**BINDURA UNIVERSITY OF SCIENCE EDUCATION
**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**

**PERFORMANCE MEASUREMENT PRACTICE OF NON-GOVERNMENTAL ORGANIZATIONS OPERATING IN ZIMBABWE**

**By**

**B1850833**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY OF BINDURA UNIVERSITY OF SCIENCE EDUCATION.**

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## Dedication

I dedicate this research paper to my beloved parents who have nurtured me and to my siblings who had been supporting throughout my academic endeavor.

## Abstract

The research had the goal of understanding the performance measurement practices of NGOs operating in Zimbabwe. It also sought to determine if there was any relationship between performance measurement and actual organizational performance. Performance measurement is quite straightforward for profit-making entities, but it is more complicated for non-profit making entities since they cannot use profitability as a measure of performance. This presents a challenge for non-governmental organizations, which the study intends to explain how they are overcoming. The study objectives were addressed using a cross-sectional descriptive research approach. Primary data collected through questionnaires and interviews were used in the study. The data was collected from 20 different NGOs across Zimbabwe using systematic sampling. The researcher made use of Google Forms to collect primary data. The researcher made use of descriptive statistics to analyze using SSPS, and the charts were created using Microsoft Excel. The findings indicate that the mainstream performance measurement model is the balanced scorecard, even though the use of multiple models is quite common. It was also discovered that, in consistency with the Balanced Scorecard model, the customer and stakeholder perspective is the most considered aspect of measurement. NGOs prefer objective and short-term measures to subjective and long-term measures. No wonder input and output measures are the most used. The external influence on measurement practice is evidenced by the importance placed on accountability. The respondents believe performance measurement influences performance. This study has been cross-sectional, that is, limited to a specific point in time. A study of the practice over time and its relation to performance will surely provide useful insights. The study of other NPOs not included in this study, such as religious organizations, public sector entities, etc., is needed to get an in-depth understanding of the ongoing issues.

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# CHAPTER ONE

## 1.0 Background

The number of Non Governmental Organizations (NGOs) has skyrocketed over the past years due to an increase in social demand(Hirschmann, 2002). Social issues such as rampant drug abuse, human rights violations, and gender imbalance, among others, have led to a rise in the need for more NGOs. Unfortunately, there is no corresponding increase in the supply of funds to meet the increasing demand. Faced with a shortage of resources, organizations have to rationalize (Lall, 2017).

Normally, NGOs do not focus on income-generating activities; therefore; they rely on grants and donations to fuel their operations (Dube, 2021)There has been an increasing demand from stakeholders, particularly funders, for more accountability and transparency (Velli & Sirakoulis, 2018). Donors are concerned not only with the use of their funds, but also with the performance of the beneficiary organization, program, and project(s) (Zdanovskis & Pilvere, 2019).

Due to this, organizations have to solve a performance measurement conundrum. Both internal and external users make use of the performance information produced by performance measurement, which is an essential management and control system tool(Leon, 2018). Other stakeholders are also interested in other corporate governance issues, such as integrity and fairness. This makes it essential for organizations to prepare comprehensive financial reports that cater to all the stakeholders’ expectations(Greiling & Stötzer, 2016).

Performance measurement is one of the key components of any organizational reporting system. The organizational primary goal is the base for the performance measurement practice of each organization, and indicators are derived from it. For most organizations, their primary goal is maximizing profit so they can use profitability as the basis for performance measurement (Coy, 2018).

The issue is complicated for Non-profit Organizations (NPOs), a group to which NGOs belong (Lall, 2017). Their main goals are varied and, in most cases, cannot be expressed numerically. Most NGO interventions have long-term outcomes, which will make annual financial reports difficult to prepare. However, the obligation to demonstrate to external stakeholders their performance quantitatively has been increasing over the past decades. The drivers of performance measurement systems are not limited to the credibility motive but also for internal management, which can be termed "measuring to improve" (Ercolano, 2020; Moura, et al., 2022).

## 1.1 Problem Statement

Performance measurement is widely believed to be essential to the operations of any organization as a control and accountability tool thereby improving organizational performance (Greiling, 2009). However, research has proven that the implementation of performance measurement systems has not yielded desired results, particularly in third world countries such as Zimbabwe. This has been attributable to several reasons such as a lack of contextual performance measurement framework(Dziwa, 2021), unethical business conduct, and limited awareness of the subject just to name a few. Some scholars believe that NGOs only engage in performance measurement only when donors require it(Tahajuddin, et al., 2021). Research literature centered on the subject of the implementation of performance measurement practices in NGOs and how they balance the internal and external information needs is limited in numbers and depth (Greiling & Stötzer, 2016). The unavailability of literature is more acute in the Zimbabwean context. Hence, there is a need to examine how the NGOs operating in Zimbabwe are tackling this issue in the absence of a specific framework or guideline.

## 1.2Research aim and objectives

This research work aims to achieve the following objectives

i. To assess the main performance measurement tools being used by NGOs

ii. To identify the key performance measures used by NGOs

iii. To outline the main factors influencing the choice of performance measurement tool(s)

iv. To establish the impact of performance measurement on the overall performance of NGOs

## 1.3 Research questions

The research study aims to answer the following questions

i. What are the main performance measurement tools used by NGOs?

ii. What are the key performance measures used by NGOs?

iii. What are the main factors that influence the choice of the performance measurement tool(s)?

iv. What is the impact of performance measurement on the overall performance of NGOs?

## 1.4 Definitions of terms and concepts

Performance measurement is the monitoring and use of key performance indicators of an organization to evaluate the extent to which the organizational objectives are being achievedregularly.

A Non-Governmental Organization is a non-business entity that operates independently of the government.

Non-Profit Organizationsis an entity that has the following traits typically receives a sizable amount of financing from donations and grants and has as its primary goal the provision of goods and/or services for the benefit of the public, the community, or society.

## 1.6 Assumptions of the study

i. The Directors or Trustees of the NGOs under review have a genuine goal of to improve the social well-being of the targeted communities and do not purse financial gains.

ii. The management function of the NGOs included in the study decides in the interest of their respective organization.

iii. The performance of an organization can be attributed to the decision-making process.

iv. The respondents have a basic understanding of performance measurement and performance management.

## 1.7 Significance of the study

i. The research will help in compiling information about the current state of performance measurement practices of NGOs in Zimbabwe. This information can be used by other organizations to create new performance measurement systems or improve their existing performance measurement systems. Other stakeholders such as donors, regulators, and the public can also benefit from understanding the motive and nature of performance measurement practice in their strategic decision-making.

ii. The information that will be gathered in this study will also be useful for further studies in this area. This area is still new and in its developing stages, therefore there is hardly any literature about it in the Zimbabwean context. This research effort will provide a starting point for in-depth research.

iii. This study will also help the research to use the skills acquired in the theoretical course, Research Methodology, in real life context. The researcher will also be able to evaluate the performance measurement practice from his industrial attachment experience against the nationwide practice

## 1.8 Limitations of the study

i. The research methodology has been highly influenced by the need to minimize cost and time. This resulted in the use of a smaller sample than what might be a more accurate representative of the population.

ii. The limited time of the study gave the researcher no option but to use cross-sectional approach, which just provides a screenshot of the situation without considering the effect of time.

iii. Since this is a new area of research in the local context, the researcher had to resort to focusing study that is more foundational rather that explanatory research.

iv. The possibility of bias concerning motives is highly likely.

v. Most NGOs are too cautious with sharing information, especially concerning donor relations and financial status. This led to less response rate for questionnaires. However, after exhaustive explanations about confidentiality, respondents were more willing to give information, especially to qualitative questions as compared to quantitative ones.

## 1.9 Delimitations of the study

. i. The study will focus on NGOs that have operations and are registered to program Zimbabwe. For the sake of this study, NGOs will compromise Charity Organizations, Private Voluntary Organizations (PVOs), Trusts, and Foundations. Other forms of NPOs such as public sector entities, religious organizations and similar entities are not to be included in the study.

ii. The study focused on the current performance measurement practice of a few selected NGOs from the National Association of Non-Governmental Organizations (NANGO) official list, how the frameworks are designed concerning other sectors, and their implication on performance.

iii. The study was done largely virtually since NGOs are scatted across the country.

iv. The study was conducted in 2022 and incorporated findings relating to that year only

## 1.10 Chapter summary

This chapter is an introductory chapter to this academic study, which serves to familiarize the reader with the issues addressed in this study. It outlines the rationale behind the growth in the need for performance measurement in NGOs. It also covers complications, which are specific to NPOs in assessing performance. This chapter also outlines the research questions, the significance of the study, the underlying assumptions and the delimitations of the study.

# CHAPTER TWO

**Literature Review**

## 2.0 Introduction

This chapter looks at scholarly findings about performance measurement in the non-profit-making sector. It analyses the concept of performance measurement, how it relates to NGOs, its current state in the global arena and in the local scene, how performance measurement relates to actual performance, and the ongoing issues in the NGO world on credibility and sustainability. A look at the theoretical work in respect of performance measurement is also included in this chapter and the process of implementing the framework.

## 2.1 Defining performance measurement

The concepts of performance measurement and performance management are two closely related concepts that can easily be confused. Performance management comprises all the managerial tasks concerningperformance, which include taking corrective action where there are significant deviations. This encompasses how management decisions influences organizational performance(Anderson & Lannon, 2018). On the other hand, performance measurement is solely the evaluation of quantifying and reporting of the progress made towards set targets. It calls for a clear definition of the organization’s primary objectives, which influence the performance indicators.

Performance measurement is a process of accounting for the efficiency and effectiveness of initiatives by a variety of techniques, which largely differ depending on the context. Performance measurement is the monitoring and use of key performance indicators of an organization to evaluate the extent to which the organization has moved towards its objectives on a predetermined time interval.It is a way to determine how well goals and objectives are being met, in an objective, unambiguous, unbiased, and quantifiable way.

## 2.2 What are NGOs?

There is no universally definition of NGOs that is agreed upon. The advent of social enterprises has increased the diversity of viewpoints, making it difficult to draw a line between for-profit businesses and nonprofit groups.(Nielsen, et al., 2019). Some academics, however, prefer to characterize NGOs by highlighting what they are not, namely affiliated with the government.

Because of the similarities between the two, the term Civil Society Organizations (CSOs) is used in place of NGO in some literature. Even though NGOs are just a small part of the NPO sector, issues that affect the management and governance of NGOs are essentially similar to the rest of the NPOs. However, this study will use these two terms interchangeably but the object of the study in particularly on the NGOs.

## 2.3 Theoretical Framework

### 2.3.1Stakeholder Theory

Edward Freeman developed this theory, which emphasizes the importance of stakeholders, in 1984. According to the theory, all interested parties, not just finance providers, should have their concerns addressed(Mabhungu, 2017). Researchers generally agree that a stakeholder is any person or entity that is both affected by and affected by the actions of an organization, despite the fact that there is no single, widely accepted definition of what qualifies as a stakeholder.(Moura, et al., 2022). According to the theory, decision-makers must take into account all pertinent stakeholders while making decisions.

This theory is especially relevant to non-profit organizations that are accountable to all other stakeholders. Accountability and legitimacy are important characteristics that an NGO strives to attain. The BSC states, the measurement of performance for NPOs should inevitably include a stakeholder perspective(Kaplan, 2001). Stakeholder satisfaction is an obvious indicator of an organization's performance and it aids in achieving additional objectives by encouraging greater donations from contented contributors.

It is apparent that one of the most obvious ways to assess if an organization is doing well is to check the beneficiary perspective. If the recipient community is satisfied with the projects and initiatives of an organization then that organization is inevitably doing well. Therefore, a well-crafted performance measurement framework considers the perspective of the beneficiaries of the activities of that organization. Some scholars believe beneficiaries are the most important stakeholder(Dubey, et al., 2017).

However, some scholars believe that even though beneficiaries are key in the attainment of primary goal of an organization, funding partners have a more compelling influence since they have the actual power over recipient NGOs(Goddard, 2020). The funding partners or donors have the major influence on the practices of an organization even beyond its reporting system. They may even influence the programming direction of an organization since they can guarantee financial sustainability and NGOs would whatever it takes to remain in operation(Dube, 2021).

Another relevant stakeholder is the government and its agents for example the local authorities, security forces and others. These are responsible for ensuring NGOs are adhering to the relevant rules and laws. This is particularly relevant to Zimbabwe where NGOs have been accused of involving in activities which are ultra vires that is which are outside their activities. Operating under such conditions, an organization needs to consider such concern to help itself prove its activities to be legitimate through proper accountability. This makes government a stakeholder that should not be overlooked.

This dominance of stakeholders on performance measurement practice, financial viability and social impact makes the stakeholder theory particularly relevant for this study. Even though the actual technicalities are done by internal parties but the influence of stakeholders is so dominant that it is as if they are just doing it on behalf of stakeholders(Agussani & Akrim, 2020).

### 2.3.2 Goal theory

This theory was put forward by Edwin Locke in the 1960s**.**Under this view, organizational entities constitute systems with integrated components working towards a common objective(Urdan & Kaplan, 2020). According to this principle, one should examine an organization's performance based on its achievements. The social impact in the beneficiary community serves as evidence of NGO performance in this example.

The use of this theory is based on the assumption that organizations have clear and specific goals that can be measured in an objective manner(Mabhungu, 2017). Another assumption is that the goals are precise enough for understandability to command a harmonized effort by all the parts of the overall system.

This theory does specifically provide a universal guideline for performance measurement, as the goals of organizations are heterogeneous. Each organization has its own goals meaning that the development of performance measurement tools has to be specific. However, there are some general guides in this theory. Even though the goals are not identical, but the role of NGOs is generally agreed to close the gap that the government and private sector fail to fill. So the ability of an entity to solve those societal issue tends to be most relevant measure of performance(Ramadan & Borgonovi, 2015).

Critics point out that relying entirely on the achievement of goals to measure performance overlooks some important factors of success such as efficiency. An organization may achieve all its goals but use unjustifiable amounts of funds. NGOs usually engage in projects with long-term outcomes, which are incompatible with the goal theory(Lall, 2017).

## 2.4 Conceptual Framework

### 2.4.1 Variables

The study will mainly look at performance measurement and the performance of NGOs. In this study, performance measurement is the independent variable that influences the independent variable: organizational performance. Performance measurement practice includes the framework and its adoption in the routine operations of the NGO. NGOs have varied objectives but performance of each is its ability to do what it set out to do.

### 2.4.2 Performance measurementpractice and performance in NGOs

Performance measurement practice is believed to influence decision-making process, which will in turn influence performance. This is based on the assumption that performance can be traced back to the management processes, which include decision-making. Information generated by the performance measurement will help in the creation of competences and the learning process, which in turn give better results.



Figure 2.1: The link between Performance measurement practice and overall performance

KPIs help the organization to realize if it is in the right direction to achieve its predetermined objectives. Each NGO may use different KPIs but the rationale behind their use is similar for all organizations (profit making or not). The indicators enable NGOs to understand their current progress, which allows them to see if their efforts are consistent with the accomplishment of the organizational goal(Ercolano, 2020).

Such information, if gathered accurately and timely will help the management to determine if corrective action is necessary to be in a better position to achieve those goals. The complexity of today's world has made decision-making a challenging task especially when the future is highly unpredictable.Having comprehensive KPIs will help NGOs (and any other organization) adapt more quickly and better sustain themselves in the ever-changing sloppy terrains(Gofe, et al., 2021). Additionally, the contemporary world is a world of mass information, which ends up in data overload. Decision makers must have simple but useful data for decision-making(Enkel, n.d.).

Formulation of performance measures should be consistent with objectives and mission statements(Lall, 2017). The timeliness of the indicators is as crucial as the completeness and accuracy of the KPIs.It is argued that the holistic use of KPIs may result in simplification of the decision-making process and good governance through enhanced transparency and accountability which goes a long way in improving stakeholder relations, particularly the donors(Moreno-Albarracín, et al., 2021).

KPIs from a glance might seem to be useful only to profit-oriented organizations, which use them to understand what needs to be done to improve profits. However, NGOs find KPIs equally useful as a way to motivate donors to supply more funds, which will in turn be useful for carrying out more projects and more programs(Goddard, 2020).

Performance measurement forces management define clearly success in an objective way and identify areas that need managerial attention. It is widely believed that performance measurement goes a long way in improving performance(Dan & Crisan, 2018). Managerial discipline tends to have the same effect and pressure from donors to comply with their expectations guidelines and high targets enhance the performance of NGOs whereas an unclear and uncoordinated management framework has negative effects on performance (disrupter)(Nielsen, et al., 2019).

Drivers of performance measurement belong to two categories: external factors and internal factors. In other words, it is either an NGO that measures performance for outsiders, insiders or both. According to literature, external factors are more dominant than internal factors(Asogwa, et al., 2021). This implies that NGOs measure for both insiders and outsiders but outsiders have a more compelling influence. Another way of categorizing motives behind the performance is by classifying the factors according to the purpose of measuring: measuring to prove (influenced by external factors) and measuring to improve, influenced by internal factors(Lall, 2017).

## 2.5 Empirical Review

### 2.5.1 Performance measurement tools used by NGOs

Many scholars agree that even though the proper allocation of resources is a universal condition for the survival of entities, there is no universal performance measurement that can meet the needs of all organizations particularly non-profit making(Ercolano, 2020; Zdanovskis & Pilvere, 2019; Tahajuddin, et al., 2021). This has led to efforts all over the world to device a framework that will best cater for the needs of NPOs. In most cases, scholars have just made modifications to the existing systems that are private sector entities use. It has been possible to create the measurement framework for NGOs from the existing ones because despite being non-profit making, they also need to disclose the allocation of resources entrusted to them(Moreno-Albarracín, et al., 2021). This makes financial indicators essential for demonstrating their performance(Zdanovskis & Pilvere, 2019). This section will only look at the three most cited performance measurement frameworks namely: Balanced Scorecard, Social Return on Investment and Performance Prism

#### 2.5.1.1 Balanced Scorecard

Kaplan coined a model for both performance measurement and management. Initially, it was for use in organizations with a profit-making model. The initial aim was to help entrepreneurs harmonize non-financial performance indicators with profitability(Lall, 2017) .At the time of its invention, corporations only focused on financial performance.

To encompass the specific needs of non-profit entities, there have been adjustments to the original model (Ercolano, 2020). The most notable change was the prioritization of the stakeholders and the mission in place of the financial perspective(Kaplan, 2001). Despite efforts to align it with the needs of NGOs, such as social enterprise balanced scorecards (SEBC)(Zainon, et al., 2019), the BSC is not a framework enough for the organizational complexity in NGOs.

The model consists of four perspectives namely: financial, customer, learning and growth and internal process. The development of these perspectives isan attempt to capture all the aspects of the organization. The model emphasizes the importance of valuing results both in the short and medium term(Ercolano, 2020). The models also places emphasis on non-financial measures contrary to most convectional performance models. The BSC model helps the organization is setting its prioritiesenabling it to allocate resources more effectively(Velli & Sirakoulis, 2018).

Critics state that the model is too shallow and unclear that in the absence of experts it is difficult to decide the performance indicators and how this will influence the decision-making process(Anderson & Lannon, 2018). Despite it having a multi-dimensional approach, the BSC does not have the complete characteristics to cater for all the features of an organization(Moura, et al., 2022).

#### 2.5.1.2 Performance Prism

The focus of this model is how the organization appears in the eyes of the stakeholders. It was developed by Neely in 2001. It places emphasis on the strength of the organization and how it can utilize these to achieve stakeholder satisfaction(Ercolano, 2020). It provides a general overview of the organization. The framework has related but independent dimensions: stakeholder satisfaction, capabilities, strategies, stakeholder contribution and processes. The model addresses some operational issues that most organization especially non-profit can relate to(Moura, et al., 2022).

The needs and wants of stakeholders catered for in the designing and implementation of performance measurement framework. This helps NGOs align themselves with the concerns of the society they are serving. The involvement of stakeholders will guarantee their support.

However, there is limited implementation of this model in NGO sector even though it is unclear why organizations shun its usage(Anderson & Lannon, 2018). The possible reason is NGOs are not sure if its application has justifiable benefits. NGOs tend to avoid complicated frameworks to help them focus on their primary goals.

#### 2.5.1.3 Social Return on Investment

Just like the BSC, this is a modification of an existing framework to suit the needs of the non-profit making entities. SROI is a modified version of the contemporary Return on Investment (ROI), which includes non-financial indicators to the existing financial indicators(Dan & Crisan, 2018). This is particularly useful to the organization that is concerned not only about making a difference but also about doing so cost efficiently.

The object of this model is quantifying organizational progress based on social indicators(Ercolano, 2020). SROI is a useful tool in performance management because of the comparability of its results(McConville & Cordery, 2021). The model employs measurement methods that are familiar with many NGOs such as outcome and impact but it goes further by placing numerical value to these indicators. It reports social impact in a universally understandable way(Dan & Crisan, 2018).

The simplicity of the information produced makes it usable for decision-making(Dan & Crisan, 2018). An organization can make use of the SROI to compare projects and to assess if the intervention was worth the sweat. Unlike other frameworks, SROI can also be to forecast future outcome as well as evaluate results from the past, which makes it a uniquely useful management tool, which helps enhance long-term performance(Dan & Crisan, 2018).

However, critics point out that the quantifying of outcomes and impact is subjective which is likely to affect the integrity of the reports. Such measures place too much focus on efficiency paying less attention to the real issue: effectiveness. Stakeholders are more concerned with the social impact as the primary goal not the savings made due to efficient strategies used(Tahajuddin, et al., 2021).

#### 2.5.1.4 Annual Impact Monitoring and Evaluation System (AIMES)

The system was created by The Christian Children’s Fund (CCF) to measure the impact of its initiatives on the welfare of the children they reached. The system was meant to improve CCF’s relationship with its funding partners through improved accountability and more transparency. The AIMES was a tool for continual assessment of impact useful to both the organization and the community at large.

Unlike most commonly used measurement tools, AIMES was developed specifically for NPOs by an NPO. Other measurement tools such as Balanced Scorecard, Performance Prism and SROI were modified from existing measurement tools already in use in the business sector. This makes AIMES as particularly interesting tool for NPOs due to its nature. However, the AIMES was not developed to cater for the aspects of all the NPOs. The CCF developed it specifically for its own needs and circumstances relevant to its programs. Despite such a drawback, other organizations have found the system useful due to its simplicity and ease of use.

The AIMES has varied independent measures from which an organization can choose. The measures are grouped in four clusters namely: input, output, outcome and efficiency measures. An organization should use at least one cluster from the listed measures. It is generally agreed upon that to cater for the expectations of the diverse stakeholders; NGOs may need to include all the measures as each stakeholder group has different expectations.

### 2.5.2 Key performance measures used by NGOs

Since their goal is not to maximize shareholder value, NGOs cannot use profitability as a performance indicator. Rather, NGOs have a wide range of varied goals and a wide range of stakeholder groups that are concerned about their operations. Each stakeholder group has its own way of assessing performance. Performance indicators are measures of project impacts, results, outputs, and inputs used during implementation process to evaluate the progress toward objectives of the project(Operations Policy Department, World Bank, 1996). These indicators are still useful at the end of the project to assess the extent to which organization did what it intended to do.

From the above definition of performance indicators, it is clear that Key Performance Measures (KPMs) and KPIs are similar but KPMs will be the term used in this study to emphasize the distinction to the conventional indicators used in other fields. The performance measures belong to two categories namely: internal measures and external measures(Ramadan & Borgonovi, 2015).

#### Classification of the performance measures

##### 2.5.2.1 Internal Measures

The internal performance measures of NGO performance evaluate the organization's viability. These measures assess the financial health of NGOs and take into account aspects like budgeting proficiency, expenditures, and resource accessibility(Ramadan & Borgonovi, 2015). The major purpose of such measures is to gather data for internal decision-making.This is comparable to the cost and management accounting practices used by profit making organizations.

Another way of understanding the performance measures of any organization is to consider them tools used to conduct a SWOT analysis. By employing this strategy, NGOs will assess their internal strengths and internal weaknesses, which are elements of the SWOT analysis.(Kelsey, 2018). In other words, internal measures address problem areas while maximizing an organization's strengths.

##### 2.5.2.2 External Measures

These measures are examiningthe relationship between an NGO and the environment in which it operates(Ramadan & Borgonovi, 2015). To meet their financial needs and other conditions for sustainability, NGOs must be able to benefit from their environment. NGOs should maintain a positive relationship with the environment. The importance placed on these measures in the NGO sector is what differentiates NGOs from other entities. Stakeholder satisfaction is particularly important for NGOs as evidenced by the prioritization of the customer perspective in the modified BSC(Kaplan, 2001).

Many scholars argue that most NPOs adopt performance measurement systems due to external pressure(Nielsen, et al., 2019) which results in more emphasis being placed on the external measures(Ercolano, 2020; Goddard, 2020; Zdanovskis & Pilvere, 2019). However, some scholars argue that the external measures ensurethere is an optimum environment, which helps to ensure that internal measures are, elevated(Lall, 2017). The external measures provide useful information to stakeholders such as funding partners that would want to understand progress made by NGOs.

However, the usefulness of external measures is not limited to external users. Internal users can also use these measures to assess the other side of the SWOT analysis, the external forces. External measures are pivotal in identifying opportunities and threats. Appropriate use of the external measures can help the organization fully exploit its opportunities and mitigate threats(Kelsey, 2018).

### 2.5.3 The performance measures/indictors currently used by NGOs

Since most important business performance indicators are ineffective for not-for-profit organizations, these organizations must create unique measures to facilitate the accomplishment of their goal-driven strategic plans. One strategy employed by NPOs is to compare the resources spent on program services vs. administrative and general costs(Henderson, et al., 2002). Even though this strategy provides an aerial view of performance to donors, it is irrelevant to others users who are concerned about specific details.

There are usually five broad performance measures used by both profit making and NPOs namely input measures, output measures, outcome measures, efficiency measures and quality measures(Enkel, n.d.). However, some NPOs use the Annual Impact Monitoring and Evaluation System (AIMES) developed by The Christian Children’s Fund for its own use and such organization do not use include the quality measures, as they are not part of the system(Henderson, et al., 2002). Other scholars also support this view citing, quality measure are not particularly relevant to NPOs(Camp & Braet, 2016; McConville & Cordery, 2021). With that, we shall look at the four measures included in the AIMES.

#### 2.5.3.1 Input Measures

Input measures track the amount of resources were used to create, maintain, or provide a product, activity, or service. The organization quantifies the effort expended on a program in this very straightforward measure. Many NGOs are familiar with this way of measuring their performance. This approach is quite simple because effort can easily be measure objectively. For example, it is quite easy to report financial resources dedicated on a particular program. Non-financial resources can also be included in the reports such the time spent on that particular initiative(Henderson, et al., 2002).

#### 2.5.3.2 Output Measures

Output measures keep track of "how much" was created or offered. They give a number to show how many individuals, recommendations, activities, commodities, etc. were involved. This is an objective measure of immediate results. It quantifies the services rendered in each particular reporting period or project. This performance measure captures information in non-financial terms. The results are in terms of tangible accomplishments reportable in an objective way. For example, an NGO helping orphans may report on the number of scholarships given provided to in a particular period.

#### 2.5.3.3 Outcome Measures

Outcome measures assess the influence of a principal goal, objective, activity, product, or service on its intended audience.The precise goal or outcome that the function, goal, service, product, or activity wants to attain or satisfy is often the foundation around which these measures are built. The fulfilment of the NGO's objective or goals should be reflected in an outcome indicator.

This performance measure estimates the level of goal accomplishments by a project or program. For example, a program that aims to improve the well-being of the girl child may measure the reduction in reported cases of child marriages as an indicator for performance. The major shortcoming of the outcome measures is that other factors apart from the program that affect the outcomes. Outcome measures are more useful in the long term than in the short, as outcomes tend to be clearer with passage of time.

#### 2.5.3.4 Efficiency Measures

Monitoring the link between output and resource used is the role of efficiency measurements. In other words, efficiency measures are a result of comparing input against output. The two main categories of efficiency are productivity and unit cost. The unit cost is calculated by comparing an input to an output (i.e. resources used/number produced). Productivity is determined by comparing an output to an input (number produced/resources consumed).

This is usually the last measure as it makes use of other measures. It analyses the relationship between input measure and output/outcome measures. It provides information as to the efficiency of resource utilization. The performance data users are interested in the cost per unit of output/outcome for example the amount used per each beneficiary child.

### 2.5.4 Main factors influencing the choice and design of performance measurement framework for NGOs

Literature states that there are ten key factors in the creation and usage of a performance measurement frameworks(Moura, et al., 2022) .The cited authors grouped the factors in three groups: Purpose, Stakeholders and Management. A comprehensive performance measurement system needs to capture all the factors from all the groups to be able ‘to function as mediator’(Nielsen, et al., 2019)

|  |  |
| --- | --- |
| Group | Factor |
| Purpose | Social Approach |
| Accountability |
| Stakeholders | Legitimacy |
| Involvement and influence of stakeholders |
| Volunteering |
| Financial sustainability |
| Short and long-term planning |
| Management | Fairness |
| Effectiveness and efficiency |
| Strategic Management Control |

Table 2.1 Factors influencing NGO performance measurement practice

#### 2.5.4.1 Social Approach

Many scholarly writers think that what makes the use of universal performance indices in all entities is that each NGO has its unique vision and mission(Ercolano, 2020). This point makes it clear that the choice and design of the measurement framework are largely dependent on the vision and mission of the respective organization.

The convectional performance evaluation tools are incapable of outlining the extent to which an organization is achieving its predetermined goals. This is because most of the performance indicators for NGOs are in form of qualitative results and usually it takes longer periods to realize the benefits of the undertakings.

One of the basic reasons for organizational performance measurement is to ascertain if the current efforts in terms of projects and initiatives are aligned towards the attainment of the organizational objectives(Ercolano, 2020).

#### 2.5.4.2 Accountability

Literature analysis reveals that accountability and transparency are most stated motives in the measurement practice(Leon, 2018). NGOs have an obligation either express or implied, to be accountable in some way. Such obligations usually come through contractual relations or rules and regulations(Moura, et al., 2022)

For example, in the United Kingdom (UK), NGOs of considerable size are supposed present Annual reports, consisting of performance data. However, the legislation allows each organization to choose its own performance measurement method(McConville & Cordery, 2021). Such legal obligations will influence the design of the performance measurement, as organization will try to generate program performance narrative that matches the accountability standards. (Anderson & Lannon, 2018)

NGOs take a reactive approach to performance measurement. They are likely to engage in performance measurement only when pressurized to do so. In this way, they design the framework only to the extent required. It is widely believed that NGOs solely collect performance data to fulfill the accountability obligation(Coy, 2018).

#### 2.5.4.3 Legitimacy

Accountability and legitimacy are easily confused as the same concepts and some writers use the terms interchangeably. Accountability is focused on just documenting and presentation of reports to show how the resources were used whereas legitimacy is the process that proves to external parties that the organizational initiatives are carried out in line with the relevant obligations and are driving the achievement of the social objectives in the long term. (Moura, et al., 2022) A study on performance measurement systems found that the design and implementation of the framework are largely motivated by the organization’s pressure to be legitimate (Tahajuddin, et al., 2021).

However, unlike accountability, whichis done solely for external parties, legitimacy has proven to be a valuable management asset. Demonstrating its adherence to social perspectives of management enhances stakeholder trust(Moreno-Albarracín, et al., 2021) .This is the reason legitimacy is driven by intrinsic forces to elevate the image of the NGO.

The growth in the desire for legitimacy has seen a rise in the private sector reporting methods being implemented in the NGO sector(Dan & Crisan, 2018) . However that study by McConville & Cordery, (2021) found that even though more perfromnce data is being published, it is serving little use as it not comprehensive and incomparable which implies that there is more symbolic reporting(Nielsen, et al., 2019) than the actaul performance communication.

#### 2.5.4.4 Involvement and influence of stakeholders

NGOs, just like all other organizational entities have external parties who have influence and/or who are influenced by the operations of the entity: stakeholders. What differentiate the non-profit sector are the extent of their involvement and the nature of their influence. NGOs are largely controlled by outsiders even with respect to their strategic programming. Some of the ways NGO stakeholders relate to the NGOs is through provision of donations and grants, consortiums, regulations and other interactions(Moura, et al., 2022)

Due to the nature of NGOs, stakeholder involvement is not quite straightforwardand is usually multi-dimensional. Depending on the power they have, stakeholders have a significant contribution on the decision-making process, which encompass the design and choice of the performance measures(Moura, et al., 2022). .

Here in Zimbabwe, stakeholders particularly the donors play the pivotal role in the designing of the reporting framework. The donors have the power to determine the organizational structure and even make programming decision, which are more strategic than the performance measurement. Some NGOs are said to go outside their programming area just to be in line with donor expectations(Goddard, 2020).

#### 2.5.4.5 Volunteering

This group belongs to the stakeholders but due to their special relationship with NGOs, a look at their influence on the performance measurement framework is given. Unlike other stakeholders, volunteers work from inside the organization. Their influence is continuous and concurrent with the activities of the NGO. They may not have authority over executive decisions but they are involved in the actual operational effectiveness and efficiency of the initiatives.

They participate in NGO activities because of their desire for the social cause not through employment contracts. Their expectationsare unique for each organization and they shape how things are done and the decision making process(Moura, et al., 2022). Proper decision-making and comprehensive performance measurement can only realize results if they are properly implemented and regularly evaluated. This can only happen if the whole organization in participatory in the process.

This has forced NGO leadership to try new management models which among other things involve subordinates in performance improvement endavours(Anderson & Lannon, 2018). As such management tends to solicit feedback from employees and volunteers as these will have first hand interactions with the communities so will have a better understanding of the dynamics surrounding the target problem. It is believed that this will also improve volunteer morale which goes a long way in enhancing organizational perfromance.

Volunteers have less influnce when compared with other stakeholders. NGOs usually feel they don’t owe volunteers anything. The absence of any contractual obligations makes them less influential. Other stakeloders such as the government and funders have the power to sanction which is an effective tool to command compliance even in the absence of rationalization.

#### 2.5.4.6 Financial Susutainability

Any organization, without considering its sector, should consider its financial well-being when making perfromance management decisions. It may be argued that the main concern of NGOs is drive the social cause for which it was registered to engage in. The financial perspective need to be incoporated in the perfromance assessment as it the backbone of organizational survival(Kaplan, 2001). To understand the implication of financial sustatinability one needs to appreciate the nature of NGO funding. In the context of Zimbabwe, overseas donations are the only signficant source of income that is worth mentioning for the purpose of this analysis(Goddard, 2020; Dube, 2021)

Such financial limitations have a material impact on the decision making of the NGOs which cannot be overlooked. There has been a rise in the number of NGOs which has made the competition for grants intense such that most NGOs have made survival their primary objective. External factors beyond the contol of both the NGO and its funders have usually disrupted the flow of resources which have made the NGOs vulnerable to insolvency(Moura, et al., 2022).

This vulnerability has forced NGOs to come up with strategies that mitigate the risk of failure. One of the basic tools which have proven to be useful is use of a sound measurement and reporting framework. It has been observed that those organization that have credible track record have better access to finance(Tahajuddin, et al., 2021). There is positive relationship between relationship between dependency on donors and compliance with donor standards(Greiling & Stötzer, 2016). The more vulnerable an organization is the more likely it is to consider the financial implication of its performance measurement framework.

If an organization does not fully include financial susutainability in its design of the framework, it is likely to be short-lived since the social impact it thrives to achieved need more resources to bear the tangible fruits. Over the years, some scholars have come up with financial ratios that are similar to convectional ratios but that cater for the needs of the NGOs. Some of them focus on the ability of the NGO to keep the doors open without additonal donor funding(Zdanovskis & Pilvere, 2019; McConville & Cordery, 2021). These ratios are a clear indication that financial sustainability is of great importance when it comes to performance. All the other variables are reliant on the sustaibility of the organization.

**2.5.4.7 Short and long-term planning**

The requirement imposed on NGOs to measure perfromance over a fixed, short period such as a year poses problems to NGO because most of the outcomes can be realized after several years(Moura, et al., 2022). For example, an NGO trying to improve literacy rate in Mashonaland Central may spend the whole year or more building schools around the province. It may report on the input (the amout spent on building the schools) and ouput (the number of schools built) but it may take several years to measure the real outcome (increase in literacy rate) or impact (improvement in livelihoods through better job opportunities.

This imbalance in timing forces NGOs to strike the balance between short term planning and long term planning. This correspond to the balance in the Key Perfromance Indictors(Moura, et al., 2022). Despite the fact that the long term factors are what matter the most, NGO need to acknowledge the short term measure which serve the legitimacy role and also assess the progress towards the long term goals.(Treinta, et al., 2020)

External pressure tend to force NGOs to focus on the short term. NGOs in Zimbabwe are sometimes given projects that have specific time frame. The NGOs may know for sure that the given time limit is unrealistic but the donors usually tends to inflexible(Goddard, 2020). The NGOs are forced to use the unrealistic timeframe in their planning as a way of ensuring continuity of the organization in the face of economic and political instabilities(Moura, et al., 2022)

However, external pressure should not be an excuse for poor long term planning. Organizations should be futurist in meeting stakeholders requirements and align itself such that its resources are best matched to achieve its overall goals(Anderson & Lannon, 2018). For social enterprises with multiple logics, the performance measurement should help the organization stay in track of its mission both in the short and long term(Nielsen, et al., 2019).

#### 2.5.4.8 Fairnness

As discussed earlier, NGOs should proiritize the social impact of their projects. It is quite easy to lose that vision and place much focus on tangible indicators which are more appealing to both internal and external users of perfromace data. In addition to adding social value to societies, NGOs need to consider fairness.

It is unethical to have highly performing intervention in province whilst the rest of the country receives no attention. Equity between districts, provinces and even nations is one of the motives that characterize NGOs. They take deliberate effort to distribute resources in such a way that all the beneficiary communities realize the same social value(Moura, et al., 2022).

It is argued though that there is a trade off between efficiency and fairness. Peformance measurement tools need to produce data that is comaprable so as to facilitate in the redistribution of resources. In the case of international NGOs, resources may flow from the developed countries to developing countries in order to close to gap(Goddard, 2020) However, less attention is given to this factor both in literature and in practice.

#### 2.5.4.9 Effectiveness and Efficiency

Most of the other factors contribute directly or indirectly to the effectiveness and efficiency of the organzaitaion. Effectiveness is basically the realization of the organzation’s intended outcome and efficiency focuses on the relationship between input and ouput of a particular endavour. A research study in Ethopia found out that the soundness of the control mechanism has a direct effect on the proper allocation of organizational resources(Gofe, et al., 2021). He also added the importance of having working Accounting Information System (AIS), and stress the importaance of having perfomance data as this enables the organzaition to make more accurate decsions.

NGOs are supposed not only to measure what they have achieved, but also include indicators of effectiveness and efficiency(Kaplan, 2001). This proccess of performance assess should be a continous proccess not only backwards looking. This calls for the adoption of business like techniques that are widely known for enhancing efficiency(Anderson & Lannon, 2018)

Other dimensions of the performnce measurement such as transparency, legitimacy and accountability influence the design of the framework that aims to demostrate effectiveness and efficiency in respect to the utilization of funds(Leon, 2018). Some measure used by private sector firms to measure efficiency have been altered to report on efficiency of NGOs in quantifiable manner. A good example of that is the SROI(Dan & Crisan, 2018).

#### 2.5.4.9 Strategic Management Control

There is much debate about the main motive behind performance measurement. There is large of literature evidence that suggest organizations use performance measurement in a symbolic way: measuring to prove(Lall, 2017; Nielsen, et al., 2019; Phelan, 2014; Agussani & Akrim, 2020). Despite this, there is still empirical evidence supporting the view that performance can still play mediator role: measuring to prove(Lall, 2017; Coy, 2018; Velli & Sirakoulis, 2018).

Performance measurement system can decision makers improve performance through troubleshooting which is a continuous process(Moura, et al., 2022).The cited authors also added that performance measurement is actually a component of performance management. They suggest that these need to be design considering their interrelationship.

Performance measurement has management functions which including highlighting areas that need attention, as a continuous learning tool, improving employee morale and aid in the management of projects(Velli & Sirakoulis, 2018). These function need to be considered in the implementation of the framework as these have a direct bearing on efficiency and sustainability. An analysis of performance measurement results gives a starting point for problem identification and problem solving in a continuous way(Anderson & Lannon, 2018)

Globally, there is growing trend towards more performance measurement in NGOs and the expectation would be an increase in the usage of continuous improvement approach. Sadly, this is not the case, as majority of the NGOs are failing to implement performance measurement as a management control tool(Coy, 2018). Instead of using performance data to find shortfalls and motivate staff, performance measurement has become a ‘symbolizer’ (Nielsen, et al., 2019).

Ideally, performance measurement is supposed to be driven by internal forces such as the need for information for decision-making. In reality, this is not the case as in most cases performance measurement is an alien concepts from external parties(Velli & Sirakoulis, 2018). Another issue that significantly affects the performance of NGOs is their capacity to use the data for internal purposes. Small NGOs are less likely to have effective measurement practices that can generate useful decision-making data(Greiling & Stötzer, 2016).

### 2.5.5 The impact of performance measurement on the overall performance of NGOs

The definition of performance in the NGOs sector is much more debated than in the private sector. This is because NGOs have diverse agendas are these are not in quantifiable terms. However, for the sake of this study, the performance of NGOs is to be taken as the extent to which an organization is realizing the impact it intended to in a way it had planned to do so within the pre-determined period. This section will analyze the impact of performance measurement on the overall performance of the organization. The analysis is split into two section, with the first looking at the direct relationship between the two variables and the second section at the indirect relationship.

#### 2.5.5.1 Measuring to improve(Lall, 2017)

This is recent trend by NGOs, which has seen them adapting to the practices that are business like as a way of enhancing performance. This has led to the use of the name, ‘measuring to improve’(Lall, 2017). This does not mean that accountability has lost its place in the performance measurement framework. Performance measurement can serve several functions but most scholars agree that these uses can be grouped into two major categories(Ercolano, 2020; Treinta, et al., 2020; Nielsen, Lueg, & Liempd, 2019; Greiling & Stötzer, 2016). Scholars have given many names to these categories but the common factor among all the naming is they were named with respect to the intended use. The dividing line of the two categories is one category is mainly for internal use and the other is for external use.

We shall look at the internal usage group, whichcan be named: measuring to improve(Lall, 2017). Organizations seeking to enhance their performance evaluate their projects by measuring both immediate logic and long-term logic. Performance measurement is just means to achieve an end so it should be viewed in its own respect but as a condition for elevating performance (Dan & Crisan, 2018). There is a grown trend towards self-review of performance amongst NGOs which helps them to enhance malfunction parts of their system(Anderson & Lannon, 2018; Leon, 2018) A working measurement framework is not only useful for troubleshooting, but also essential in developing objectives that are consistent with the overall aim of the entity(Zainon, et al., 2019; Ercolano, 2020)

Performance measurement is also essential in giving employees a reason to put more effort andcan be used as a compass in day-to-day management(Leon, 2018). It is also argued that even though most performance framework is chiefly used for external reporting, such information is equally useful for internal management control system (Greiling & Stötzer, 2016). According to research, leaders of most NGOs acknowledge the fact that performance measurement plays an important role in the control and coordination of managerial activities especially in big organizations. Another study found a support for the view that the desire to improve performance leads to performance measurement, which is an indication, that organization actually perceives measurement as an influencer of overall success(Lall, 2017).

Scholars in this study area generally agree that changes in the accountability and reporting framework should have an effect on the performance of the organization, which signifies a direct relationship between the two variables(Porumbescu, 2016).The cited author noted that publishing of such information would force organization to stay on track as the otherwise may have fatal consequences such as withdrawal of funds.

Performance measurement can work in the backward way. Improvements in the planning process, adherence to budgets, improved service delivery are likely to be witnessed when organization is operating in the spotlight(Coy, 2018). Performance measurement is essential in expending organizational capacity(Tahajuddin, et al., 2021) Measuring is useful in helping the organization have useful information on a timely base that enables to make continuous improvements. The marketization and rationalization of the NGO sector has led to the realization that internal activities have effects on the overall viability of the entity which in turn improves performance(Lall, 2017)

Due to the complex environment in which NGOs operate, they cannot survive based on theories from the textbook. NGOs can only enhance their performance based on the continuous learning, whichis done analysis of previous results(Ercolano, 2020). This is consistent with definition of performance management, which is a never-ending process. Performance can take any of the three forms: mediator, disrupter or symbolizer(Nielsen, et al., 2019). By this classification, the cited authors accepts the impact performance measurement have on performance. When performance measurement works successfully to enhance performance, it is termed mediator and when a poorly designed frameworks causes tensions thereby lowering performance, it is termed disrupter. A symbolizer is a performance measurement framework that has no direct relationship with performance, the one that is done solely for accountability.

#### 2.5.5.2 Measuring to prove(Lall, 2017)

Scholars universally agree that any form of reporting has a motive to prove something. It can be to prove compliance, efficiency, effectiveness. It has been observed that most of the reporting frameworks are made with, accountability and legitimacy in mind(Agussani & Akrim, 2020; Agyemang, et al., 2017; Asogwa, et al., 2021; Tahajuddin, et al., 2021). It is no doubt that the need to prove applies to all organizations.

As discussed earlier, performance measurement can take different forms, which include the symbolic role where it is solely for accountability(Nielsen, et al., 2019). In such case, it is argued that there would be no relationship between the two variables. Research shows that most NGOs engage in performance measurement only due to external pressures(Leon, 2018).

However, some scholars still argue that even though organizations may not deliberately measure performance with the intention of improving performance, there is still a traceable positive relationship between performance measurement and actual performance. The external pressure to report on performance is in fact pressure to be efficient and effective in order to ‘prove’ that one is good at doing their work(Greiling & Stötzer, 2016). It is however very rare to find the framework for performance linked to the actual performance(Moura, et al., 2022).

There are scholars who also argue that even though measurement is not done as a management tool by many organizations, accountability have an impact on the performance of the organization. Some writings suggest that accountability and legitimacy have a significant effect on financial sustainability(Porumbescu, 2016). Having a sound reporting system is likely to attract more funding(Coy, 2018) which is likely to attract more funding, which is useful for reaching more groups that are vulnerable.

According to the above definition of performance, it is clear that any condition that contributes to the NGO’s ability to attain what it intends to achieve represents performance. Before looking at high-level impact measures, one needs to consider the going concern of the organization. There have been high failure rates of NGOs especially during the first years and this has been attributed to the lack of performance measurement(Tahajuddin, et al., 2021)

Some organizations especially those in Zimbabwe have taken such an approach. They are paying less attention to efficiency are only focusing on securing funds and presenting colorful reports(Goddard, 2020). This is due to the lack of capital and dependence on one source of income.

Some studies that suggest performance measurement practiced for legitimacy may take a disruptive form(Nielsen, et al., 2019). This may be in form of programming where NGO tend to focus on activities, which are measuring quantitatively rather than those that have real social impact(Porumbescu, 2016). Efforts to outline the gains obtained from accountability have given so much literature but its dark side has been ignored. The need to generate donor-required reports has caused information overload, which is demotivating for staff, and organizational focus is threatened.(Goddard, 2020)

## 2.6 Empirical Summary

### 2.6.1 What Role Do Design Factors Play in Applying PerformanceMeasurement Systems in Nonprofit Organizations?(Moura, et al., 2022)

This study attempts to analyze the characteristics of NPOs in relation to performance measurement. The study consisted of two independent NPOs, one from the USA and one from Brazil. The results show that several factors pertaining to purpose, stakeholders and management determine the design of performance measurement system. However, the unique features of each organization affect the usage and compatibility of the system but not its initial design.

### 2.6.2 Non-profit accountability in least developed nations: lessons learned from West Africa(Porumbescu, 2016)

The researcher intends to fill this gap in the literature by examining the importance of accountability within nonprofit organizations. This was accomplished by discussing how these firms' accountability frameworks relate to performance management procedures. The goal of this study is to analyze how accountability is included in performance management procedures in nonprofit organizations in third-world countries. The research questions were tackled in training sessions with NPOs that lasted a whole week. According to findings, a lack of organizational capacity is the main obstacle to adopting efficient accountability-based management regimes.

### 2.6.3 Performance management tools used in NPOs – a literature review(Dan & Crisan, 2018)

The study had the simple goal of evaluating existing performance measurement frameworks. This article focuses on the most popular frameworks. The research paper outlines the key results for each framework. The findings consist of the main reasons for its application, adoption stages, merits, and challenges in its application and case studies of both success and failures. They concluded that all the tools they analysed had multiple dimensions and perspectives. Such an approach is useful for capturing all aspects of organizational performance.

### 2.6.4 What Drives Performance Measurement in NGOs? : A Case Study from Pakistan(Tahajuddin, et al., 2021)

Researchers sought to gain a better understanding of what motivates NGOs to implement performance measurement systems and the factors that influence their design. NGOs in Pakistan were used as a case study. A qualitative approach was used to investigate the relationship using the opinions of the respondents. The researchers concluded that external pressure to gain legitimacy is the most decisive factor in the design of performance measurement whilst the primary reason for its application is sustainability. The researchers propose that further study should be conducted which includes the opinions of other parties such as stakeholders not only managers.

### 2.6.5 Measuring to Improve Versus Measuring to Prove: Understanding the Adoption of Social Performance Measurement Practices in Nascent Social Enterprises(Lall, 2017)

The researcher set out to investigate the rationale for the performance of social enterprises. This form of organizational entity emerged because of funding problems associated with NPOs. The commercial side of social enterprises is clearly understood but the human side raises so many questions. The study aimed to understand if organizations measure performance due to external pressure or because of the need to gather information for continuous improvement.

The researchers analysed the connection between internal and external factors of almost 2 000 organizations from around the globe. They concluded that contrary to previous literature organizations are applying performance measurements because of the growing marketization of the sector.

### 2.6.6 A performance measurement framework to enhance the success and survival of retail micro, small and medium enterprises (Mabhungu, 2017)

The study aimed to capture an understanding of the performance measurement frameworks of Small to Medium Enterprises (SMEs) paying particular attention to retailers. The research had the additional aim of formulating a performance measurement framework that can be applied by SMEs in developing nations. A combination of both literature review and primary data collection was used and data collection was through questionnaires and interviews with entrepreneurs and their executive staff.

The results of the study show that most SMEs do not measure critical success factors. The performance measurement framework proposed by the study placed more emphasis on non-financial performance as compared to financial performance. Respondents thought that the adoption of performance measurement framework could have a positive effect on performance. The researcher suggested the need for further study that looks at measurement practice over a wider time horizon.

## 2.7 Research Gap

As discussed earlier, there is no consensus on what works and what do not work for NGOs. It appears the solution to such a complex question is nowhere close to being arrived at. However, this study aims to take a step toward discovering how NGOs in Zimbabwe are employing theoretical frameworks to solve real-life issues.

## 2.8 Chapter Summary

This chapter focused on the existing literaturewritings that relates to the performance measurement of NGOs or NPOs in general. The chapter analyzed the performance measurement tools used in NGO sector and the KPMs that are employed to assess progress being towards the long-term organization goals. The chapter also looked at the relationship between performance measurement and actual performance. Theories underlying this study were also covered in this chapter.

# CHAPTER THREE

## 3.0 Research methodology

The methods used by the researcher to collect and analyze data will be highlighted in this section. This will include the research design, the intended audience, the sample size, the methods used to obtain the data, and any other research-related factors.

## 3.1 Research design

The methodology for conducting the research will be governed by the research design. This will involve gathering information to respond to the research questions. With the aim of getting an understanding of the field dynamics, the project aims to gather first-hand information from NGOs. The primary data used in this study will be gathered mostly through questionnaires and interviews. The researcher anticipates collecting a large amount of quantitative data. This is so because quantitative data can be evaluated more objectively. However, to complement the quantitative data and fulfill some of the research's goals, which call for comprehending motives, qualitative data will also be gathered.

## 3.2 Descriptive research

The purpose of conducting descriptive research is to provide a more precise view of the research subject. Foundational study helps in gathering facts that are fundamental for the undertaking of explanatory research. The research design aims to give a mere description of interrelated variables. Such relationships can only be established through the collection of accurate and valid data in measurable terms.Every approach has its drawbacks; one has to acknowledge the trade-off that exists between different methodologies(Nayak & Singh, 2021). Even though this methodology does not fully explain a phenomenon, it gives a clearer understanding of connections between variables.

## 3.3 Population and Sampling

### 3.3.1 Research Subjects/ Participants

The research data will be collected from these individuals. Unlike the research population, which is made up of the entities, whose characteristics a study intends to investigate. Research subjects are the people who will be participating in the study. This study will make use of the executives from the sample NGOs as the participants of the study. The main target department will be the Finance and Accounting department or equivalent and some input from the Programs Department.

### 3.3.2 Target population

Population in the field of research can be defined as all the subjects to which the research aims refer. In other words, the population comprises all the elements, which are to be part of the research interferences. The target population specifically refers to the prospective respondents of the study. Care must be taken in the choice of the population and the sampling techniques as these have a direct bearing on the integrity of the results(Nayak & Singh, 2021).

This study will use all the local NGOs as the population of the study. Other forms of NPOs such as religious organizations, political parties, public sector entities and similar entities have been excludedin the data collection process.To gain a general overview of the matter, the enquiry will be focusing on diverse NGO groups across the country. The researcher is planning to gather information mainly from Private Voluntary Organizations, Trusts, Foundations and other charity organizations.

### 3.3.3 Sample size

A sample is a fraction of the population that is used for data collection purposes. Due to the size and location of the target population, it will be unrealistic to collect data from the entire population. The researcher will focus on a few NGOs to gain an in-depth understanding of the issues. The researcher intends to gather data a sample of 80 organizations across the whole country.

### 3.3.4 Sampling techniques

The study makes use of systematic sampling to ensure that there is no bias in the selection of the subjects. This technique is a form of probability sampling. The validity of results tends to be enhanced by the use of probability sampling as contrasted to non-sampling techniques, which are subject to human bias.

The researcher will use the national directory of the National Association of Non-Governmental Organizations (NANGO) as the whole population from which a sample will be selected. Every organization that is part of the NANGO database will have an equal chance of being selected. This method has been credited for being simple and easy to understand(Sharma & Kumar, 2022)

### 3.4 Research Instruments

#### 3.4.1 Questionnaires

The study will mainly rely on questionnaires for primary data collection because of their convenience.The questionnaire includes an assortment of information involving composed inquiries for respondents to address(Sharma & Kumar, 2022). The study will involve respondents who are geographically dispersed; this will therefore make it costly and time-consuming to distribute printed questionnaires to all the respondents.

 To counter this, Google forms will be used which will enhance confidentiality. However, an email sign-in will be required to ensure that each individual responds only once. If properly use, questionnaires are cost-cutters and time-savers. On the dark side, information collected by questionnaires is too specific and respondents may have not decoded the questions accurately. These drawbacks have given the need for supplementary data collection instruments to capture qualitative data.

#### 3.4.2 Interviews

To enrich the quantitative data collected through questionnaires, the researcher will also use interviews to collect the corresponding qualitative data. Interviews can be defined as a formal conversation where one or more of the individuals taking part is willing to give useful information (Saunders 2003). They will also be used to fill information gaps that will not be filled by the questionnaires.

Only individual interviews will be conducted during the study. The interview will be dominated by unstructured questions that seek to capture qualitative data(Gupta & Gupta, 2022). These interviews will be conducted over the internet to save resources. The researcher will be able to add follow-up questions to get an in-depth understanding of the phenomenon.

### 3.5 Administration of Researcher Instruments

The researcher does the actual data collection in this process. This research has tool main primary data collection instruments namely: questionnaires and interviews. Both instruments will be self-administered, as control over administrations is essential to both the validity and accuracy of the data.

Questionnaires are to be distributed through an electronic portal, Google Forms, after seeking permission from Programs Director or equivalent from each NGO. Contact details of the participants are obtained from the permission granted. The researcher will seek the participant’s consent by explaining the purpose and nature of the study. After obtaining consent the researcher will share access to the ‘Form’, which has both instructions and questions.

Interviews are to be conducted virtually meaning the researcher will not need to travel around the country. Permission to conduct interviews will be obtained from a board official. The researcher will make appointments with the participants for the interviews. Depending on the compatibility of the communication medium, the researcher will make use of various forms of communication mediums to cater for differences in organizations. All the interviews will be recorded electronically for accurate data capturing.

### 3.6 Research choices

The researcher adopted both the quantitative and qualitative methods. The primary method of research is quantitative but qualitative information will be necessary to answer some of the research questions. It is not possible to understand motive by just an analysis of quantitative data(Sharma & Kumar, 2022)

### 3.7Time horizon

All the data collection procedureswere done at a point in time to have a comparative view of all the respondents at that specific time.

### 3.8 Reliability and Validity

The validity of an instrument is its ability to measure what it intends to measure. The validity of data is closely related to the validity of the instrument used to collect it(Nayak & Singh, 2021). There is also a close relationship between validity and reliability and reliability is said to be a precondition of validity(Saunders, 2003).

Face validity will be used to ascertain the validity of both the questionnaires and the interview guides. Reliability can be defined as the ability of an instrument to produce similar results if the data collection process is carried out more than once(Nayak & Singh, 2021). The input from the supervisor and a pilot study contributed to ensuring that the instruments were clear and understandable. Voice recording has been used during interviews to enable accurate analysis.

### 3.9 Data Analysis

The primary data collected was analyzed using two software packages namely: Statistical Package for Social Sciences (SPSS) program and Microsoft excel. Microsoft Excel has been used to capture data electronically and organize it. This software was useful in basic statistical calculations. However, conclusive calculations were made with the use of SSPS. Google forms will also aid in data processing. Due to the complexity and diversity of the research question, the data analysis will be for each specific research question.

**RQ1**: The study will make use of descriptive statistics to generate insights and conclusions for this research question. The use of basic calculations such as mean, standard deviation and similar calculations will help the understanding of the usage of performance measurement tools in the local context. The analysis will be done through the grounded theory approach due to the scarcity of literature information about the subject in the Zimbabwean context. The data will be analyzed quantitatively by the use of analytics provided by Google forms.

**RQ2:** This research will use data analysis similar to the first research question. Descriptive statistics will show the most used KPM and the variance in the responses. The data will be tabulated for simple comparison of the results.

**RQ3**: There are hardly any scholarly writings on this subject in the local context. This implies that the study will make use of the inductive approach to data analysis. This approach is used when the researcher has limited data about the subject of interest. This approach intends to analyze patterns in data and devise a theory. This approach is quite similar to grounded theory. Both approaches are not based on existing data and they make conclusions ‘grounded’ on the research findings. However, most quantitative analysis techniques are contrary to this approach, as they tend to collect data to accept or reject an existing hypothesis.

**RQ4**: Descriptive statistics particularly mean and standard deviation will be used analyze the opinions provided by the respondents. Other results such as maximum and minimum value will also be considered to determine if the respondents believe there exist a relationship or not.

### 3.10 Pilot Study

A pilot study was conducted on two NGOs in the district of Bindura. The researcher selected the NGOs based on geographical, which would enable physical follow-up for delays in response. To achieve a balance in the outcome, the pilot study included a Trust and a Private Voluntary Organization (PVO). The purpose of the pilot study was to test the validity and accuracy of the research instruments. Slight changes to the questionnaire were made to improve its understandability.

### 3.11Data Presentation

Visual presentation of the data has been made by the use of Microsoft Excel and SSPS in form of charts, graphs and tables. Relationships are illustrated in form of diagrams to enhance clarity.

### 3.12Ethical considerations

The study was conductedwith the highest level of transparency to ensure all the rights of the participants are protected. To enable the participants to make informed consent, their rights were disclosed during the study. It shall be clearly stated that participation is voluntaryand confidential and the information is gathered only for academic study.

### 3.13Chapter Summary

This chapter gives an aerial view on the how the data was collected, validated, processed and presented. A discussion of the instruments used and they relate to validity and reliability was made. The chapter also covered the nature of the population and the sampling techniques used. In essence, it covered all the aspects pertaining to the handling of the data used in the study.

# CHAPTER FOUR

**Data presentation, discussion and analysis**

### 4.0 Introduction

This chapter has the aim of analyzing, presenting and interpreting the findings of the data collected in the study. The chapter will elaborate on the performance measurement practice of the selected NGOs that operate in Zimbabwe. The chapter also includes a discussion on the conclusions drawn as they relate to research questions raised in chapter 1 and the empirical review in chapter 2.

### 4.1 Response Rate

#### 4.1.1 Questionnaires

The questionnaires were administeredto two unique groups of the target population and the response rate is presented in the table below. Questionnaires played a pivotal role in the study as most of the research questions were addressed through questionnaires.

Table 4.1: Questionnaire response rate

|  |  |  |  |
| --- | --- | --- | --- |
| Target Population | Dispatched Questionnaires | Responded Questionnaires | Percentage Response Rate |
| NGOs | 80 | 74 | 92.5% |

As shown in Table 4.1 above, out of the 80 questionnaires distributed, only 6 did not respond which resulted in 74 responses available for data analysis. The response rate as a percentage is 92.5%, which is considered high enough to ensure the findings are a true representation of the population

#### 4.1.2 Interview

Interviews were targeted on the Finance Directors of various NGOs operating in Zimbabwe. A systematic sample of 10 directors was selected from the population of all the population used in the study. The response was 100% as all the selected directors cooperated in the interviews.

### 4.2 Background information about the respondents

#### 4.2.2 The number of years the organization has been in existence



Figure 4.12: Number of years

Source: Primary data 2022

The results of the survey indicate that the modal range of years is 11 years to20 years, which consist of 39.2% of the respondents whilst only 10.8% of the organizations have been in existence for less than 5 years. Around a fifth (20.3%) of the respondents belongs to organizations that have been around for more than two decades. It can be deduced from the results that majority of the organizations included in the study have experiences of more than 5 years with only 10.8% that has less than 5 years’ experience. This may indicate that the respondents have had experience enough to develop, implement and evaluate performance measurement frameworks.

#### 4.2.3 Distribution of respondents by geographical scope of their organization



Figure 4.2 Geographical scope of the organization

Source: Primary data 2022

As shown inFigure 3the more than half (56.8%) of the organizations in this study operate at national level, followed by international NGOs which make up 24.3% of the total sample. The rest of the respondents operate at provincial and district level which have 13.5% and 5.4% respectively. This indicates that most of the NGOs in this study are at least on the national level, which makes this study a true representation of the performance measurement phenomenon at a national level.

#### 4.2.4 The forms/types of NGOs that participated in the study

####

Figure 4.3Forms of NGOs

Source: Primary data 2022

The results in the Figure 4.3above show that the distribution of the forms of NGOs that participated in the study quite balanced. However, the number of trusts is slightly higher than other forms. The trusts constitute 30% of the respondents followed by foundations and charity organizations, which have 24% each The PVOs, has the least number of organizations making 22% of the participants.

### 4.3 Performance measurement tools used by NGOs

The first research objective was to identify the performance measurement tools currently being used by NGOs that have operations in Zimbabwe. A wide range of useful tools has been developed specifically for NGOs. Most of the commonly used tools are modified versions of the models already used by business enterprises. These models had to be re-engineered to cater for the aspects of organization whose existence is not to generate profits for distribution to capital providers. The researcher has for the purpose of this study focused on the most commonly cited models used in performance measurement. These are Balanced Scorecard, SROI, Performance Prism and AIMES(Moura, et al., 2022).

The table below shows the results of which performance measurement tool is used mostly by the NGOs operating in Zimbabwe.The analysis for this question and the other following questionsare analyzed using the mean and standard deviation values processed through SPSS. These questions were administered on a likert scale of 1-5. All the items in this section have an equal importance for the purpose of analysis and conclusions.

Table 4.2Performance measurement tools being used by NGOs

|  |  |  |  |
| --- | --- | --- | --- |
|  | Mean | Standard Deviation | Maximum |
| Balanced Scorecard | 4.59 | 0.660 | 5 |
| Social Return on Investment | 3.00 | 1.194 | 5 |
| Performance Prism | 1.80 | 0.776 | 5 |
| Annual Impact Monitoring and Evaluation System | 2.05 | 1.292 | 5 |

Source: Primary data 2022

#### 4.3.1 Balanced Scorecard

The data presented in Table 4.2above shows that the balanced scorecard is the most used performance tools with a mean of 4.59, which means that most organizations use it with consistency. The mean is close to the maximum value, whichis 5. It can be concluded that Balanced Scorecard is the mainstream model amongst NGOs.

This could be attributed to the fact that it is also widely used amongst business enterprises and it is a widely known and accepted model. The responses had slight differences as indicated by a standard deviation of 0.660. Another possible reason for the popularity of the Balanced Scorecard is its emphasis of the Customer/ Stakeholder perspective which is one of the priority areas among NGOs.This is consistent with the stakeholder theory which values all stakeholders equally without being biased towards shareholders(Kaplan, 2001).

#### 4.3.2 Social Return on Return Investment

The table Table 4.2above shows that ‘some’ NGOs use SROI as a measurement tool. The mean is at the midpoint between minimum and the maximum value. This may be because SROI focuses on return only and involves a lot subjective quantifications.

However,the standard deviation of 1.194 indicates respondents had widely spread responses. It suggest that some might not use the model at all, which some use all the time as the mainstream model. This might be due to the variation in the nature of the NGOs and expectations of the users of performance data. Even though some scholars regard it as irrelevant to stakeholders, there are some stakeholders who prefer easy to understand reports of which SROI is known for preciseness(Audet, et al., 2021). This seems to be the reason for mixed responses.

#### 4.3.3 Performance Prism

This is the least used performance measurement tool with a mean of 1.80 and a standard deviation of 0.776. The mean is closer to the minimum than to the maximum value. The standard deviation in the table shows that the responses were not widely spread around the Standard Error of Mean 0f 0.090 shows that the true mean is close the calculated mean.

This suggests that Performance Prism is not popular among NGOs and where it is used it is rarely used. This might due to its complexity. This is no surprise as previous studies have also concluded that its application among NGOs is still low(Anderson & Lannon, 2018). It’s not clear yet as to why organizations shun its use but results of interviews in this study show that most NGOs prefer simple and familiar models to complicated ones.

#### 4.3.4 Annual Impact Monitoring and Evaluation System

The results show that this model has the most dispersed results as indicated by a standard deviation of 1.292. This suggests that some organizations do not use the system at all whilst some fully implement it as a mainstream model. The mean of 2.05 indicate that the overall popularity of the model is low.

The model may have low usage since it was only developed by an organization for its own use and has not yet been covered by many scholarly writers. The model also appears to be too simple thus ignoring other aspects that are fundamental to the running of organizations. This model, as suggested in literature is just a basic guideline that is useful in performance measurement but most organization do not consider it as actually a model(Henderson, et al., 2002).

### 4.4 Perspectives/Dimensions considered in performance measurement

As discussed earlier, most KPIs used by business enterprises cannot be used by NGOs due to their unique priorities. This study had an aim of finding out what dimensions or perspectives are most important to NGOs in Zimbabwe. The questionnaire required respondents to indicate from a given list how important were each dimension to their organization. These dimensions, whichare derived from previous writings and were used in the study, are financial, stakeholder/ customer satisfaction, internal processes and strategies and planning. The summary of the survey results is shown in table below

Table 4.3 Perspectives/Dimensions considered in performance measurement

|  |  |  |
| --- | --- | --- |
|  | Mean | Standard Deviation |
| Financial | 3.15 | 1.002 |
| Stakeholder/ Customer satisfaction | 4.08 | 0.736 |
| Internal Processes | 3.05 | 1.281 |
| Strategies and Planning | 1.77 | 0.837 |

Source: Primary Data 2022

As shown in Table 4.3given above, the most important dimension considered by NGO is stakeholder/ customer satisfaction, which has mean of 4.08 and a standard deviation of 0.736. The dispersion of the responses around the mean suggest that most the respondents agree that the stakeholder/ customer satisfaction are on top of their priority list. This is attributed to the fact that stakeholders such as donors and beneficiaries have a pivotal role in the functioning of NGOs. This can be considered to be supporting evidence, which indicate that the organizations are actually using the balanced scorecard since it places stakeholders first(Leon, 2018).

Financial perspective and internal processes dimension have slight differences in importance according to the survey results in the table above. The Financial perspective has a mean of 3.15 and a standard deviation of 1.002. The internal process on the other hand has a mean of 3.05 and a standard deviation of 1.281. The results suggest that both these dimensions have moderate importance meaning they are still considered in the design of performance measurement framework. Even though NGOs are not after profit, they need financial sustainability to fuel their initiatives and stay afloat(Lall, 2017). Outsiders do not consider the internal processes but they are still useful to management to ensure better coordination of efforts(Zainon, et al., 2019).

### 4.5 Performance measures included in performance frameworks

The researcher set out to discover what aspects of the operations of NGOs that are considers indicators/measures of performance. There are mainly four ways in which performance cab be measured. It needs to be noted that these measures are not necessarily substitutes. They can be used concurrently to complement each other to provide a clearer performance image. The respondents were asked to indicate how often they each KPM and they would select ‘never’ if a certain KPM is not used at all in their organization. Table below shows the results obtained during the study.

Table 4.4 Performance measures included in performance frameworks

|  |  |  |
| --- | --- | --- |
|  | Mean | Standard Deviation |
| Input Measures | 4.65 | 0.748 |
| Output Measures | 4.20 | 1.098 |
| Efficiency Measures | 1.82 | 0.800 |
| Outcome Measures | 3.73 | 1.368 |

Source: Primary data 2022

Input measures have the highest mean (4.65) and the lowest standard deviation (0.748) as shown in table above. This indicates that the responses are concentrated around the mean which imply that the respondents generally agree that input have the highest frequency in usage. Output measures have a slightly lower mean (4.20) and a way higher standard deviation (1.098). The results suggest that even though output measures have high usage among NGOs, respondents have varied opinions. This implies some organization may not use output measures at whilst some use it ‘always’. However, a mean close to the maximum value indicate that more organization that use output measures than those that do not use it.

This may be due to the simplicity with the input and output measures as stated by most scholars(Coy, 2018). These can be expressed numerically without use of subjective estimates since it involves amounts that have accurate measures. Most donors are interested in what has been used towards a certain goal and what has been accomplished in the short term.

The results presented above suggest that outcome measures are used ‘sometimes’ by NGOs. Outcome measures are the long-term social impact of a project such as an improvement in welfare of beneficiary community(Moura, et al., 2022). The outcome measures have a mean of 3.73 and the highest standard deviation of 1.368. The results suggest that the responses are widely spread across the variables.

The least used measures are the efficiency measures, which have a mean of 1.82 and a standard deviation of 0.800. This suggests that all the respondents generally agree that efficiency measures are the least used measures. This may be because this measure requires results from other measures making its use so cumbersome.

### 4.6 Factors influencing choice of performance measurement tool(s)

The researcher intended to understand the process of the development of performance measurement framework. In order to achieve this research aim, the researcher listed the factors that influence the choice of performance measurement tools used by NGOs. Scholars generally agree that there ten factors which are considered by designers of performance measurement framework. The results of the survey are summarized in the table below.

Table 4.5 Factors influencing choice of performance measurement tool(s)

|  |  |  |
| --- | --- | --- |
| Factor | Mean | Standard Deviation |
| Social Approach | 4.84 | 0.909 |
| Accountability | 4.84 | 0.524 |
| Legitimacy | 3.36 | 1.080 |
| Volunteering | 3.08 | 0.918 |
| Financial sustainability | 3.45 | 0.918 |
| Short and long-term planning | 1.72 | 0.820 |
| Fairness | 1.49 | 0.579 |
| Involvement and influence of stakeholders | 2.28 | 1.000 |
| Strategic Management Control | 2.15 | 1.190 |
| Effectiveness and efficiency | 2.04 | 0.985 |

Source: Primary data 2022

The results given in the Table 4.5above indicate that Accountability has the highest mean (4.84) followed by Social Approach (4.84). This indicates that accountability is the most important factor that influences the choice of performance measurement tools. The standard deviation is 0.524 for accountability and 0.909 for social approach. This suggest that the responds have slight variances and it can be concluded that external pressure through accountability has a more compelling influence than the need to assess social impact.

The respondents had widely varied opinions about the extent to which Legitimacy (mean=3.36 standard deviation=1.080),Volunteering (mean=3.08 standard deviation=0.918) and Financial Sustainability (mean=3.45 standard deviation=0.918) are considered. These factors are important to some extent in the framework design but since they have standard deviation this high, it suggests the respondents have widely varied opinions. This might mean the extent of the consideration varies widely between organizations. Some organization may highly a certain factors whilst other organizations may not even consider it. This will then result in high variances in responses but on the average, these factors are relevant to NGOs.

The respondents generally agreed that short and long term planning (mean=1.72 standard deviation=0.820) and fairness (mean=1.49standard deviation=0.579) are less likely to be considered in the choice of measurement tools. The variances in the response are low meaning the value are concentrated around the mean, which happens to be close to the minimum value. This might be because management of NGOs is focused on their diverse and social goals rather than the fluid flow of its activities. Fairness is critical but it is usual a peripheral factor which most stakeholders do not consider.

The rest of the factors that is Involvement and influence of stakeholders (mean=2.28standard deviation=1), Strategic Management Control (mean=2.15standard deviation=1.190) and Effectiveness and efficiency (mean=2.04 standard deviation=0.985). These factors are actually considers to a lesser extent and the responses on these are varied. This may imply each organization values factors depending on its stakeholders and its objectives.

The literature only outlined the factors but did not express which ones have more importance over others(Moura, et al., 2022). The findings in this study support literature since all the factors are to some extent influence the choice of measurement tools. However some have proven to have lesser importance or no importance to some organization but social approach and accountability are the most important factors considered.

### 4.7 The relationship between performance measurement and actual organizational performance

The final aim of the research has been to establish if there is relationship between performance measurement and actual performance. The reasons for measurement of performance are grouped into two: measuring to prove and measuring to improve. The last research questions examines to which group do the NGOs in Zimbabwe. It tries to understand if the proper implementation of performance measurement has an effect on performance. In other words the question here is, does lack of performance measurement responsible for poor performance or outright failure in some NGOs. The results are summarised below.

Table 4.6:The relationship between performance measurement and actual organizational performance

|  |  |  |
| --- | --- | --- |
|  | Mean | Standard Deviation |
| Performance measurement is a useful tool in identifying areas that need corrective action. | 4.84 | 0.439 |
| Employees are engaged in the performance measurement process and are motivated to produce better results | 4.72 | 0.673 |
| Performance measurement helps the organization properly align its resources to achieving its goals | 4.64 | 0.804 |
| Performance measurement forces organization to stick to its plans and comply with all the set organizational procedures | 4.64 | 0.786 |
| The usage of performance measurement system has more benefits than costs and is key to performance management | 4.64 | 0.732 |

Source: Primary data 2022

The results in the Table 4.6above clearly show that respondents believe that performance measurement has a positive effect on performance on an entity. This is indicated by the mean of all the items exceeding 4.5 and a standard deviation at less than 1 for all the items. The responses are concentrated around the mean suggesting most of the respondents indicated applicability of the given are to a ‘very large extent’. This is in consistent with scholarly writings which state that if a performance measurement framework is properly implemented it can be a mediator(Nielsen, et al., 2019). Other scholars also have the same opinion that organization measure performance in order to improve it(Lall, 2017).

### 4.8 Interview question analysis

The interview were specifically meant to gather data from top-level personnel particularly Finance Directors of 10 selected NGOs from across Zimbabwe. The results of the interviews are presented below.

**Question 1: Does the current performance measurement tool cover all the essential aspects of this organization?**

All the respondents believe their current performance measurement tools does not cover ‘all’ the aspects that they would ideally want to be covered. They believe an attempt to cover all the aspects of an organization would result in a complex model that would be difficult to implement. Eight percent the respondents believe that what matters the most is covering the aspects that keep the organization relevant to the key stakeholders through ‘accountability and transparency’. This is in line with the stakeholder theory, which places importance on the needs of all stakeholders.

**Question 2: What are the most important aspects of the organization that are measured and what significance do they have to the organization?**

The response to this question were quite varied with six out of the 10 Directors stating that meeting the expectations of the stakeholders particularly donors and the government. They believe that donor satisfaction is what matters the most since it the channel for more resources useful for furthering the cause of the organizations. This means what is measured for each project is determined by the respective donor and cannot be predetermined by the entity. However, the rest of the directors were of the opinion that each organization should decide what it measures based on its primary goals. They stress that the social impact should be primary measure but other aspects such as financial aspect should not be neglected. This is consistent with the opinions of most scholars who argue that what should define measurement aspects are the objectives of an entity, which it seeks to achieve(Gofe, et al., 2021). These results clearly indicate the relevance of the goal theory to this research(Urdan & Kaplan, 2020).

**Question 3: Which takes the large portion between external factors and internal factors in determining the performance measurement tool?**

Majority of the respondents agree that the external factors are more predominant in NGOs as compared to the profit making entities. Unlike private sector players, which are mainly accountable to shareholders, NGOs have a wide range of stakeholders who have different expectations. The performance of NGOs is largely determined by the external environment so external factors have a more compelling influence. They also stressed that even though internal factors play a lesser role, ideally they should be given equivalent dominance with external factors. They stated that too much pressure from donors and too many expectations cause the management to overlook the internal factors. This is contrary to the findings by Lall (2017) found that internal factors have a dominant role. However, other scholars believe that NGOs respond more to external influence than internal pressure(Fan & Zhao, 2017; Kelsey, 2018).

**Question 4: How is the presence of the performance measurement helping in improving performance?**

The question has received widely varied response. Each respondent explained the link between performance measurements in unique ways.However, what could be gathered from the responses is that the ways organization connects performance measurement and performance can be grouped into two. The relationship can be either direct or indirect. The direct relationship is when the performance measurement data helps in better decision making which then improve performance. The indirect relationship is through stakeholder satisfaction, which will result in stakeholders being supportive to the operations through partnerships and funding. The respondents were equally divided between the two opinions. This implies that whatever way, all the Directors agree that performance measurement is improving performance. A look at the literature will justify such variance in responses. The relationship between performance measurement and performance is the most debated issue in the area of performance measurement(Lall, 2017).

### 4.9 Chapter summary

This chapter focused on the findings of the study. The data collected was presented, discussed and analyzed. Descriptive statistics were used to analyze the results of the study. Graphs and tables were used to present the results in a visual and logical way.

# CHAPTER FIVE

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

## 5.0 Introduction

This is the final chapter of this academic paper and it summaries the whole project. In addition to that, it also includes conclusions drawn from the findings and recommendations made by the researcher. The chapter will also establish the extent to which the research aims were achieved.

## 5.1 Summary

The focus of the study was to understand how NGOs measure their performances. The investigation reviewed the findings summarized below.

1. Majority of the NGOs operating in Zimbabwe are either registered to operate at national and international level. Only a few NGOs have operations limited to one province or one district.
2. Only a small fraction of NGOs operating in NGOs has exceeded twenty years of continued operations. Most of the NGOs have been in existence for a period between 5 to years. The number of NGOs has plummeted during the first years of the 21th century.
3. The Balanced Scorecard is the most used performance measurement tool among NGOs. The use of other models is mostly limited, as most NGOs tend to prefer what is generally accepted in the business world.
4. Stakeholders’ satisfaction is the most prioritized dimension of the organization whilst financial and internal processes are essential dimension, whichshould not be overlooked. It appears that pressure from external parties influence the performance measurement process largely.
5. The KPM are concurrently used by most NGOs even though the input and the output measures are the most preferred measures due to their objectivity. Efficiency measure due to their complexity tends to be the least used performance measure.
6. Social Approach and Accountability are the most important factors considers in choosing the suitable performance measurement tool. Other factors such legitimacy, financial sustainability is also essential in the process but they have sublime role.
7. There is a positive relationship between performance measurement and actual performance. A well-crafted performance measurement framework is expected to positively influence how well an organization attains its goal.

## 5.3 Conclusions

1. The following conclusions can be drawn from the analysis of the data in the previous chapter.
2. Although organizations generally use several model to assess performance, Balanced Scorecard is the most prevalent model. The study found out that the NGOs use other models to cover up for the drawbacks of the Balanced Scorecard. These findings fit in with the present literature, which makes frequent reference to this model(Phelan, 2014).
3. The study found out the popularity of the Balanced Scorecard is the reason for the importance placed on Stakeholder satisfaction perspective. The balanced scorecard is well known for placing greater importance on the customers or stakeholders rather than financial perspective. Even though the primary goal of an entity is the basic measure of performance but relations with stakeholders and financial viability among other indicators are also essential in performance measurement.
4. Despite the fact that organizations ideally want to have comprehensive performance reports, the study discovered that objectivity of measures plays a key role in the preferred measures. NGOs tend to use simple and understandable measures such as input and output which are short-term rather than outcome measures, which are usually difficult to quantify, and takes significant amount of time. This is consistent also with the expectation of stakeholders to produce report performance on a regular basis(Zainon, et al., 2019).
5. The study also gathered evidence that supports the theory of external pressure, which says external parties influence most measurement frameworks. The main reason for performance measurement is to ‘prove’ users of the reports that the organization was worth the support offered because of the effects it has brought and level of its adherence to the given guidelines.
6. Literature stated that organization either measure to prove orimprove(Lall, 2017). According to the study, it can be concluded that NGOs measure performance for both the given motives. The study discovered that whatever the motive for measurement, performance measurement eventually affects measurement either directly or indirectly. Even though the primary goal of an entity is the basic measure of performance but relations with stakeholders and financial viability among other indicators are also essential in performance measurement.

## 5.4 Recommendations

1. Rather than trying to find or develop a performance measurement tool that encompass all the aspects of the organization, the NGOs should focus on having tool that covers the fundamental areas of that particular organization. There should be a balance between the need to assess all aspect and the need to keep the model simple and understandable.
2. In light of the above observations, organizations should have their predetermined internal measurement plans, which are independent of external influence. Such plans are likely to capture internal matters, which are ignored due to external pressure. Amendments only to these plans can be then by taking the input of external parties to cater for their expectation.
3. In order to capture more relevant performance data useful for decision-making, organizations should measure performance of the overall organization not only the performance of each individual project. The project reports should be consolidated and internal reports should be generated even in the absence of an express obligation to do so.
4. NGOs should also adopt guidelines provided by regulatory bodies such as IFRS4NPOsand participate in processes such as the development of an IFRS meant for NPOs, which is currently in the making.

## 5.5 Suggestions for further research

Despite the fact that this study has covered so much foundational ground there is need for further study, which will add to the knowledge bank. The author has the following suggestions:

1. This study has been cross sectional that is it limited to a specific point in time. A study of the practice over time and its relation to performance will surely provide useful insights.
2. The study of other NPOs not included in this study such as Religious Organizations, public sector entities etc. is neededto get an in-depth understanding of the ongoing issues.
3. A study that will involve other stakeholders in the data collection will have provide add useful information to literature. This study only focused on the staff of NGOs. The author believes including other stakeholders, such as donors and beneficiaries, will give insights that are more relevant.

## 5.5 Chapter Summary

This was the winding up of this research paper. This chapter provided a summary of results of the overall study and the conclusions drawn. Suggestions for future studies were also made in this chapter.

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Appendix 1

My name is B1850833; I am an undergraduate student at Bindura University of Science Education pursuing a Bachelor of Accountancy Honours Degree. I am mandated to conduct a research project in partial fulfillment of the requirements for the degree. As such, I am conducting a research on “Performance measurement practice of NGOs operating in Zimbabwe.” I am kindly asking for your assistance as respondents to the research under study by filling in the questionnaire. The responses you will provide will be treated with the utmost confidentiality and will be used solely for academic purposes. Your co-operation will be greatly appreciated. **Instructions**

1. Kindly indicate your response by ticking the relevant box.
2. Your identity is not required to ensure confidentiality

**Section A: Background information**

1. For how many years has your organization been in existence?

Less than 5 years between 6 and 10 years

11 years to 20 years more than 20 years

1. What is the geographical scope of your organization?

National

Provincial

District

1. To which of the following forms of NGOs does your organization belong?

Foundation Trust

Private Voluntary Organization (PVO) Charity Organization

**Section B: Performance measurement practice**

1. Of what importance are the following organizational perspectives or dimensions to your organization?

Key (1: not at all important, 2: slightly important, 3: moderately important, 4: very important, 5: extremely important)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Details | 1 | 2 | 3 | 4 | 5 |
|  | Financial  |  |  |  |  |  |
|  | Stakeholder/ Customer satisfaction |  |  |  |  |  |
|  | Internal Processes |  |  |  |  |  |
|  | Strategies and Planning |  |  |  |  |  |

1. How often does your organization include the following performance measures in their performance framework?

Key (1: Never, 2: Rarely, 3: Sometimes, 4: often, 5: always)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Details | 1 | 2 | 3 | 4 | 5 |
|  | Output Measures (how well services are rendered) |  |  |  |  |  |
|  | Outcome Measures (the impact a service has on the program's stated goals) |  |  |  |  |  |
|  | Efficiency Measures (an assessment of the relationship between inputs and outputs) |  |  |  |  |  |

1. To what extent does your organization consider the following factors when choosing a performance measurement tool?

Key (1: very little extent, 2: little extent, 3: moderate extent, 4: large extent, 5: very large extent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | 1 | 2 | 3 | 4 | 5 |
|  The importance of social impact over financial viability |  |  |  |  |  |
| The obligation to disclose and justify the results of the organization |  |  |  |  |  |
| The procedure through which the organization's activities are demonstrated to third parties that they are carried out in compliance with the pertinent obligations |  |  |  |  |  |
| Involvement and influence of stakeholders |  |  |  |  |  |
| The input and involvement of volunteers |  |  |  |  |  |
| The necessity to satisfy donors in order to secure funding |  |  |  |  |  |
| **T**he appropriate balance between donors' immediate needs and recipients' long-term needs |  |  |  |  |  |
| Comparability of performance data to allow for equitable resource allocation |  |  |  |  |  |
| The ability of the organization to achieve its set goals in an cost-saving way |  |  |  |  |  |
| The use of performance measurement as a learning tool for improving performance |  |  |  |  |  |

1. To what extent are the following statements applicable to your organization?

Key (1: very little extent, 2: little extent, 3: moderate extent, 4: large extent, 5: very large extent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Details**  | 1 | 2 | 3 | 4 | 5 |
| Performance measurement is a useful tool in identifying areas that need corrective action. |  |  |  |  |  |
| Employees are engaged in the performance measurement process and are motivated to produce better results. |  |  |  |  |  |
| Performance measurement helps the organization properly align its resources to achieving its goals.  |  |  |  |  |  |
| Performance measurement forces organization to stick to its plans and comply with all the set organizational procedures |  |  |  |  |  |
| The usage of performance measurement system has more benefits than costs and is key to performance management |  |  |  |  |  |

**Appendix 2: Interview guide**

1. Does the current performance measurement tool cover all the essential aspects of this organization?
2. What are the most important aspects of the organization that are measured and what significance do they have to the organization?
3. Which takes the large portion between external factors and internal factors in determining the performance measurement tool?
4. How is the presence of the performance measurement helping in improving performance?