annual raises?
   j) your annual raise?
   k) the process used to determine promotions?

Group E.

1. What other aspects of your job significantly affect your overall job satisfaction?
2. What is your current position?
3. In which department do you work?
4. How many years have you been with organisation?
5. What is your gender?
6. What is your age?
Part 2

<table>
<thead>
<tr>
<th>Personal work experiences</th>
<th>Possible answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The people I work with cooperate to get the job done.</td>
<td>✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree</td>
</tr>
<tr>
<td>2. I am given a real opportunity to improve my skills in my organisation.</td>
<td>✓ Very Good ✓ Good ✓ Fair ✓ Poor ✓ Very Poor</td>
</tr>
<tr>
<td>3. My work gives me a feeling of personal accomplishment.</td>
<td>✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree</td>
</tr>
<tr>
<td>4. I like the kind of work I do.</td>
<td>✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree</td>
</tr>
<tr>
<td>5. I have trust and confidence in my supervisor.</td>
<td>✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree</td>
</tr>
<tr>
<td>6. Overall, how good a job do you feel is being done by your immediate supervisor/team leader?</td>
<td>✓ Very Good ✓ Good ✓ Fair ✓ Poor ✓ Very Poor</td>
</tr>
</tbody>
</table>

**Recruitment, Development, and Retention**

| 7. The workforce has the job-relevant knowledge and skills necessary to accomplish organisational goals. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 8. My work unit is able to recruit people with the right skills. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 9. I know how my work relates to the organisation’s goals and priorities. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 10. The work I do is important. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 11. Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 12. Supervisors/team leaders in my work unit support employee development. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 13. My talents are used well in the workplace. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
| 14. My training needs are assessed. | ✓ Strongly Agree ✓ Agree ✓ Neither Agree Nor Disagree ✓ Disagree ✓ Strongly Disagree ✓ Do Not Know |
Part 3.

Performance Culture

1. Promotions in my work unit are based on merit.
2. In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.
3. Creativity and innovation are rewarded.
4. In my most recent performance appraisal, I understood what I had to do to be rated at different performance levels (e.g. Fully Successful, Outstanding).
5. In my work unit, differences in performance are recognised in a meaningful way.
6. Pay raises depend on how well employees perform their jobs.
7. My performance appraisal is a fair reflection of my performance.
8. Discussions with my supervisor/team leader about my performance are worthwhile.
9. Managers/supervisors/team leaders work well with employees of different backgrounds.
10. My supervisor supports my need to balance work and family issues.

Leadership

1. I have a high level of respect for my organisation’s senior leaders.
2. In my organisation, leaders generate high levels of motivation and commitment in the workforce.
3. Managers review and evaluate the organisation’s progress towards meeting its goals and objectives.
4. Employees are protected from health and safety hazards on the job.
5. Employees have a feeling of personal empowerment with respect to work processes.
6. My workload is reasonable.
7. Managers communicate the goals and priorities of the organisation.
8. My organisation has prepared employees for potential security threats.

Job Satisfaction

1. How satisfied are you with the information you receive from management on what’s going on in your organisation?
2. How satisfied are you with your involvement in decisions that affect your work?
3. How satisfied are you with your opportunity to get a better job in your organisation?
4. How satisfied are you with the recognition you receive for doing a good job?
5. How satisfied are you with the policies and practices of your senior leaders?
6. How satisfied are you with the training you receive for your present job?
7. Considering everything, how satisfied are you with your job?
8. Considering everything, how satisfied are you with your pay?

Part 4. Organisational Performance and Implementation Measures

A. Goal Attainment

1. Please indicate, by ticking the appropriate box, the extent to which you agree or disagree with the following statements.
2. I feel the goals of the organisation truly reflect the interests and needs of its constituencies or stakeholders.
3. I feel the organisation can clearly measure the benefits it provides to constituencies or stakeholders.
4. I feel the performance of this organisation over the past three years has been excellent in meeting its goals.

B. Financial

5. In the past three years, to what extent has your organisation been able to acquire the resources it needs?

- No extent
- Some extent
- Moderate extent
- Great extent
- Very great extent

6. Please indicate below whether there are any performance measures used for the organisational unit that relate to each of the following performance categories (check one response for each category):

<table>
<thead>
<tr>
<th>Category</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product and service measures</td>
<td>Yes - No - Prefer not to disclose</td>
</tr>
<tr>
<td>Internal process measures</td>
<td>Yes - No - Prefer not to disclose</td>
</tr>
<tr>
<td>Customer-related measures</td>
<td>Yes - No - Prefer not to disclose</td>
</tr>
<tr>
<td>Financial- and market-related measures</td>
<td>Yes - No - Prefer not to disclose</td>
</tr>
<tr>
<td>Employee-related measures</td>
<td>Yes - No - Prefer not to disclose</td>
</tr>
</tbody>
</table>
Leadership and social responsibility measures    Yes - No - Prefer not to disclose

7. Considering your organisation’s performance measurement system, please indicate your level of agreement with each of the following statements (check only one for each statement):

Scale used:
- Strongly Disagree
- Disagree
- Tend to Disagree
- Tend to Agree
- Agree
- Strongly Agree
- Prefer Not to Answer

a) We look at the vital few performance measures to evaluate the overall performance of the organisational unit.
b) Our management/leadership team agrees on how to measure strategic success.
c) The performance measures we track are aligned with our organisation’s strategy.
d) The measures we track are controllable by those being evaluated.
e) The measures we track reflect a good balance between desired results and the organisational drivers of those results (i.e., use of ‘lagging and leading measures’).
f) The measures we track reflect a good balance between short-term and long term goals.
g) The measures we track reflect a good balance between financial and non-financial performance.
h) Organisational strategy is consistently communicated throughout the organisation.
i) Specific targets have been set for each of our key performance measures.
j) Subunits and employees feel ownership of the measures under their responsibility areas.
k) The measures we track are consistent across different organisational levels.
l) The measures we track are cascaded down to team or individual levels.
m) Our performance measures are linked to reward and recognition systems.
n) We hold ourselves accountable for improving performance in all key performance measures.
o) Our performance measurement system is supported by an easy-to-use technology-based system.
p) We continually evaluate and improve our performance measures and measurement system.

C. Organisational Unit’s Performance

In your opinion, how would you compare your organisation’s performance over the 12 months to that of other organisations doing the same kind of work for each of the following dimensions? (check only one for each dimension):

Scale used:
- Much Worse
- Worse
- Slightly Worse
- Slightly Better
- Better
- Much Better
- Prefer Not to Answer

a) Quality of products, services or programmes
b) Customer satisfaction
c) Level of innovation
d) Adaptation to the changing conditions of the environment
e) Employee satisfaction
f) Cost performance
g) Business growth
h) Reputation in its sector
i) Overall financial performance
APPENDIX D:
Data analysis evidence

This appendix contains additional information (graphs, summary of data analysis) of the researchers’ effort in using the qualitative software known as NVivo in managing and analysing qualitative data that was collected in a study designed to examine institutionalisation of performance measurement in not-for-profit Australian organisation.

The findings of the data are presented in Chapters 4 and 5.

Source: NVivo data analysis

Figure E-1 Themes and concepts for ‘reporting’, ‘disclosure’ and ‘regulation’
NVivo Sources of Data

Source of data: Publicly available documents

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation and meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concept Maps</strong>&lt;br&gt;Themes that emerge from the analysis centre on:&lt;br&gt;• the social aspect of the organisation: people, services, work, members, and the public;&lt;br&gt;• the regulatory aspect of the organisation: reporting, disclosure, regulation, income, and government.</td>
<td>This finding indicates that the documents analysed covered a broad range of subjects and the important aspects of reporting, regulation, and disclosure. They also focus on what the organisation does, its services, members, work, and the public.&lt;br&gt;People, groups, and society are the main concepts of the organisation and its individuals.</td>
</tr>
</tbody>
</table>

Source of data: Annual reports, board meetings, reports, minutes, plans, policies, procedures.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation and meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting, disclosure and regulation</td>
<td>Disclosure of information is linked to discharging accountability. A regulated level of disclosure will assist in discharging accountability.</td>
</tr>
<tr>
<td>Accountability</td>
<td>When considering the accountability relationships of the organisation’s entities, disclosure is seen by the organisation as an important part of accountability.&lt;br&gt;Standardised reporting and disclosure led to greater transparency and accountability in the organisation.</td>
</tr>
<tr>
<td>Accountability and regulation</td>
<td>There is a strong relationship between the concepts of accountability and regulation. Disclosure and reporting need to be regulated to enhance accountability.</td>
</tr>
</tbody>
</table>
### Finding | Explanation and meaning
--- | ---
Accountability and reporting | There appears to be a strong link between the concept of accountability and the theme of reporting, through the theme of disclosure and the concepts of standards and accounting.  
It is evident that reporting (financial or otherwise) is viewed as being closely aligned with accountability.  
Publishing financial reports (such as income and expenditure statements) is viewed by the organisation as being an important element in the minimum standards of public accountability.

**Summary of data analysis from the institutionalisation and economic perspective**

Perceived to be a rational, calculative instrument, accounting represents an institutional pressure whose adoption by Verus was, and still is, mandatory. Questions about accountability, technological expertise, rational decision making, and scrutiny of performance, all find expression in the accounting profession.

Institutional expectations are powerful elements in the environment that can create a demand for expanded accounting. Accounting and customer satisfaction together have played a major role in the way productivity has been measured in organisations (Meyer 1986). These two elements have been institutionalised into everyday management activity at a micro level, and at a macro level they have provided the means by which macroeconomic goals have been measured. Accounting is seen as a partner with government in measuring and counting values that are subject to macroeconomic policy.
**Source of data:** Annual reports, board meetings, reports, minutes, plans, policies, procedures etc.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation and meaning</th>
</tr>
</thead>
</table>
| Presence of disturbance in the sector about the accountability mechanisms | While the need for accountability is evident in the analysis of the documentation, there is also some level of disturbance in the organisation about the accountability mechanisms:  
  - The organisation is concerned that fulfilling new accountability requirements can absorb many resources and take time away from focusing on the primary objectives of the organisation, such as its mission, vision, and values.  
  - The organisation acknowledges that reducing and simplifying the accountability requirements is a key part of any reform, without which makes identifying accountability difficult to achieve.  
  
   Data analysis reveals that the term ‘accountability’ has been heavily influenced by a commercial definition, reducing it to a financial model – a ledger-style balancing of figures. This characterisation is the one that has been imposed on the organisation by government and corporate funders, who are essentially asking Verus, whose role is to provide ‘connectivity, care, and passion’, to act as accountants.  
   
   The organisation views this as a reductionist model which does not take into account other key accountabilities or outcomes. Also, such a focus fails to adequately acknowledge that funding bodies are not the only stakeholders to which the organisation should be accountable. |

| To whom, and for what, to be accountable? | Meetings are held with accepting that any consideration of accountability be given to who the stakeholders are. |
| Funders | The organisation accepts that due to multi-service provision, reporting is required to multiple government funding bodies for the acquittal of government grants.  
   
   While funding bodies may be satisfied that financial reports meet accountability requirements, Verus sees that too much focus on these upward accountability relationships could be to the detriment of the downward accountability to recipients of the services. |

**Summary: The institutionalisation and economic perspective**

Institutional isomorphism in Verus means that management control practices from the commercial sector have been adopted by the voluntary sector, by means of the
requirements of funding operations, institutionally acceptable practices and solutions, and professional networks. In addition, the growing and increasingly complex relationship between governments and charitable organisations, overlaid on general societal trends, has created pressures to conform to acceptable financial management practices; practices which are both enforceable and essential. Since Verus is highly dependent for funding on both corporations and on governments, it is vulnerable to pressures to conform to the management and accounting practices of the organisation.

The conventional view that accounting information acts like a mirror which neutrally and objectively records the ‘facts’ about what has happened in an organisation, fails to recognise the notions that accounting projects an image, and that it is a socially constructed practice. Verus harnesses this image-creating potential for its own ends. The profile it gives to accounting is less likely to reflect necessary technical work processes than environmental constraints, resources, or opportunities.

The Australian government’s call for competition for government funding indicates a shift in its underlying philosophy, and a reflection of the changing managerial culture that has been institutionalised within the public sector. As the emphasis has shifted to follow economic rationalist principles, government funding has been linked to outputs rather than inputs. As a service provider, Verus is therefore obliged to deliver services to the public in a way that is consistent with administrative norms, while also being accountable to the government by constantly monitoring its activities.
**Source of data:** Annual reports, board meetings, reports, minutes, plans, policies, procedures etc.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation and meaning</th>
</tr>
</thead>
</table>
| Sector regulators        | Regulators are in a position to demand non-financial information from Verus.  
The organisation is required to meet specific government directives, and therefore tends to operate in a similar way to government authorities and agencies, and larger private organisations.  
While there is some support for the idea of Verus introducing and maintaining self-regulation, it does not appear that these initiatives are strong enough to shape the accountability requirements for the not-for-profit sector. It appears that the dominant party in this relationship are the regulators; they have the power to enforce mechanisms that ensure accountability. |
| Clients and communities  | Verus believes that it is accountable to its beneficiaries and to the communities it serves, and that its accountability to these groups should be seen as primary.  
The organisation recognises that ultimately it is accountable to the disadvantaged and the excluded people it assists.  
Disclosure of how effective the organisation is in achieving its programme outcomes (i.e. demonstrating accountability to clients and communities) is also considered to be important.  
Although Verus views accountability to clients and communities as being the most important accountability, achieving it seems to be the most difficult.  
The organisation recognises that while accountability is not just financial accountability, there is no reasonable measure of real outcomes for its clients and recipients of services. At the moment, the organisation confirms that all measurements are concerned with profitability, but recognises that the overarching imperative of profitability is not what the not-for-profit/charitable sector is about, nor ever should be.  
The focus on financial accountability fails to acknowledge adequately that funding bodies are not the only stakeholders to which organisation should be accountable. |
Summary: The performance measurement perspective

Verus accepts that its primary accountability is to clients and community stakeholders, but acknowledges that accountability to these stakeholders is hard to define and to measure. There is a clear concern in the organisation, as well as in the rest of the not-for-profit sector, that a funder-centric, profit-driven accountability model does not assist in discharging accountability to clients and communities.

The sources of funding and the unique institutional relationships of these not-for-profit organisations fundamentally shape Verus’ accountabilities and requirements for reporting on performance. Most accountabilities come from the top of an organisation and are shared by other areas in the organisation that receive funding from those sources.

Summary: The institutionalisation and economic perspective (resistance brought by changes (government reforms)).

While the need for some change is a driving force, in terms of fundraising and meeting the requirements of external agencies such as government departments, changes which affected the fabric of the organisation and its mission were more likely to be resisted. The organisation was forced to bow to institutional pressures, but it did not necessarily have to adopt them wholeheartedly or unreservedly. Constraints on moving towards business-oriented practices were practical in terms of personnel and their expertise, cultural in terms of organisational structures and routines, and philosophical in terms of mission-orientation. The implementation of a new performance measurement system and new accounting techniques was problematic for all these reasons.
Source of data: Annual reports, board meetings, reports, minutes, plans, policies, procedures etc.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation and meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Traditional infrastructure and organisational measurement.</em></td>
<td>Verus has used some aspects of performance measurement for analysing the use of systems and their conditions as part of the social and planning disciplines. Yet, the business process improvement and accountability aspects of the performance measurement field have only emerged in the past decade.</td>
</tr>
<tr>
<td><strong>First Steps of Performance Measurement (starting 1984)</strong></td>
<td>As the concept of measurement has expanded, the organisation’s service departments have tried to follow suit. Some have made the leap to track organisational performance in order to improve business processes or to demonstrate accountability. Some have taken steps to integrate their measures into strategic frameworks aimed at focusing the organisation on a few key outcomes. The organisation started to focus on the ‘new’ generation of performance measures which became more integrated with strategic goals and objectives, and became more focused on quality and customer service than on the input and output measures of the past.</td>
</tr>
<tr>
<td>The first generation of measurements came out of the quality movement. Measures were applied to improve productivity and efficiency by enhancing work processes that were focused on customer input and customer satisfaction.</td>
<td>The first step Verus took was to develop measures in response to both internal performance measurement initiatives and to specific legislative requirements. At the same time, it established robust measurements in traditional system planning and programme areas, such as customer service. These ‘standard’ measures for tracking basic system performance and organisational process improvements were useful for their specific programme and project decision-making purposes, but were not meaningfully linked to other organisational processes. At this stage there was no strategic measurement framework, and the organisation only started to use performance measures to define the progress of long-range strategic plans or shorter-range business plans.</td>
</tr>
<tr>
<td><strong>Hierarchy of measurement</strong></td>
<td>Although Verus now has a sophisticated process for tracking projects, there appears to have been no framework in the past for facilitating performance measurement organisation-wide. Currently, Verus is integrating measures into the long-range planning process linked to programme management.</td>
</tr>
<tr>
<td><strong>Second Step of Performance</strong></td>
<td>The second step introduced a proliferation of measures as part of a framework or hierarchy for measuring the organisation’s performance. These measures were based on a traditional planning framework and were long-range measurements that linked to mid-range strategic and/or short-range business...</td>
</tr>
<tr>
<td>Finding</td>
<td>Explanation and meaning</td>
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</tbody>
</table>
| Measurement | plans. This allowed Verus to tie measurement areas together strategically so that leadership and management could track business functions and planning goals.  

The measurement areas eventually expanded to include difficult-to-measure, higher level outcomes, societal goals, and customer expectations. As the practices evolved, the measurement systems grew increasingly complex, making results difficult to communicate. Another distinguishing feature was a well-developed public reporting tool that communicated the results of performance measurements to meet legislative, public, or organisational needs.  

Verus worked towards establishing an overall framework and implementing a performance-based strategic plan. It adapted a hierarchy that aligned its organisational goals, objectives, and performance measures, and linked long-range measurements to short-term strategic goals. |
| Third Step of Performance Measurement | As the organisation learned from its performance measurement experiences, and from its successes and failures, and perhaps gleaned lessons from other agencies, it refined its practices and implemented new methods and new reporting mechanisms, as appropriate. Significant catalysts however, changed the organisation’s priorities and agendas, making it necessary for it to respond with a new approach to meet new needs. Typical change catalysts included new organisational administration, governmental changes (i.e. the reforms), funding crises or increases, and new state or federal requirements.  

The organisation was able to re-tool and adapt an established system in response to its changing priorities and to external pressures, but more importantly, it had the ability to proactively use performance measures to set its agenda and to communicate its needs more effectively. It was at the forefront of using dynamic approaches that provided real-time information in response to the needs of the organisation’s leadership and the state’s political context, by placing a high value on public accountability.  

The organisation recognised the complexity it had created within the traditional planning framework, and explored alternative ways to measure and communicate performance.  

The narrow focus of the organisation’s performance measurement system, compared to its earlier, less strategic systems, became a key feature of this stage. While continuing to seek viable indicators for broader societal planning, goals, |
and outcomes, the organisation tended to focus on building effective measurement systems and communication tools based on its responsibilities and its investment decisions. Verus has experienced this evolution and has adapted by responding to changing needs and changing drivers. It is now taking a strategic approach by re-tooling and re-organising its previous performance reports. The latest strategic plan was created and updated, with each division in the organisation becoming responsible for developing a business plan to ensure the success of the strategic objectives.

**Leadership changes**

Leadership changes at the top of the organisation significantly altered the organisation’s performance measurement processes. Good examples of leadership changes that changed practices were the appointment of a CEO, and later a director of corporate services and a director of operations.

New appointments have significantly influenced the organisation’s performance measures and changed several of its reporting products. The organisation started to transition to a revised performance measurement system, despite years of institutionalisation.

Even in high-profile and well-established performance measurement programmes, institutionalisation may not be a realistic expectation or a probable outcome in the face of frequent political turnover. Practitioners in Verus (management, accountants and client service workers) anticipated such changes and were ready to make adjustments accordingly.

**Funding and politics drive measurement and reporting**

New funding or the legislature’s view that not-for-profit organisations need greater oversight, led to political pressure to implement accounting reporting and to enhance efforts in certain areas at Verus. Aspects of its strategic performance measurement needed to become more reactive.

Verus started to move in the direction of project reporting as a result of new funding packages.
Source of data: Surveys

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation and Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Aligning employee performance and attitudes with the organisation’s mission</em></td>
<td>The organisation has focused on increasing the link between individual employee effort and overall organisational performance. The ‘soft’ approach combines training with face-to-face meetings to overcome employee resistance and to increase employee buy-in of new performance management initiatives. The ‘hard’ approach can involve identifying units, managers, and staff members responsible for delivery of certain outcomes that contribute to the organisation’s overall performance, and holding them accountable for their contribution. This approach is likely to be used in the organisation because the human factor is very valuable part of its mission, vision, and values.</td>
</tr>
</tbody>
</table>

Summary: The performance measurement perspective

Traditional performance measurement frameworks in Verus were aligned with its vision, mission, societal and/or organisational goals, and its objectives and strategies. In addition, the organisation tried to differentiate between input, output, and outcome measures, while trying to respond to internal and external customers along a multi-modal plane - a daunting if not impossible task. This situation led to a cumbersome and unmanageable system of performance measures, as the measures were fragmented across the organisation and contained in silos that were based on function. Despite significant investment in time and resources, results were difficult to track. In addition, improvement processes took a very long time to execute, were difficult to quantify, and even more difficult to communicate to customers.

In today’s environment, however, performance measurement has taken on a new role and a new meaning. Measurements are used in Verus to enhance and demonstrate accountability and transparency. The focus is still on customers, but now not only in the traditional sense of public and system users. The face of the customer is changing to include increasing numbers of oversight boards, legislative bodies or commissions. As a result, the organisation is moving towards simplifying performance measurement as it seeks to find
new and better ways to communicate performance. The prescription for accountability is the demonstration of performance and the effective communication of results in real-time.

Verus’ measures are targeted and customised to three key audiences: legislative and other oversight bodies who make funding decisions; the opinion-makers (customers and the public) and the media, and internal management. To be effective, performance information is provided in a timely manner, and in terms that people can understand, but without leading to oversimplification. In contrast, legislative bodies increasingly make project-based funding decisions and want frequent and detailed information from Verus on the projects’ scope, time, and budget.

**Summary: the institutionalisation and economic perspective**

The current economic reality is that the increasing involvement of business and business methods in this charitable organisation, Verus, represents a fundamental shift in institutional arrangements. The adoption of financial techniques from the world of business results in pressure to compromise the organisation’s mission and religious orientation, because accounting in the organisation is influenced by professional accountants whose agendas may be different to those traditionally held by the organisation in which they work.

The roles that performance measurement and accounting play in the organisation are, therefore, highly significant and are currently undergoing fundamental changes. More studies of the way in which these institutionally determined practices are being embedded in the organisation will provide further enlightenment about the effects of these changes, about the nature of accounting as a powerful social and institutional practice, and about what constitutes relevant and useful accounting and financial reporting guidelines for not-for-profit organisations.
**APPENDIX E:**

Data Inventory Table (data collected between 2012-2014)

<table>
<thead>
<tr>
<th>Empirical phases</th>
<th>Main data sources</th>
<th>Years covered</th>
<th>Number of documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Exploratory case study</td>
<td>Publicly available documents</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Magazines articles</td>
<td>• 1980-2014</td>
<td>• 4</td>
</tr>
<tr>
<td></td>
<td>• Published annual reports (1999-2013)</td>
<td>• 1999-2013</td>
<td>• 14</td>
</tr>
<tr>
<td></td>
<td>• Homepage of the case organisation</td>
<td>• 2012-2014</td>
<td>• 1</td>
</tr>
<tr>
<td></td>
<td>• The organisation’s press releases</td>
<td>• 1980-2014</td>
<td>• 65</td>
</tr>
<tr>
<td></td>
<td>• Regulator’s reports</td>
<td>• 2013</td>
<td>• 28</td>
</tr>
<tr>
<td></td>
<td>• Annual information statement (2013)</td>
<td>• 2012-2013</td>
<td>• 1</td>
</tr>
<tr>
<td></td>
<td>• Australian Tax Office (ATO) data (Business activity statements, PAYG summaries, ABR) (2012-2013)</td>
<td>• 2000-2014</td>
<td>• 10</td>
</tr>
<tr>
<td></td>
<td>• Strategic plan</td>
<td>• 2013</td>
<td>• 6</td>
</tr>
<tr>
<td></td>
<td>• Australian Community Services Sector (ACSS) reports</td>
<td>• 2013-2014</td>
<td>• 12</td>
</tr>
<tr>
<td></td>
<td>• Councils minutes and annual reports</td>
<td>• 1980-2014</td>
<td>• 43</td>
</tr>
<tr>
<td></td>
<td>• Newspaper articles/internet articles</td>
<td>• 1980-2014</td>
<td>• 592</td>
</tr>
<tr>
<td></td>
<td>• Government websites</td>
<td>• 1980-2014</td>
<td>• 19</td>
</tr>
<tr>
<td>2. In-depth case study - Data Panel II.</td>
<td>• Vision and mission statements</td>
<td>• 1983-2014</td>
<td>• 25</td>
</tr>
<tr>
<td></td>
<td>• Internal memos</td>
<td>• 2000-2014</td>
<td>• 286</td>
</tr>
<tr>
<td></td>
<td>• Internal magazines and bulletins</td>
<td>• 2012-2014</td>
<td>• 84</td>
</tr>
<tr>
<td></td>
<td>• Policies and procedures</td>
<td>• 1983-2014</td>
<td>• 179</td>
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<tr>
<td></td>
<td>• Minutes of meetings</td>
<td>• 1980-2014</td>
<td>• 480</td>
</tr>
<tr>
<td></td>
<td>• Training manuals</td>
<td>• 2000-2014</td>
<td>• 24</td>
</tr>
<tr>
<td>3. In-depth case study - Data Panel III.</td>
<td>• Reports of two surveys conducted since 2007 by the Voice Project, the leading provider of employee engagement survey (also known as climate survey, employee survey, staff opinion survey, voice survey) and service quality survey (also known as customer satisfaction survey, client survey, internal quality survey).</td>
<td>• 2007-2013</td>
<td>• 2 surveys and interviews (n=120) • 12 documents, including two reports and full analysis</td>
</tr>
</tbody>
</table>
APPENDIX F:
NVivo data analysis

I customised the folders under Sources (on the left hand side) by creating categories of Annual Reports, Minutes, Other Documents, Published Documents, Surveys, Literature Review, Media, Meetings and Notes. Documents under this folder were coded line by line. Under Memo, I added folders on Future Research, Surveys, Journal, Thematic Notes and Summaries. They form supplementary information and I did not code them, but referred to them and created notes to jot down ideas as I was coding the main Sources documents. My approach in the data analysis of my survey results and text data was I had a more bottom-up approach in exploring the data.

What I found useful in the NVivo was the ability to create nodes. ‘Nodes are containers to hold ideas, and represent concepts or categories’ (Madden 2008, p. 16), and they were invaluable in my research. My node-heavy coding allowed me to structure my results in a way that I never thought possible prior to the data analysis stage. My use of nodes heavily influenced how my results were written up. I did not create ‘a priori’ nodes, though I was guided by overarching themes in my data. I initially thought I’d take the top-down approach and create several nodes in which to code but realised early on that this way of coding did not suit my style of working. The inductive inquiry extended into the data analysis. As I analysed each line and passage of text, I allowed for several definitions and perspectives of the data. However, I did not lose sight of my initial research themes and the use of NVivo allowed the combination of both deductive and inductive approaches to qualitative data analysis.

Node Saturation in NVivo

As I had combined inductive and deductive methods of inquiry, the latter had given me a useful list of concepts that were already present to test my hypotheses and therefore code my data as appropriate. I was ‘bringing a strong theoretical basis’ to my research and, as Bazely (2007, p. 76) suggests, in this form of ‘a priori or theoretically derived codes’ a researcher using NVivo generally should ‘analyse research question and identify from within it every category or concept that is used, knowing that you will need a node for each concept in order to gather (and then relate) data about them’.
Indeed, most of the text fell in visibly defined ideas that were created from my hypotheses. However, I have not restricted myself in my interpretation and reading of the text. Moreover, I allowed further interpretations of the data thus generating further development of ideas that went beyond the boundaries of my initial research inquiry but which substantiated it. My approach to the NVivo qualitative data analysis was to saturate each passage of text to the point where I reached ‘node saturation’. I coded every line from my documents, and after I had coded all my primary text I had categorised 1077 items. Some nodes had only one reference and one source which I soon merged with other nodes. After amalgamating and merging some nodes that had a single reference, and deleting some duplication, I managed to bring the number down to 972 working nodes.

In my data analysis, node saturation for me was where every possible theme or category attributed to a statement or sentence was coded. Thus for one line, it was possible to have several nodes attached. For example, one line of survey where there were employees’ reaction to government reforms, included nodes relating to the political environment, the situation of the organisation, the structure of the organisation, the relationship with the government, and several others. This is a form of ‘fracturing or slicing data’ where the multiplicity ‘capture what is happening in a single passage of text’ (Bazeley 2007, p. 71). An example of what I mean by node saturation is the coding I did in this poignant passage of raw interview data. Additionally, I did not make much use of the tree (or hierarchical) function in NVivo as I found it made the search function much more time-consuming. To find a solution for this, I created free nodes with hierarchies by having a dash (‘-’) attached to a main node to denote a sub-category or a sub-sub-category.

Thus, with the node ‘Performance Measurement System’, ‘Performance Measurement’ is the main tree/node or category with branches or sub-categories forming from it such as ‘systems’, ‘non-systems’. Thus I created a primary level, then a sub-category level, and a sub-sub-category level. Under the ‘Performance Measurement’ node, the sub-category of ‘systems’ had a third level which included a sub-sub-category that encompassed ‘effectiveness’, ‘employees’, ‘challenges /weaknesses of’, ‘Board/CEO’, ‘non-financial indicators’, ‘relationship with government’, and ‘financial indicators’. Having this multiplicity of nodes allowed me to write better as I had structured the nodes, worked and refined them, and thus subsequently identified which was a main node. Thus for 972 nodes, I had several main nodes. For the main topic of my research, not-for-profit sector
was noded 81 times with sub-categories. The most frequently coded not-for-profit sector nodes were awareness, applicability of, reforms, perception of, regulators, and practice.

**Coding and Analysing Media Articles**

I similarly undertook the same analytical approach towards my media text. In NVivo, an internal folder called ‘Media’ was created with various internal documents (or items) representing different newspapers these articles came from. As some of the old newspaper articles were hard copy versions, it took over 12 months for a summary of each article to be typed, categorised, and dated in NVivo as this was concurrently going on with my data analysis of internal documents. A summary was undertaken, instead of the entire article transcribed, in view of the relevance of the data in the newspaper article. Inputting the data was time- and labour-intensive, however, for these newspaper articles were the core of the triangulated methodology I had applied, and they substantiated and complemented my other panel of data. The text of the article was coded under the major nodes of Organisational Directions, Plans, Changes, Clients, and Controls. In the same way as my survey data, one line in the text was coded to 19 free nodes.

There was overlap with some categories. For example, a node of Trust was created mostly to relate the society’s viewpoint on trust. However, I also created a trust sub-category attached to the Culture-Business node mainly to code statements/employee information where they mentioned trust or which related to the importance of trust in their business interaction. Therefore, Trust as a concept was important to both business and society. In this particular line in the media article, undermining trust in business and undermining trust in society were both applicable. Thus, the line was coded to both nodes. This was the time- and labour-intensive aspect of coding newspapers in NVivo line by line, but as previously stated, this method allowed the validation of my three panels of data. The programme allowed autocoding by style heading. This created a tree node file in the programme and listed newspaper articles by date.

**Writing up the analysed data and research findings**

The graphical representation of a funnel showed how I worked from the macro level of the multiple nodes to finally produce and write up the results relating to performance measurement, institutionalisation, and pressures. Using NVivo helped clarify the data I had collected by providing a more objective way of seeing it. Node saturation was a time-
consuming aspect of my research that took some 14 months to complete, but I had saturated data to all possible nodes making sure that the interpretation and meaning of each line of a document have been fully covered. In undertaking this approach to my research, and by using the NVivo software to analyse my data (including node saturation), I was able to see my data in a multiplicity of ways that would never have been possible had I not used the programme. The use of NVivo has allowed for a deeper and richer discovery and analysis of the data and has allowed me to write up my findings in a more structured manner.