PERFORMANCE REPORTING IN A LARGE MULTI-SERVICE COMMUNITY WELFARE ORGANISATION

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ABSTRACT

Community Welfare Organisations (CWOs) perform an important role in society. Many develop large structures and command significant economic resources in order to undertake their work. While the literature shows a significant increase in the use of performance reporting by CWOs, scholars have noted that little is known about the processes through which performance reports are developed and deployed. This paper attempts to fill this lacuna by explaining, through the application of Strategic Choice Theory, the development and deployment of performance reporting by a CWO[1]. It shows that performance reporting was extensive, being undertaken within two distinct but related frameworks: a largely internal, voluntary system, and a mandatory system of external reporting. As such, performance reporting was found to be the strategic response of a purposeful, voluntary organisation that chose to operate in a highly regulated welfare system. The contribution to scholarship arising from this paper is through the "fine grained" (Yin, 1989) grounded analysis that only a field-based case study can yield.

[1] The term Community Welfare Organisation CWOs is defined as a non-government entity primarily established otherwise than for the purpose of, or benefit to, the individual members of the organisations; and principal objects or purposes of which are charitable or benevolent. It is synonymous with the term "charity. As such, CWOs are part of the not-for-profit sector, one of four sectors that together comprise a society; the others being the private sector, the public sector, and the household sector (Anheir, 2000).

1: Introduction

In recent years, researchers have documented an increasing use of performance reporting[2] by not-for-profit organisations (cf. Fischer, 2004; Ostrower and Stone, 2007). For example, a study of almost two thousand Canadian not-for-profit organisations, found that almost 75% undertook routine performance reporting (Hall, Phillips, Meillat and Pickering, 2003). While such descriptive studies serve to map the terrain of charity activity, scholars have identified a significant gap in the literature. For example, Cairns et al. (2005, p.135) noted that,

> "little is known about the processes involved in the implementation of specific approaches" [emphasis added].

Similarly, having examined the use of performance information in a sample of North American CWOs, Zimmerman and Stevens (2006, p.326), concluded that,

> "more in-depth research is needed in order to fully understand the scope of performance measurement".

This paper responds to such calls by analysing, through the perspective of Strategic Choice Theory, the nature of, and reasons for, performance reporting in a large, multi-service CWO. It shows that performance reporting was extensive, having been undertaken at all levels of the organisation and across the entire span of organisational effort. Furthermore, it shows that performance reporting was both purposeful, in that the organisation had voluntarily deployed an extensive array of specific measurement tools, as well as reactive, in that the organisation also reported against a number of mandatory performance measures that were imposed on it by external parties. As such, it is suggested that performance reporting was essentially a strategic response of the organisation to fulfilling the complex role of an independent, voluntary organisation providing direct welfare services in a twenty-first century welfare state.

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[2] Performance reporting is the structured presentation of qualitative and quantitative (financial and non-financial) information that supports and informs decision making about an organisation's achievements within the organisation; and facilitates the acquittal of the organisation's external accountabilities. Because CWOs are concerned not only with what objectives have been achieved, but also with how objectives have been achieved; their performance reports include information about inputs, outputs and outcomes.

The paper comprises eight sections. It proceeds, in section two, by reviewing the literature on performance reporting by welfare nonprofits; noting that, while it has developed in recent years, it is mainly survey based, providing little in-depth explanation of current practice. In so doing, the literature review provides the foundation for the research questions that are addressed in the present study. These are specified in section three. Section four provides an outline of the methodology applied in the present study: a qualitative, single organisation, field-based case study analysed through the perspective of Strategic Choice Theory. Such an approach requires consideration of key characteristics of the case organisation and the environment in which it operates in order to make sense of findings. This information is presented in section five. The qualitative case study methodology requires that the presentation of findings and their analysis occur in an essentially narrative format (Llewellyn, 1998). However, since the interpretive methodology does not conceive of data as being theory independent, description and analysis are intertwined; that is, data presentation and analysis occur simultaneously (Chua, 1996). In this paper, data presentation and analysis occur across sections six and seven in a way that extends Chua's (1996) methodological principle. As such, section six presents largely empirical evidence through a lower level analysis of the performance reporting framework. This balance reverses in section seven, where a higher order discussion, with little presentation of empirical evidence, explains the reasons for such performance reporting by adapting the model proposed by Child (1972; 1997) for explaining organisational behaviour, in general, to the specific organisational acts of developing and deploying performance reports. Consequently, the paper provides the sort of "fine grained" (Yin, 1989) grounded analysis that only a field-based case study can yield. The paper concludes in section eight with a summary and some observations on further research.

2: Literature Review

The literature has evidenced an increasing use of performance reporting in recent years (cf. Fischer, 2004; Zimmerman and Stevens, 2006; Ostrower and Stone, 2007). However, performance reporting practices vary considerably between organisations, ranging from those that have fully integrated performance reporting within decision making processes (Cutt and Murray, 2000) to those that merely reported summary, descriptive statistics. Organisations with developed performance reporting systems were found to have collated both quantitative data, such as input, throughput, output and outcome data (Sawhill and Williamson, 2000); and qualitative data, such as interviews and document analysis (Stone and Cutcher-

Gershenfeld, 2001). The increasingly widespread use of performance reporting by CWOs was further evidenced by a study of almost two thousand Canadian not-for-profit organisations (half of which were registered charities) that found almost 75% undertook routine performance reporting (Hall, Phillips, Meillat and Pickering, 2003). Considerable variability in data collection has also been noted (Fine, Thayer and Coughlin, 2000). Furthermore, a survey of North American Not-for-Profit organisations (of which approximately 30% were CWOs) showed that 85% of organisations conducted quantitative evaluations of outputs and outcomes, with 75% reporting such information within the organisation (Zimmerman and Stevens, 2006). This research also highlighted the recency of widespread performance reporting by CWOs, finding that the average length of time since performance reports were first deployed was four years.

Examples of the use of more sophisticated performance reporting systems include the Balanced Scorecard (Kaplan, 2001; Manville, 2007); the Performance Dashboard (a variation on the Balanced Scorecard), (Paton, 1999; 2003); Total Quality Management (TQM) (Cairns et al., 2005); and Social Return on Investment (Emerson and Wachowicz, 2000; Richmond, 1998). As well, Lindberg's (2001) single organisation case study of a large relief agency in the US, found that Long Range Strategic Planning; Organisational Repositioning; Benchmarking and Customer Satisfaction Surveys had been implemented by the organisation.

The imperatives for performance reporting by CWOs are varied. Internal imperatives for the deployment of performance reporting systems by CWOs noted in the literature are: to improve decision-making and improve services (Talbot and Sharp, 1994; Paton and Payne, 1998; Fine et al., 2000; Stone and Cuther-Gershenfeld, 2001; Cairns et al. 2005; Zimmerman and Stevens, 2006); to enhance strategic planning (Cutt et al., 1996; Fine et al., 2000; Parker, 2003); to ensure the organisation was faithful to its mission (Lindberg, 2001; Zimmerman and Stevens 2006); to ascertain whether the organisation was making a difference (Zimmerman and Stevens, 2006); to deal more efficiently with information that was collated in an ad hoc manner (Manville, 2007); to promote organisational learning (Paton and Payne, 1998; Buckmaster, 1999a); to secure legitimacy with staff and board (Cairns et al., 2005); to guide organisational development or to restore confidence after a period of organisational crisis (Cairns et al., 2005); and to facilitate organisational growth (Manville, 2007). External imperatives noted in the literature are: to acquit accountability in general (American

Accounting Association (AAA), 1989; Talbot and Sharp, 1994; Paton and Payne, 1998; Stone and Cutcher-Gershenfeld, 2001; Cairns et al., 2005); to acquit accountability to funders (Brace et al., 1980; Stone and Cutcher-Gershenfeld, 2001; Cairns et al., 2005); to meet the requirements of regulators (Brace et al., 1980; AAA, 1989; Manville, 2007), to enhance legitimacy (Paton, and Payne, 1998; Cairns et al. 2005); to allow comparisons between charities (Paton and Payne, 1998); to respond to the influence of professional bodies (Brace et al., 1980; Au, 1996); as a response to fraud and or scandal in some high-profile charities (Ebrahim, 2003; Christensen and Ebrahim 2006); and in anticipation that at some time, funders in particular government agencies may demand adoption of a TQM System (Cairns et al., 2005).

More general changes in societal values and structures have also influenced performance reporting by CWOs. Overall, there has been a steady increase in demands for improved accountability by not-for-profit organisations (including CWOs) since the early 1990s; which has come from government, funders, other external stakeholders, and CWOs themselves (Cutt and Murray, 2000; Murray, 2005 Cairns et al., 2005). It no longer suffices for not-for-profit organisations to argue that doing good works puts them beyond judgment. Rather, it is necessary to evaluate performance and demonstrate accountability (Kanter and Summers, 1987; Edwards and Hulme, 1996a; Najam, 1996; Lindberg, 2001). Noting this, it has been shown that during the 1990s, CWOs turned to traditional business models to improve efficiency and effectiveness (Sawhill and Williamson, 2001; Cairns et al., 2005).

Structural changes in the funding of welfare services, which have led to competition between CWOs for scarce donor resources, have also been noted as a driver for welfare agencies to demonstrate greater accountability and programme impact (Lindberg, 2001). Furthermore, a general shift towards the use of output and outcome measures, particularly because of their use in service contracts, has also been cited as an imperative for performance reporting (Stone and Cutcher-Gershenfeld, 2001).

While individual prior studies have each focussed on a particular set of imperatives, it appears that many CWOs report their performance widely. In the words of Cairns et al. (2005) such influences together comprise a, “complex mix of mandatory and voluntary,

internal and external factors" (p.140). The present paper evidences such complexity and presents a comprehensive analysis by addressing the research questions stated in the following section.

3: Research Questions

The present study addressed three, interconnected research questions:

(1) What was the nature of the performance reports that were deployed by the organisation?

(2) How were those performance reports used?

(3) What were the imperatives for their use by the organisation?

4: Methodology

The research was conducted using a field-based case study (Yin, 1989) that was informed by Strategic Choice Theory (Child, 1972; 1997). A field-based case study is useful where the subject is complex and contextually contingent (Yin, 1989; Ferreira and Merchant, 1992), as performance reporting has been shown to be (Llewellyn, 1996). Case studies are valuable where, as the review of the empirical literature suggests is the case with performance reporting by CWOs, basic variables are poorly defined, and there is a need to develop explanatory theory (Scapens, 1990; Parker, 1994).

Strategic Choice Theory (Child 1972; 1997) holds that organisational behaviour can be explained by examining the strategic choices of those who hold power in an organisation: "the dominant coalition". At a fundamental level, such decisions concern the nature of the organisation (size, structure and culture) and also the choice of environment in which the organisation operates. However Strategic Choice Theory also holds that such decisions are made within the context of organisational and environmental constraints. Thus it acknowledges a dialect, such that strategic choices result from, "pro-action as well as reaction" (Child. 1997, p.46). In particular, Strategic Choice Theory holds that decision making is informed by the ideologies of the managers and directors; however, it is constrained by the processes of political negotiations that occur within the senior ranks of an organisation, by the organisations' values and traditions, and the degree of active analysis applied by decision makers when making choices. Further constraints on decision making arise through environmental influences, including the expectations of external stakeholders. In order to deal with such complexity, Strategic Choice Theory posits that organisations develop organisational strategies comprising internal strategies that determine the

configuration and size of the organisation, and external strategies through which they attempt to influence the environment. Thus the interaction between key organisational participants and the environment must also be considered.

The application of Strategic Choice Theory (Child, 1972; 1997) is appropriate because it permits an analysis that considers both organisational and environmental influences: one that a reading of the prior literature suggested might be useful (cf. Jeavons, 1994; Ostrower and Stone, 2006). Strategic Choice Theory provides a means of incorporating such a range of influences because it acknowledges both the purposefulness of organisational actors and the institutional forces that constrain choice. Its potential application to voluntary human service organisations (CWOs) was foreshadowed by Child (1997) because such organisations place significant emphasis on their roles within their sector.

The method of case selection was purposive, i.e. the case was selected because it was expected to exemplify theoretical concepts of concern in the research program (Eisenhardt, 1989; Yin, 1989). The scope of the inquiry encompassed the entire organisation. The primary focus of the study was on the organisation as a whole, but localised use of performance reports was also examined. In order to capture a complete cycle of organisational activity[3]**,** the case study covered a seventeen-month period.

The primary sources of data were interviews with organisational participants; observation of meetings, workshops and activities; and the examination of documents. Interviews were semi-structured, utilising a structured questionnaire that permitted open-ended responses (Yin, 1989). Observations were conducted at routine management and governance meetings; meetings dedicated to specific projects, such as the implementation of a quality management framework. The observation role of the researcher in the present study was of the passive presence type (McKinnon, 1988). Documentary evidence comprised a wide range of material, including organisational policies, formal reports, performance measurement tools, working papers and memos. The primary use made of documents was in triangulation with interviews and observations. In using multiple data sources a comprehensive picture of the

[3] A twelve-month period corresponded to the normal operating and reporting cycle of the organisation and therefore provided the opportunity to consider all usual processes. However, since the meetings of one important committee was not observed until five months into the field work, the longer period was necessary.

subject was developed. Triangulation of convergent data considerably enhanced the reliability of the evidence (Yin, 1989). In keeping with the case study methodology, this paper next outlines the case organisation, its environment and the performance reporting framework that it deployed.

5: The Case Organisation and the Environment in which it Operated

The case organisation was a large, multi-service CWO that operated under the auspices of an established protestant church in Australia. It was founded in 1901, and had a long history of independence, and an holistic approach to the provision of welfare services. The organisation's work spaned three foci: (1) the direct delivery of welfare programs; (2) policy development and advocacy; and (3) community strengthening. It was one of the largest CWOs in Australia (IC, 1995), and, by reference to the typology of Milligan, Hardwick and Graycar (1984), one with considerable spread of service provision. Descriptive statistics are provided in Table 1.

Table 1: Descriptive Statistics

[Table 1 here]

The organisation was funded by a mix of self-generated and donated income, with the majority of its resources allocated to service delivery. Patterns of income generation and of expenditure are depicted in Figure 1.

Figure 1: Patterns of Income and Expenditure

[Figure 1 Here]

The organisation was governed by a Board comprising mainly non-executive members (nine of eleven) who are appointed by the church because of their commitment to the aims of the organisation and their professional expertise in specific fields. The Board had two subcommittees: the Stewardship Committee, which provided oversight of the organisation's financial resources, and the Community Services Committee, which dealt with service provision. Two employees, the CEO and the Minister of the Mission sat on the Board in an ex-officio capacity. Management of the organisation was vested in the CEO and four executive managers who are accountable to the Board. The Minister of the Mission also served on the executive and provides a direct link between the Synod and the organisation.

Membership of the Board Committees comprised Board Members, Executives, community representatives, and in the case of the Community Services Committee, a staff representative. Responsibility for operational functions was vested in managers, each of whom was accountable to an executive manager, and, ultimately, to the CEO. Managers of the eight service areas were accountable to the General Manager Services, while managers of corporate support departments, such as finance, information technology, business development are accountable to the Corporate General Manager. Management of the human resources and research and development functions was undertaken at the executive level by the Executive Manager Human Resources and the Executive Manager of Research and Development respectively. Each of the fifty three programs was supervised by a team leader or co-ordinator who is accountable to a service manager. The organisational Structure is depicted in Figure 2.

Figure 2: Organisational Structure

[Figure 2 Here]

While this organisational structure has clearly demarked zones of management, the management style is highly consultative, and as noted above, at a practical level, those responsible for governance and management work closely together. The organisation emphasises the importance of strategic planning, and places a priority on operationalising clearly defined values.

The Organisation's Environment

Australia has a mixed economy of welfare, where services are provided by government, private for-profit organisations, private not-for-profit organisations, and the household sector (Rogan, 1997). In 2002/2003 direct expenditure on welfare services was 2.3% of GDP (Australian Institute of Health and Welfare, 2004). By comparison, the contribution of Agriculture, Forestry and Fishing industries to GDP was 3% in that year (Australian Bureau of Statistics, 2004). Within the formalised system of welfare delivery, private not-for-profit organisations are by far the largest providers; however, government is the largest funder. For the case organisation, 39 of its 53 programmes were funded under contracts with the government. The proportions of service provision and funding by each sector nationally are depicted in Figure 3.

Figure 3: The Proportion of Welfare Services Provided and Funded by Each Sector

[Figure 3 Here]

The Regulatory Environment

The case organisation, like other welfare service providers, was subject to legislation covering specific fields of service provision, such as the Aged Care Act 1995, under which its residential aged care facilities were regulated. As well, it was required to comply with laws that regulated its activities as an employer, such as the Occupational Health and Safety Act 1981. As an incorporated association, it was required to comply with the Associations Incorporations Act 1985, which, inter alia, included financial reporting and audit requirements. The organisation was also required to meet a wide range of accreditation requirements (which are prevalent across the human services sector), such as those applying to providers of family counselling, aged care, and home and community care services

The Policy Environment

The traditional model of the welfare state has Government providing the welfare infrastructure, with not-for-profit organisations providing crisis intervention (Graycar and Jamrozic, 1989). However, in recent years the policy environment has been characterised by calls for smaller government, lower tax, value for money, greater accountability, user pay systems and contestability (O'Neill and McGuire, 1998). Consequently, private not-for-profit organisations in most countries have assumed a more central role in the delivery of welfare services (Anheier, 2000). Such a shift in position was presaged some time ago in South Australia (South Australian Health Commission and Department for Community Welfare, 1987). During this period there has been considerable growth in the number and range of direct service programmes, community support initiatives and policy development work undertaken by the case organisation. Significantly, welfare environment in South Australia is characterised by a higher level of co-operation and interdependence between the state and the community welfare sector than in many other places (Robins, 1997; Fitzgerald, 2010).

In summary, the case organisation was a large organisation, which operated within a mixed economy for welfare, whereby it received significant funding from government through entering into contracts for providing services. As well, it was regulated under a range of legislation and was subject to significant accreditation requirements. Within this regime, the

organisation operated on a voluntary basis, emphasising its independence and sustainability, as it had for more than one hundred years. It has also been shown that a more co-operative system obtained in the State of South Australia due to local historical and political conditions. It is within such a context that the findings on the organisation's performance reporting system are presented in the following section.

6: Findings:

Performance reporting was found to be extensive, being undertaken at all levels of the organisation and across the entire span of organisational effort. Performance reporting was both purposeful, in that the organisation had voluntarily deployed an extensive array of specific measurement tools; as well as reactive, in that the organisation also reported against a number of mandatory performance measures that were imposed on it by external parties. Performance reports included qualitative and quantitative, and financial and non-financial information. As such, this paper posits an overall performance reporting system that comprised two distinct but related frameworks: a voluntary performance reporting framework, and a mandatory performance reporting framework. The voluntary framework comprised three elements: a system of financial performance reporting, a system of non-financial performance reporting, and a system of direct accountability reporting. The mandatory performance reporting framework comprised performance reports that arose under four distinct heads of authority: compliance, accreditation, service contract and church auspices. Consequently, the paper suggests that performance reporting was essentially a strategic response to a complex social phenomenon, (i.e. the role of an independent, voluntary organisation providing direct welfare services in a twenty-first century welfare state). The case organisation's performance reporting system is summarised in Figure 4, with a brief explanation of the uses to which performance reports were put provided in the following section.

Figure 4: Classification of Organisational Performance Reports Used by the case organisation, Adelaide Central Mission

[Figure 4 Here]

Voluntary whole of organisation financial performance reports , in particular, the Monthly Financial Overview and the Annual Financial Reports were used mainly by the Board (principally through its Stewardship Committee) to manage resource allocation and monitor

organisational sustainability. The Board also took considerable interest in financial performance reports of programmes that operated on a fee for service basis; and the organisation's income generating activities. As well, the only the Board (mainly through its Stewardship Committee) considered the performance of the organisation's managed investments ($36m – the income from which was used to fund programme delivery, advocacy and research and development). Conversely, the greater part of Executive's and Manager's attention to financial performance reporting was on budget variance analysis, in particular, concerning grant-funded programmes. The high level of attention to these reports was evidenced by the practice within the Services Function, whereby, each month, the Executive in charge of Services met with each Service Manager and the Chief Accountant to analyse each budget item, line by line. There were two reasons for such an approach. Firstly, each programme was separately funded (mainly) by a government grant, and served a specific clientele; thus requiring dedicated attention to management and external reporting. Secondly, such externally funded budgets were considered as resources rather than as constraints. Money unspent equated to services not delivered. In this way, financial performance was a driver of non-financial performance, and budget management was crucial to meeting the strategic objective of service performance.

Non-financial performance reports were often not considered directly by Board Members; rather, they deferred to Executives' greater knowledge of, and experience with, welfare provision. Such asymmetrical use of performance information highlighted a key governance practice within the organisation: the operation, "in tandem", as the Chair put it, of Board Members and Executive jointly effecting organisational governance and control. As such, financial performance was sited at the level of the Board and non-financial performance was sited at the level of the Executive. (This theme is developed further below in the discussion of the nature of agency and choice as it applies to the application of Strategic Choice Theory.) There was however, eagerness on the part of Executives, for routine reporting to the Board of non-financial information because it made transparent their role in such a shared arrangement. Such a differential in the siting of performance reporting was further justified through the acknowledgement that financial performance was subject to greater temporal pressures than programme management. In the words of one Board Member,

> "you can go broke overnight… [but] a programme won't save you overnight".

Ad hoc reports were used extensively by Executives and Board Members to model the impact of plans and /or evaluate outcomes. (According to the Finance Manager, who, prior to joining the organisation had a long career in the private sector, much greater use was made of ad hoc financial reports by the case organisation than by private sector entities.) In general, consideration of such reports took into account a range of financial and non financial matters. Such a reporting practice can also be explained by the shared arrangements that obtained within the organisation's senior ranks and also by the nature of CWOs, which exist to pursue specific objectives. Consideration of performance reports, therefore, cannot be by mere reference to a financial efficiency calculus, but rather, it must also take into account the way in which a programme is delivered and the need that it meets.

The usefulness of routine, quantitative non-financial reports by Managers varied between programmes. For some, like the telephone crisis counselling services, where there was delivery of high volume, homogeneous services; such metrics were useful for management control purposes. However, in others, such as a small residential facility, they had little application. Rather, qualitative evaluations were more useful there. Within most programmes, and also support units (such as the Finance Department) considerable use was made of voluntary non-financial performance reports ranging from, for example, evaluations of client processing (by service programmes) to internal customer satisfaction (by the Finance Department).

Mandatory reporting was extensive. The requirements under service contracts with (mainly) government agencies included a wide range of quantitative (financial and non-financial) indicators and qualitative evaluations. Examples of the performance reporting requirements that arose under service contracts are provided in Table 2.

Table2: Performance Reporting Requirements Under Service Contracts (Examples)

[Table 2 Here]

Similarly, the organisation reported against a range of business process indicators in meeting the requirements of accreditation agencies. Funders and accreditation agencies used the information to evaluate performance of service providers and, in some case, the performance of broad scale government welfare initiatives. Examples of the organisation's reporting requirements under accreditation regimes is presented in Table 3.

Table 3: Accreditation Requirements (Examples).

[Table 3 Here]

Compliance requirements were also extensive, applying to many of the organisation's welfare activities and also its administrative functions and external accountabilities.

Table 4: Compliance Requirements (Examples).

[Table 4 Here]

Reporting to the auspicing church varied considerably from reports under other heads of authority in that it was largely informal and ex ante in nature, rather than formal and ex post.

Table 5: Reporting the Auspicing Church (Indicative).

[Table 5 Here]

Information collated for voluntary financial stand alone financial and non financial reports was communicated through the system of direct accountability reporting (central element in Figure 4), which sustained the organisation's management control and governance mechanisms. Importantly, where, it was considered to be useful, performance information collated for mandatory reporting to external parties was also used internally.

In summary, performance reporting, both financial and non-financial was used extensively throughout the organisation by participants at all levels. The reasons for such a performance reporting system and the factors that shaped the construction of performance reports are explained in the following section, where the analysis is presented through the perspective of Strategic Choice Theory (Child, 1972; 1997).

7: Discussion: Analysis of the Performance Reporting System through the Perspective of Strategic Choice Theory

In explaining the organisation's reasons for using the performance reports that it did, and the factors that shaped their construction, this paper adapts the framework posited by Child (1997) to understand the role of strategic choice in explaining organisational behaviour to the particular organisational acts of developing and using performance reports. This framework is depicted in Figure 5.

Figure: 5: A Strategic Choice Analysis of the Development and Use of Performance Reports

[Figure 5 Here]

While Figure 5 depicts the development and use of performance reports by the case organisation to be an iterative process (indicated by the italicised label, "review of performance reports"), it shows the fulcrum to be the evaluation of the organisation's performance reporting needs, which gives rise to a decision to undertake systematic performance reporting, that, in turn, leads to the development of a performance reporting system that meets the organisation's strategic orientation. These are numbered (1), (2) and (3) respectively.

The evaluation of the organisation's performance reporting needs (Step1) is subject to five broad influences: the prior ideologies of the key decision-makers; the nature of agency and choice; the environment in which the organisation operated; the achievements expected by external resource providers; and the relationships between organisational agents and the environment. In Figure 5, these are labelled (A) to (E) respectively.

The decision to undertake systematic performance reporting (Step 2) follows from the evaluation of organisational needs, and leads to the development of a performance reporting system that meets the organisation's strategic orientation (Step 3). Strategic Choice Theory holds that an organisation's strategic orientation is bifurcated between an organisational strategy and an environmental strategy. Organisational strategy (OS), is concerned with the internal configuration of the organisation in a way that permits the organisation to achieve its objectives. Three facets of the internal configuration were found to be significant: the scale and diversity of operations (OS1); organisational structure (OS2); and the style of

communication and decision-making (OS3). Their influence on the development and use of organisational performance reporting is depicted in Figure 5 by the arrow leading to the element at the bottom right labelled, “Performance Reporting System”.

Environmental strategy (ES), is concerned with how the organisation impacts on its environment. Four factors were found to have directly influenced the development and use of organisational performance reporting: the provision of quality services and community strengthening (ES1); the practice of evidence based advocacy and programme development (ES2); holding a leadership position within the community welfare sector (ES3); and ensuring organisational sustainability (ES4). The influence of environmental strategy on the nature and use of organisational performance measures is also depicted by an arrow leading to the element labelled, “Performance Reporting System”.

The iterative, organisational learning based approach to the use of performance information is illustrated by the dotted arrow (which is labelled, “Review of Performance Reports”) leading from the element labelled, “Performance Reporting System”, back to element 1, “Evaluation the Organisation’s Performance Reporting Needs”.

Strategic Choice Theory also holds that organisations influence their environment. This is represented in, Figure 5, by the arrows leading from the four above mentioned aspects of the organisation’s environmental strategy to the elements labelled, “C: Environmental Conditions”, “D: Achievements expected by External Parties[4]”, and “E: Relationships Between Key Participants and the Environment”. Having provided a brief overview of the framework depicted in Figure 5, a more comprehensive explanation of the development and use of performance reports through the application of Strategic Choice Theory is provided by moving systematically through the cycle posited in the Figure.

[4] Child’s original model concerned a for-profit organisation. Consequently, it posited “Rewards Expected by Resource Providers” as major influence on organisational behaviour. However, it limited a firm’s influence on the expectations of resource providers to the selection of markets in which a firm might operate. Given the nature of the Australian welfare system, in which a system of co-responsibility has developed historically, and in which currently, the case organisation, and other CWOs, have been shown to have influenced the performance reports required by external parties, the term “Achievements Expected by External Parties” is favoured here.

Element A: Prior Ideologies of Key Decision Makers.

Prior ideology, as conceptualised in Strategic Choice Theory, is an amalgam of a person's basic belief system, tempered by educational attainment, socio-economic status, and socialisation. The ideological approaches of board members and executives to their organisational work covered a spectrum between progressive Christian faith and egalitarianism, thus providing the motivation for them to work towards improving the lives of those in need. The influence of faith on the organisation was pervasive, in that that many board members came to the organisation as, "an extension of their life in the Church". Furthermore, the organisation's constitution required the Chair of the Board to be an active member of the auspicing church. In practice, a board selection criterion that at least half the members belong to the church was also applied. A further structural imperative that ensured that strategic decisions were informed by the church perspective was the role of the Minister of the Mission, who, as a senior Minister of the church, sitting on both the Executive Committee and the Board, was responsible for facilitating congruence between the activities of the organisation and the, "faith belief systems of the auspicing church".

However, some board members expressed a more secular commitment to those in need. As well, the organisation sought to broaden the basis on which decisions were made by inviting into its governance ranks, "Community Members", who might provide a perspective from the wider community that the organisation sought to serve. Indeed, it was suggested by some informants that such a broadening of scope was the result of an ideology that defined a Christian perspective as one of situating oneself amongst those the organisation sought to serve. For all board members, ideology was, however, tempered with a pragmatism born of educational attainment, discipline specific knowledge, and contemporary professional practice; since professional expertise (often in accounting, management and law) was included as a key selection criterion for board membership, with members operating, inter alia, as de facto organisational advisors. Organisational strategic choices were also influenced by the policy of maintaining an approximately equal gender balance between board members.

While the selection criteria for executives did not specify adherence to the Christian faith, it did, however, require a willingness and ability to work within the overall parameters of a Christian organisation, and to further the objectives of the organisation. Commensurate with this, most executives also expressed a more secular commitment to those in need, to a wider

sense of community, social justice and egalitarianism. The selection criteria for executives, too, ensured that only those with a high level of education, and, for the majority, significant experience within the welfare sector, were involved in making strategic choices.

Prior ideology/ belief influenced the development and deployment of performance reporting in four ways: (1) it provided a fundamental imperative for undertaking performance reporting; (2) it helped to define what constituted good performance; (3) it influenced the ways in which performance was reported internally; and (4) it influenced the mode of acquittal of accountability to the auspicing church and to the wider community.

The fundamental imperative arose from senior officers' personal commitments to be sensitive to human suffering and to assist those in need. However, informants were unequivocal that Christian faith per se did not necessarily make the organisation different to a secular CWO. It was as a fundamental imperative for undertaking welfare work, and, consequently, deploying performance reports to further that work, that the tenets of Christian faith were influential. In particular, such a prior ideology yielded a highly proactive approach, which, inter alia, resulted in development and uses of an extensive array of voluntary performance reports, and, where possible, the use mandatory (external) performance reports within the organisation. Consequently, key decision-makers deployed, a much more comprehensive set of performance reports than was required by just external parties. In speaking of the imperatives for performance reporting, one Executive stated,

> "We have a responsibility to provide the best quality we can for people in South Australia. It is primarily a moral issue." [emphasis added]

The Christian/ social justice ethos was influential in defining what constituted good performance, in that key decision-makers emphasised the importance of considering the ways in which services were delivered, as well as the effectiveness and efficiency of service provision. They held that it was not sufficient to merely duplicate a service that might otherwise be delivered by a government agency. Consequently, performance reports had to be multifaceted, include qualitative as well as quantitative information, and be communicated to all senior officers of the organisation. However, while anchored in strong Christian and / or humanitarian values, strategic decision-making was also infused with notions of contemporary best practice, which board members introduced through their professional

exposure, and executives through their education and through sector wide networking. In speaking of the infusion of contemporary practices, one Executive stated,

> "…we've actually recognised…that we're a business...and…we have to be accountable to our customers, and our customers are many and varied. And that's why we find that now we have to go out to [the ABEF] , we have to have PIRs, we have to have financial reports and we have to do analysis, we have to have Board reports" .

For example, the Board undertook a governance review, the impetus for which was the positive experience of such by one Board Member in his employment in the private sector. Similarly, the practice of direct accountability reporting by executives to the Board resulted from the positive experience of such an accountability mechanism by a Board member in his professional life. In speaking of this, the Board member stated,

> "Well, in the company that I'm CEO of, every manager puts his [sic] board paper in there. So I transported my experiences to the Board of the (case organisation)…There's always, in a for-profit…the situation of the CEO giving his overview, which is absolutely correct … You know, gives an overview of the Executive Summary (for want of a better word). But whether it's included as an appendix or as an up-front paper, I believe that each manager, he gets paid as an executive, we want to know that he's articulate, we want to know what he's doing and we'd like to hear from himself what his accomplishments and what his frustrations are."

The prior ideology of key decision-makers was also found to have influenced the ways in which performance was reported. For example, the consensus orientated, participatory decision-making, facilitated in part, by cross membership of key organisational decision making forums, was demonstrated to be a hallmark of the auspicing church's approach. Furthermore, the spirit of egalitarianism that infused decision-making resulted in performance reporting, particularly direct accountability reporting, being undertaken in a manner that was supportive to paid staff, rather than as merely an exercise in (nonetheless acknowledged as important) organisational control.

The prior ideology of board members was also shown to have profoundly influenced the ways in which the organisation acquitted its accountabilities to its auspicing church: by far the greater part of accountability acquittal to the church relied on informal, ex ante means born largely of shared faith (qua ideology) between the Church, and those it considered to be "their people" who "ran" the organisation, rather than on formal, ex post performance reporting.

The prior ideology of key decision-makers also influenced the reporting of organisational performance to the wider community. For example, there was a deliberate inclusion, in the annual report, of non-financial indicators of service effort, including a holistic analysis provided by the Organisational Performance Measurement System (similar to a Balance Scorecard). However, the prior ideology of key decision-makers was also responsible for a degree of image management, through the reporting of, "good news stories"; and the practice of disclosure management, such that, as a result of a Board decision, the organisation ensured it always reported a modest surplus so that appeared well enough managed to attract ongoing support, but not so well off that donors may switch to other charities. The prior ideology of key decision-makers was further influenced the development and deployment of performance reporting by the organisation, indirectly, through its contribution to the inculcation of an overall organisational culture, which is discussed below.

Element B: The Nature of Agency and Choice

Strategic Choice Theory holds that, irrespective of environmental constraints, the discretion exercised by an organisation's key decision-makers is limited by the very nature of agency and choice. In particular, attention is drawn to three aspects of decision-making: (1) the paradox of choice and the influence of organisational culture; (2) intra-organisational political processes; and (3) the mode of strategic issue diagnosis. The influence of each factor on the development and use of performance reporting by the case organisation is given below.

Somewhat paradoxically, as Strategic Choice Theory acknowledges, by exercising one choice, a decision-maker precludes at least one possible alternative path. As such, the consequences of past decisions are manifested within the consciousness of organisational participants in the form of organisational culture. In this paper, organisational culture is defined as it was by Schein (1985, p. 6) who has it as, "the deeper level of basic assumptions

and beliefs that are shared by members of an organisation, that operate unconsciously, and that define in a basic ‘taken-for-granted’ fashion an organisation’s view of itself and its environment”. The organisational culture was linked to the prior ideologies of key decision-makers, since, in the first instance, senior officers were attracted to the organisation, in part, because of its culture, and also because, as key decision- makers, they played a significant role in maintaining that culture. In particular, Board Members expressed a significant objective of organisational sustainability in order to ensure that the organisation could maintain doing “good works”.

The organisational culture of the case organisation was well-defined and strong. Organisational values comprised the appreciation of the individual dignity of all persons, treating each individual with respect, fairness and equity, acknowledging a strength in each person, and questioning the status quo. Organisational participants described the case organisation as, "a values driven organisation". Furthermore, the structural imperatives, and management style and processes of the case organisation were also shown to have been well defined, and to be highly mission focussed.

Thus organisation’s culture exemplified Steene’s (1999) concept of “expressive”, as opposed to merely “instrumental” values. Expressive values are those with an ontological dimension that concern issues of humanity. Conversely, the dimensions of instrumental values are limited to concerns about rationality, such as the promotion of effectiveness and efficiency. Organisational values profoundly influenced the development and use of performance reporting. At the most fundamental level, as noted above, the development and use of performance reporting was seen as, “primarily a moral issue” . However, not only did organisational values provide an imperative for performance reporting, but value congruence comprised a dimension of overall performance. Value congruence was inculcated at induction sessions for new staff and was evaluated as part of staff members’ ongoing supervision and support. In explaining how values were inculcated throughout the organisation, one Executive stated that staff were told,

> “These are the values we’ve got. These are the values that we expect you to demonstrate in this organisation when you’re working on our behalf…it’s part of your performance to work from these values”.

Such a clearly articulated organisational culture also influenced organisational performance reporting in that it was an important influence on the choice of services that were actually provided by the organisation, and the evaluation of service effort. This was achieved performance reporting practices such as process reviews, the quality management system, the staff and volunteer satisfaction surveys. Furthermore, the organisation deliberately filled the majority of positions on its quality implementation team with staff who were involved in front line service delivery to ensure that quality of process was embraced rather than merely accepted throughout the organisation. That is, there was a deliberate attempt to weave quality consciousness into the fabric of organisational culture.

Value congruence was so entrenched that the organisation acknowledged its preparedness to bear additional financial costs to maintain it. For example, the organisation's residential aged care facility was designed to optimise residents' amenity, even though it raised the cost. Furthermore, values were considered when evaluating the performance of the organisation's investments, through the application of the Socially Responsible Investment policy. In addition, the well defined organisational culture that permeated the organisation provided a platform for organisational participants to work through the intra-organisational political processes that are discussed in the following section.

Strategic Choice Theory acknowledges that, in practice, organisational decision-making transcends formalised processes, to be the product of negotiations between key organisational participants: the "dominant coalition" (Child, 1972). The "dominant coalition" in the case organisation comprised members of the Board, and the Executive, the relationship between whom was grounded in structural, policy and moral imperatives that produced a high degree of interdependency; including, as noted above, a differential in the siting of the evaluation of resourcing effort and service effort, with the former largely undertaken at the level of the Board, and the latter at the level of the Executive. Thus, from the organisation's perspective, it was necessary to develop a performance reporting system that facilitated a mode of organisational governance whereby the Board and the Executive operated within a shared organisational space such that organisational governance and control were better characterised as occupying regions along a continuum rather than as discrete domains. One Board Member described the relationship between senior officers of the organisation in the following way,

> "I'd say … the bulk of the strategic direction originates up through the Executive Now, the Board itself is not bereft of independent thought…But in tandem with the Executive we know…what is (more or less) achievable... So, it's a bit of checks and balances, but the bulk of…it comes out of the Executive, presented to the Board for its review, comment and (at times) enlargement or tailoring to what's possible".

In order to manage such an arrangement, the organisation effected performance reporting practices that included cross representation of membership of key organisational forums; of parallel reporting; the use of multi-faceted performance reports; and the multiplicity of performance reports. Such a dynamic approach to organisational governance, together with the cultural imperatives noted above, was also evidenced in the active approach to strategic issues diagnosis of organisational participants.

The diagnosis of strategic issues requires information as an input to the decision- making process. The organisation's approach to strategic issues diagnosis was a key driver of performance reporting. Active strategic issues diagnosis arose from the highly purposeful, values expressive and personally committed approach of organisational participants; who sought to meet their information needs through the extensive range of voluntary performance reports; and also the internal use of information collated under the mandatory performance requirements. Such an approach was further influenced by the need to deal with variability in the organisation's environment.

The foundations of key organisational participants' active approach to strategic issues diagnosis lay in their basic reasons for getting involved in the organisation. Most were drawn to the organisation because of a personal commitment to make a difference, i.e. to achieve specific organisational objectives. In particular, key organisational participants actively strived to ensure that the organisation operated with the creativity and responsiveness that only an independent, not-for-profit agency could. As noted above, merely duplicating what could be provided by government was not acceptable. Consequently, key organisational participants needed good quality performance reports as inputs to decision-making and to monitor organisational effort.

The degree of variability in the organisation and its environment also provided an imperative for active strategic issue diagnosis. The longitudinal analysis of the organisation's activities

that was undertaken for the present study showed that, while the organisation had operated for over one hundred years, and, indeed the lineage of some programmes could be easily traced back more than forty years, the organisation had continued to evolve. For example, fifty five percent of the organisation's programmes that operated at the time of the field work for the present study were less than seven years old. Further examples of environmental variability that required an active approach to strategic issues diagnosis included the need to actively engaging in dialogue with a changed administrations where new governments were elected; and, with respect to the fundraising level, significant changes in the market for recycled clothing (for example the advent , of very low cost new clothing from Asia) .

Overall, the organisation's active approach to strategic issues significantly influenced the development and use of performance reports. Despite being required to deploy a wide range of mandatory performance reports (many of which organisational participants considered to be valuable), the organisation voluntarily deployed further performance reports in order to evaluate performance from its own perspective. The active approach to strategic issues diagnosis raised many questions about performance, which the organisation sought to answer. For example, the development of the Organisational Performance Measurement System Report, (which included the monthly reporting of key performance indicators) stemmed from the organisation's very active analysis of its situation and how best it could move forward. In particular, the above analysis has highlighted the organisation's needs in responding to its environment as well pursuing its mission.

Elements C, D and E, The Organisation and Its Environment

The development and use of performance measures by the organisation were impacted by powerful environmental factors, which, in some areas, the organisation was able to negotiate those influences, either directly, or through important networks in which the organisation and/ or individual key decision-makers participated. Following Child (1997), the framework for understanding the development and use of performance measures, which is represented in Figure 5, thus includes three interrelated elements relating to environmental matters. The first, labelled, "C: Environmental Conditions", refers to the "objective" environmental conditions within which the organisation operated. The second, labelled, "D: Achievements Expected by External Parties", refers to the ways in which specific achievements expected by external parties influenced performance reporting. The third, labelled, "E: Relationships

Between Key Participants and the Environment, refers to the relationships between key organisational participants and the environment.

Element C: Environmental Conditions

Six environmental factors were found to have directly influenced the need for, and nature of, the organisation's performance reports: (1) the mixed economy of welfare; (2) co-responsibility; (3) changes in funding patterns; (4) the professionalisation of welfare work; (5) higher levels of accountability; and (6) more onerous common law duties of directors. The mixed economy of welfare operated as a precondition to the remaining five external factors listed above. It was because of the mixed nature of the economy of welfare (comprising government, the private enterprise and the community welfare sector) that the organisation was required to report against so many mandatory performance requirements; and also that the organisation voluntarily developed performance reports to facilitate its environmental strategy (which is discussed below).

Within the mixed economy of welfare, there operated a system of co-responsibility for the delivery of welfare services, such that the state actively sought to involve the community welfare sector in policy development, and to share with it, direct delivery of services. (Which, as noted above, was more developed in South Australia than elsewhere.) Conversely, the community welfare sector was a willing, independent-minded participant in these matters. In particular, the case organisation with its tradition of independence, and its strategic orientations of sectoral leadership and sustainability (which are discussed below), was found to have been, where possible, an active negotiator of externally required performance reports.

Significant changes in the pattern of government funding of welfare programmes, such that, services were delivered through a larger number of more specialized programmes, rather than through annual grants to the organisation, meant that the case organisation now delivered a larger number of smaller programmes than it previously did, with the effect that an extra layer of management was required, with managers having less direct knowledge of each programme. Consequently, their need for good quality performance reporting increased considerably. One Executive explained this situation in the following way,

> "Well, it means, in terms of performance, you have to take a lot more [reports]… When I first started here, every time you started new programme you had somebody

> that ran it, so there were totally separate entities, and they only had one thing to do. And then we went to having portfolios…and that's when the complexity of roles really grew, because you had more than one thing to watch. You could monitor something that you were intimately involved in so easily. But when you don't even see some of the things that happen because you're not there with it all the time it requires reporting to be different…your reporting starts to grow…"

There was, in recent years, an increase in the importance attached to performance reporting, in particular, and professionalism in general. The organisation had been in the vanguard of such change by being one of the first charities in South Australia to recognise the importance of formal training for social workers; and, in the mid 1990s, to fund a research and development function that, inter alia, developed performance reports for the organisation. During the 2002/2003 financial year, the organisation allocated more than $500,000 to fund Research and Development, a large part of which was spent on deploying quality management processes and performance reporting.

The development and deployment of organisational performance measures was also influenced, indirectly, by the general elevation of the importance of accountability in society. Organisational participants were acutely aware that it was no longer sufficient to merely assert that the organisation's welfare work was valid. At a general level, such a view was evidenced by the elevated importance of the use of performance reporting that was provided by the Chair's comments in the 2002 Annual Report, which stated,

> "In this report we have attempted to take our accountability reporting a further step. The Board is clear that we cannot meet our vision and mission if we are not diligent in our accountability to people who seek our services, our supporters and the public of South Australia."

Furthermore, the organisation attached significant importance to the use of mandatory performance reporting requirements in not only acquitting a direct accountability to a funder or regulator, but also as a way of also acquitting a general accountability to the public. Such a use for performance reporting was held to be important because of the "difficulty" in defining a broad accountability to the general community, which was held to arise because the organisation lacked a "natural" constituency, being an organisation whose members voluntarily assumed a responsibility to deliver services.

Board members were also acutely aware of the onerous legal responsibilities they had, with more than one specifically mentioning the impact of the Federal Court decision that established the principle that the duties of board members of not-for profit entities were of the same order as those of the directors of for-profit entities. This was given as one of the major reasons that the Board had undertaken a governance review, which had, inter alia, prompted an increased level of performance reporting by executives to the Board.

Element D: Achievements Required by External Parties/ Mandatory Performance Reports

As noted above, the case organisation reported its performance under four mandatory heads of authority: compliance, accreditation, contract and church auspices. Compliance requirements covered basic accountabilities such as those required to be a licensed service provider (e.g. residential aged care and disability services); to maintain a modern workplace (e.g. occupational health and safety and equal opportunity); for incorporation and also to claim exemptions from paying various taxes, duties and levies (see Table 3). The organisation was required to report under seven different accreditation standards (see Table 4). While each had a specific service focus, such as aged care, home and community care and counseling; they all required certain (similar) standards in relation to non-service processes such as management, governance and financial accountability to be met. Since accreditation requirements were generally aspirational, they impelled a degree of organisational learning and development, thus contributing to a culture of evaluation and reporting. However, they also produced an indirect influence on performance reporting. In order to minimise such duplication of reporting, the organisation voluntarily implemented a quality management system, the, Australian Business Excellence Framework (ABEF), in the hope that, where ABEF reports dealt with issues covered by a number of external standards, the ABEF report may be accepted in respect of the common requirements. Such an approach further influenced performance reporting in that, the organisation required the development of the whole of organisation performance measurement system, the OPMS in order to track its progress, as required under the ABEF.

Contractual requirements (see Table 2), which, as noted above, applied to 39 of the organisation's 53 programmes also influenced organisational performance reporting. Contractual requirements were generally programme-specific, and included a broad range of mainly ex ante key performance indicators, financial indicators, and milestones. Because

contractual requirements were programme specific, and were reported to different external agencies,; there existed the potential for staff focus to stray from organisation as a whole, and settle on specific funder/programme accountabilities. One reason the organisation sought to develop whole of organisation performance reports was to counteract such fragmentation.

While such reporting was, in the first instance, required by external parties in order to regulate welfare provision, monitor welfare providers, and evaluate broad scale government sponsored programmes; it was also used by the organisation to effect programme delivery, service management, organisational control and governance, including risk management, and to acquit a broad public accountability. Thus there were two distinct avenues through which performance reporting by the organisation was influenced by the requirements of external parties: one as a consequence of fulfilling mandatory requirements; the other though the integration of mandatory requirements into the organisation's system of voluntary performance reporting. The importance of such usage was evidenced by one manager, who stated,

> "if I did not have to provide the data to external parties, I would want to be collecting it in order to use it" [emphasis added].

The requirements of the auspicing church (see Table 5), under whose auspices the organisation operated, provided yet further contrast to those of the other three heads. The organisation was one of a number of organisations that had been established by the Church as a practical expression of the Church's commitment to the Gospel. However, there were no ongoing formal requirements for the organisation to report its performance to the Church. Rather, there existed a framework through which the organisation acquitted its accountability to the Church, largely through the reporting of performance information through mainly informal means, based on an ex ante shared commitment, and effected through networking. The influences of such an orientation on the development and deployment of organisational performance measurement were nonetheless profound and operated in two ways: (1) it defined a fundamental organisational orientation, and thus a reason to evaluate and report performance; and (2) it presented board members with significant responsibilities for sustaining organisational effort, thus placing them in a position where they required significant levels of performance reporting by executives.

In addition to the above mentioned influences, the development and deployment of performance measures was also influenced by ideas brought into the organisation by those who governed, managed, or otherwise staffed the organisation. These are discussed in the following section.

Element E: Relationships Between Key Organisational Participants and the Environment

Strategic Choice Theory acknowledges the importance of relationships between key organisational participants and other organisations, holding that, through networking, organisations are subject to significant external influences; and also influence their environments. Performance reporting by the case organisation was influenced by board members bringing into the organisation practices such as the governance review and direct reporting by executives, which they had experienced through their professional lives. In support areas, executives and managers developed performance reports such as internal customer satisfaction surveys, and the enhanced application of Australian accounting standards largely through consideration of professional affiliations and paradigms. In the services area, the involvement of executives, managers and team leaders in a broad range of relationships with funders, regulators and accreditation agencies, influenced performance reporting practices. Examples included participation by programme managers and team leaders in standards development workshops for national programmes that provided telephone counseling and support for at risk youth. Also, the Executive Manager Research and Development served on a reference group of the Department of Health, which was responsible for developing service standards for disability service providers. Having outlined the five influences on the organisation's evaluation performance reporting needs (Step 1), the discussion now turns to Step 2, "Decision to Undertake Systematic Performance Reporting".

Decision to Undertake Systematic Performance Reporting

For the case organisation, the decision to undertake systematic performance reporting developed over time. While the organisation had adopted a traditional charity model for approximately its first fifty years, it had, from the 1950s, instituted a more progressive approach. Since the 1990s, the organisation had embraced a strategic planning process that provides for a review of organisational goals over the five year period of the organisation's strategic plan. In developing a strategic plan, the organisation considered its objectives, values, traditions, resources, including staff, and the expectations of external parties. In

recent years, the organisation had introduced various performance reporting tools to deal with specific programmes and business processes. Some had been initiated at the programme level, others by senior management. As well, there were increasing demands on the organisation to provide performance information to external parties. One consequence was a considerable duplication of effort, in particular in meeting the needs of accreditation agencies, which, apart from requiring information about the delivery of programmes in a specific field , required generic information about financial, management and governance practices. Thus, the organisation decided on a more systematic approach to performance reporting.

Development of a Performance Reporting System to Meet the Organisation's Strategic Orientation

As noted above, Strategic Choice Theory conceives of strategy as bifurcated between an organisational strategy, which results in the way an organisation is configured in order to achieve its objectives; and an environmental strategy, which comprises the initiatives taken by organisational participants to influence the environment. The influence of strategy formulation on the development and use of performance measures is discussed below.

Organisational Strategy

Three (interrelated) aspects of the organisation's basic configuration influenced the development and deployment of performance reporting: size and diversity of operations; structure; and the style of communication and decision-making.

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Size and Diversity of Operations

As a large, diverse CWO (see Table 1 above) the organisation displayed the general characteristics of a modern work organisation. In order to exercise organisational control, management required a routine, formalised, comprehensive system of performance reporting. Similarly, the exercise of governance also required a sound performance reporting system. The extensive range of performance reports developed and deployed by the organisation were outlined above. Furthermore, as shown above, the organisation used performance information that was collated, in the first instance because it was mandatory, in its monitoring processes. The sheer diversity of organisational activity meant that many different types of performance information were required by key decision-makers. Furthermore, the heterogeneous nature of the organisation's activities also limited the degree to which such information could be

aggregated and summarised, which resulted in a high level of detail being reported at senior levels of the organisation. For example, process and output KPIs for residential aged care, had to be reported separately from those for crisis counselling. One way that the organisation sought to ameliorate the problem of diversity was to report against, “percent of target met”, for output and outcome measures.

Diversity influenced the development and deployment of performance reports in another way too. In addition to providing distinctly different services to specific clienteles; the majority of programmes had separate (and often diverse) sources of funding. With few exceptions, the performance of each programme was required to be managed and reported separately. This also resulted in very high information needs for those charged with exercising oversight and financial management. Consequently, the level of detail reported at senior levels of the organisation was high. Furthermore, such diversity presented a hurdle to the attainment of organisational congruence, since programme staff faced separate, programme specific pressures, particularly where external performance reporting requirements were high. One response to such a situation was the deployment of the uniform internal management reporting system, which was held to assist in easing the assimilation of information and to ameliorate the disparate foci of staff whose day to day activities impelled a degree of insularity in their focus outward through providing a means of organisational congruence and a greater internal focus. As well, the OPMS Report provided a counter to such a fragmented conception of performance within the organisation, by facilitating the adoption of a whole of organisation perspective on performance.

Organisational Structure

The organisation’s structure, which was depicted in Figure 2, reflected the size and diversity of organisational activity. While the management structure was relatively flat (comprising four management nodes: CEO, Executive Manager, Manager and Team Leader), there was significant variation in the span of control within the four functional areas; and also in the number of forms of departmentalisation: functional, service (product), customer and cross functional (Robbins et al., 2000).

The widest span occurred in the Services function, where the General Manager Services had oversight of eight service managers, while in both the Human Resources and Research and Development areas, the executive managers each directly oversaw only one manager and one

functional unit. Between the front line services there was also variation in the number of team leaders who were overseen by service managers. Such a structure necessitated a sound performance reporting system in order to effect management control. The organisation's response to such a need was a formalised, routine system of direct accountability reporting, whereby a person who was responsible for undertaking a duty reported their performance, and that of their work unit, to the person who was ultimately accountable for that subordinate's performance. Performance reporting that underpinned organisational governance practices. In particular, it was shown that the organisation deployed a formal regime of performance reporting from executives to the Board; and also from board Committees to the Board.

The Style of Communication and Decision-Making

The organisation practiced a very transparent, participatory style of communication and decision making, which, according to informants, was a legacy of its relationship with the Uniting Church. Such an approach impelled contextually grounded information transmission, whereby performance reports were generally communicated within an ongoing dialogue at each management node and or key management or governance forum (such as the Executive Committee or the Board). For example, within the Services Function, each Manager met fortnightly with the Executive Manager in what was a mix of supervision and support, providing her with a written performance report once per month. Organisational practices also included contemporaneous (parallel) reporting of information, and cross membership of key organisational forums. With contemporaneous reporting, for example, performance reports could go to the Executive, the Board, or a committee of the Board, within a few days of each other, without the forum that received the report first reporting to the other(s). The practice of cross representation of membership of key organisational forums meant that some of the organisation's senior officers (Board Members and Executives) would likely consider the same report within different contexts (Board, Board Committee, Executive Committee, or ad hoc committee). As well, performance reports were generally multifaceted and were reported together with other performance reports. The consequence of such practices was that performance reports were considered within highly contextualised situations.

Environmental Strategy

In pursuing its environmental strategy, the case organisation required high levels of performance information. Four specific aspects of the strategy provided imperatives

for, and influenced the development and deployment of, performance reports: (1) quality service delivery and community strengthening; (2) evidence based programme development and advocacy; (3) sector leadership; and (4) organisational independence and sustainability.

Quality Service Delivery and Community Strengthening

Service delivery and community strengthening represented two of the case organisation's three core activities (the third, advocacy, is discussed in the following section). In undertaking these activities, the organisation sought to maintain high standards of quality. The concept of quality adopted by the organisation was multi-faceted, being defined in terms of the ways in which programmes were delivered: not only were services to be provided in a professional manner, they were also to be delivered in ways that were identified in the organisation's Mission, Vision and Values statement. That is, in ways that treated clients with respect, preserved their dignity; offered empowerment; and were appropriate to the targeted clientele. Such an approach provided a significant imperative for, and influence on the nature of, performance reports.

Evidence-Based Advocacy and Programme Development

The organisation's advocacy and programme development efforts were also subject to evaluation, with key informants unequivocal in stating that it was no longer sufficient to base a policy proposal, or a programming initiative, on mere moral suasion; rather, it was necessary to provide sound empirical evidence. As such, the organisation's advocacy activities relied, in part, on information collated through the organisation's performance reporting system. In particular, throughput and outcome data that was collated in respect of each programme provided input into needs analyses. Evaluation of policy development was undertaken using qualitative analysis, with the prevailing view that, in general, quantitative indicators alone were unreliable. However, two quantitative inputs into the evaluation of policy development (which were accepted a being reliable) were internal and external stakeholder satisfaction surveys that were undertaken as part of the OPMS Report. Policy development was also evaluated by the Board, through its consideration of the Functional Area Report of the direct accountability reporting of the Executive Manager Research and Development, which included updates on joint research activity undertaken by the organisation and a local university.

Programme development was also undertaken with reference to empirical data collated through the performance reporting framework. On a routine basis, the monthly reports on service operations were used to evaluate programme development and implementation. Overall, empirical performance data was considered alongside qualitative analyses to ensure that programmes remained relevant to clients' needs and congruent with the organisation's philosophy on service provision.

Sector Leadership

The organisation's strategic orientation as a leader in the welfare sector influenced its approach to performance reporting. As a large, established CWO that had considerable economic and human resources, it assumed a responsibility to assist smaller, less well resourced organisations through allowing them to participate in training programmes, sharing ideas and demonstrating innovative practices. The organisation thus saw itself as a leader in the welfare sector locally and nationally. In some cases, government funding agencies gave further impetus to this strategic direction by asking the organisation to demonstrate its models of service provision to other organisations. Examples of such work included the organisation's innovations in the provision of residential aged care; and in-home support for people who, for a range of reasons, were housebound.

Organisational Independence and Sustainability

The case organisation espoused a clear philosophy to deliver services and advocate in ways that reflected its values and traditions. From its beginnings, the organisation attempted to maintain financial independence through undertaking commercial activities, which included, for example, establishing Australia's first credit union. Consequently, it emphasised a strategic orientation of independence and sustainability, such that the organisation's senior officers felt a significant responsibility to ensure the organisation's ability to maintain services to the community. This strategic direction of maintaining organisational independence and sustainability required detailed financial and non-financial performance reporting at senior levels of the organisation.

With respect to financial independence, the organisation deployed the range of performance reports. It closely monitored its cash position on a weekly basis; on a monthly basis, it produced detailed reports on its long term investments; and twice per year it sought performance reports on those investments from its fund managers. Also on a monthly basis, it

reported a variance analysis for each programme, and other cost centres. In particular, it highlighted unspent government subsidies, in part, to provide greater focus on the use of its self-funded resources. Overall, the Board (mainly through the Stewardship Committee) placed a very strong emphasis on organisational resourcing. Indeed, of the nine non-executive directors, four had high levels of financial expertise. Furthermore, the organisation co-opted onto its Stewardship Committee a community member with expertise in funds management (which, as noted above were used to fund programmes, advocacy, and research and development.) It pursued a strategy of sustainability by implementing a capital maintenance policy that preserved the real value of its funds.

At the whole of organisation level, four of the six critical success areas reported against in the Organisational Performance Measurement System Report, two were concerned with organisational sustainability, while two were concerned with implementation of objectives. Those concerned with sustainability were: relationships with internal stakeholders (for which the KPI of staff satisfaction was one of the metrics deployed); relationships with external stakeholders (for which the KPI of stakeholder satisfaction was one of the metrics deployed); resource generations (which, apart from financial KPIs such as ROI, included volunteer targets); and stewardship (managers' performance plans and OH&S audits).

Review of Performance Reports

Figure 5 depicts the development and use of performance reports to be an iterative process, such that, the evaluation of the organisation's performance reporting needs by the dominant coalition included the periodic review of performance reporting practices. In the case organisation, such meta analysis was undertaken systematically, through the deployment of the ABEF quality management process, and on an ad hoc basis with respect to other major performance reporting initiatives.

8: Summary

This paper has explained how and why a large, multi-service CWO used performance reporting. In so doing it adopted the framework of Child (1972; 1997), which takes into account the agency of key organisational decision makers, environmental constraints and the interrelationships between organisational participants and their environments. The field based case study methodology permitted a "fine grained" (Yin, 1989) analysis. The paper showed that while performance reporting was the result of purposeful choices by the

organisation's key decision-makers, such choices were made within the a priori constraints of decision-makers' prior ideologies; the explanation of which elucidated the social, ideological, structural, and practical imperatives that define the parameters within which decision-makers consider any choice to be feasible. In keeping with Strategic Choice Theory, it was also demonstrated that choices concerning performance reporting were further influenced by a powerful organisational culture; a dynamic interdependent relationship between the Board and the Executive; and an active approach to issues diagnosis. Environmental factors were also shown to have significantly influenced the overall suite of performance reports used by the organisation. In particular, accreditation regimes and contract requirements imposed significant levels of ex post formal performance reporting. By comparison, strict compliance requirements imposed little more than the organisation required for sound management and governance. The acquittal of accountability to the auspicing church was, however, novel, relying more on shared faith than on ex post formal reporting. The analysis also evidenced a key tenet of Strategic Choice Theory, which is that the relationship between an organisations and its environment is dynamic. That is, organisations are not only influenced by their environments, they can also exert influence on the environment, particularly through networking, particularly within the field of community welfare. It was shown that, to pursue its mission the organisation adopted an internally oriented "organisational strategy", and an externally oriented "environmental strategy". The former was characterised by its size, diversity, structure, and communication and decision-making style; while the latter was characterised by a focus on quality service delivery and community strengthening; evidence based advocacy and programme development; sector leadership and organisational independence and sustainability. In presenting such an analysis against key data concerning the welfare economy, the paper concluded that performance reporting was the strategic response of a purposeful, voluntary organisation that chose to operate in a highly regulated welfare system.

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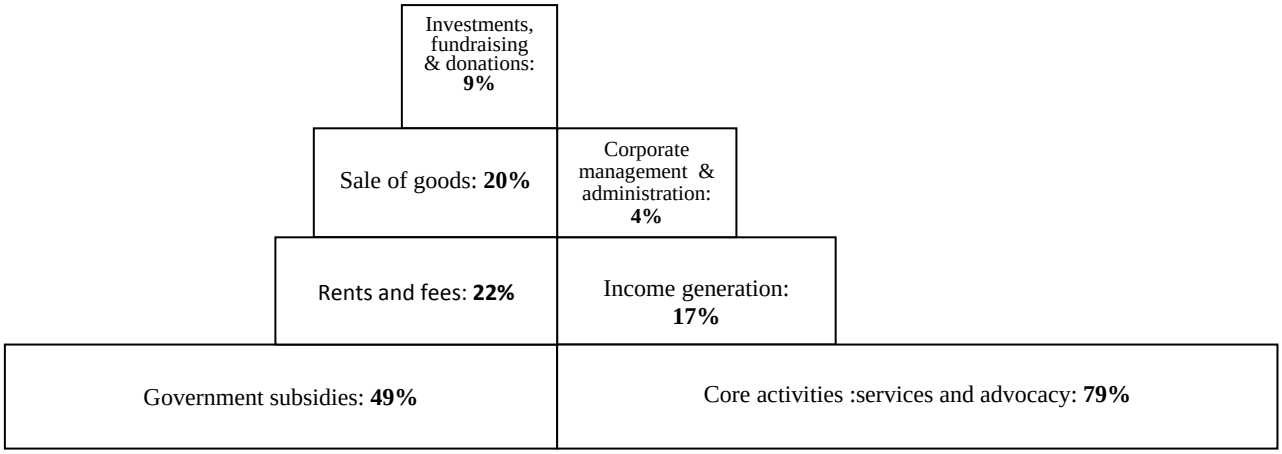
FIGURES AND TABLES

Table 1: Descriptive Statistics

Item	Metric
Revenue	$23m.
Net Assets	$56m.
Employees	605 persons; 404 Full-Time Equivalent Positions
Programmes	53 Programmes
Breadth of Service Provision	8 Fields of Service Provision

Figure 1: Patterns of Income and Expenditure



Income by Source (% of Total Income) **Expenditure by Activity (%Total Expenditure)**

Figure 2 Organisational Structure

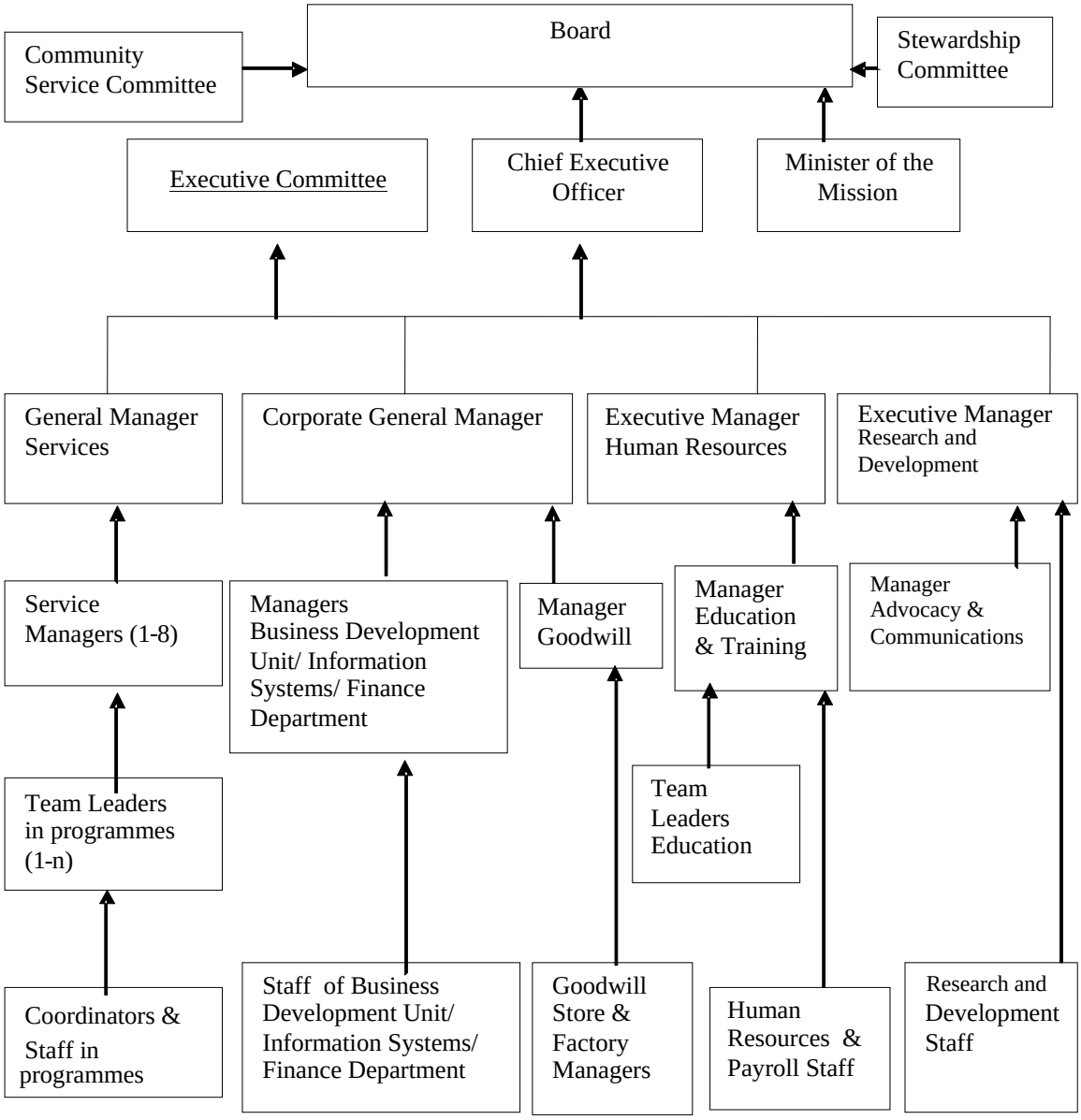


Figure 3: The Proportion of Welfare Services Provided and Funded by Each Sector (Page X)

Provider	House-hold (2%)	Not-For-Profit Sector (44%)	Private Sector (12%)	State/Territory Govt. (33%)	Comm. Govt. (4%)	Local Govt. (5%)
Funder	Household (23%)	Not-For-Profit and For Profit (14%)	State /Territory Govt. (34%)	Comm. Govt. (28%)	Local Govt. (1%)	

Source: Based on AIHW (2001, p.30).

Table2: Performance Reporting Requirements Under Service Contracts (Examples)

	Focus of Accountability		
Nature	**Output**	**Input**	**Behavioural**
Financial Accountability	Audited Financial Acquittals.		
Compliance			Quality Standards.
Throughput/ Demographic Data.	Client numbers, gender, location, age.		
Narrative	Reports on operational issues.		
KPIs	Key Performance Indicators.		
Progress on Plans	Progress on Plans.		Planning.
Evaluation	Evaluation.		

Table 3: Accreditation Requirements (Examples)

	Focus of Accountability		
Accreditation Regime	**Output**	**Input**	
Aged Care	External Audit	Staff Qualifications/ Building Standards	Process quality.
Disability	External Audit	Staff Qualifications	Process quality.
FAMQIS	External Audit	Staff Qualifications	Process quality.
HACC	External Audit	Staff Qualifications	Process quality.
LASP	External Audit	Staff Qualifications Faith and or ethos.	Process quality.
AQTF	External Audit	Staff Qualifications	Process quality.
CLSS	External Audit	Staff Qualifications	Process quality.

Table 4: Compliance Requirements (Examples)

	Focus of Accountability		
	Output	**Input**	**Behavioural**
Compliance			
Incorporation	Annual Return.		
Fundraising	Annual Return.		Code of Practice.
Tax exemption	Continuous self monitor re DGR GST Audits.	Registration as DGR (organisation's constitution).	
Concessions on duties & levies	Continuous self monitor re compliance.	Registration (organisation's constitution).	
OH&S	Safety Audits.		Organisational policies. Safety Committees.
EOWWP	Annual Report		Organisational policies.
Aged Care	Prudential returns regarding accommodation bonds. Documenting residents' needs. Audit of buildings. Compliance with State legislation.	Qualifications of Staff.	Aged Care Standards (process quality).
Disability			Services Standards
Registration (Legal Services)	Professional Conduct	Qualifications of Staff.	
Various Specified	Compliance Audited.		

Legend:
ATO: Australian Taxation Office; AQTF: Australian Quality Training Foundation: CAC: Corporate Affairs Commissioner; CLSS: Community Legal Services Standards; CSC: Community Services Commission; DGR: Deductible Gift Recipient; EOWWP: Equal Opportunity for Women

in the Workplace; FAMQIS: Family and Community Services Quality Management information Service; GST: Goods and Services Tax; HACC: Home & Community Care; LASP: Lifeline Accreditation Programme; MoM: Minister of the Mission.

Table 5: Reporting the Auspicing Church (Indicative).

	Ex Post	Ex Ante
Formal	(1) Annual Accounts reported to Synod. (2) Visits to ACM by Synod Staff. (3) Report to Synod by Board Member who was also a member of the Synod. (4) Accountability of Minister of Mission to Church, in his capacity as an ordained Minister.	(1) Approval of Board Members by Synod. (2) Chair must be an active member of a congregation. (3) Synod's placement of Minister of the Mission in ACM.
Informal	(1) Collaboration between Senior Officers of the Organisation and Synod Staff on projects.	(1) Congruence of faith/ values and commitment between organisation's Senior Officers and the Church. (2) Ongoing communication between some of the organisation's Senior Officers and Church leaders in various forums of the Church. (3) Trust.

Figure 4: Classification of Organisational Performance Reports Used by the Case Organisation,

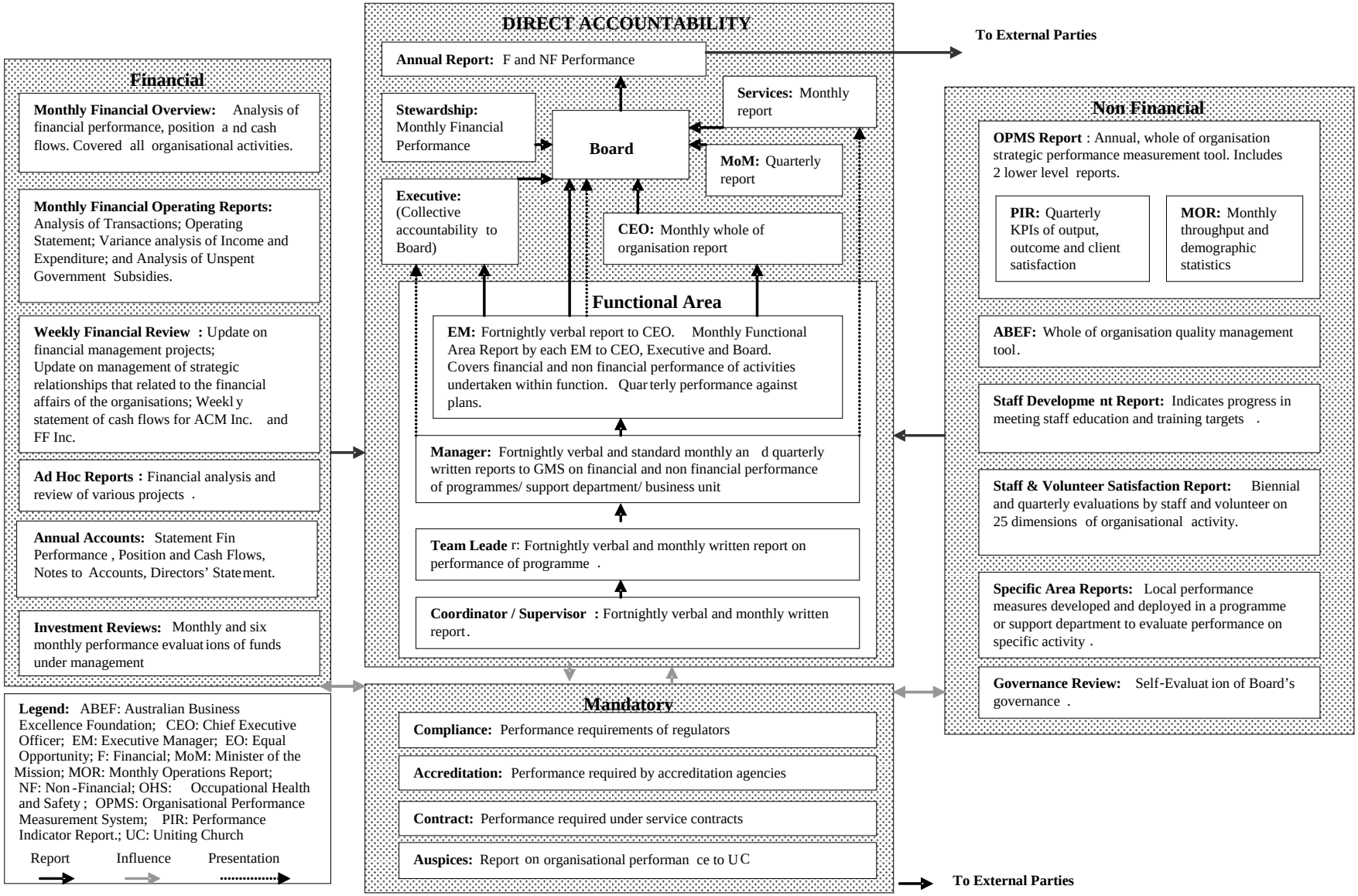
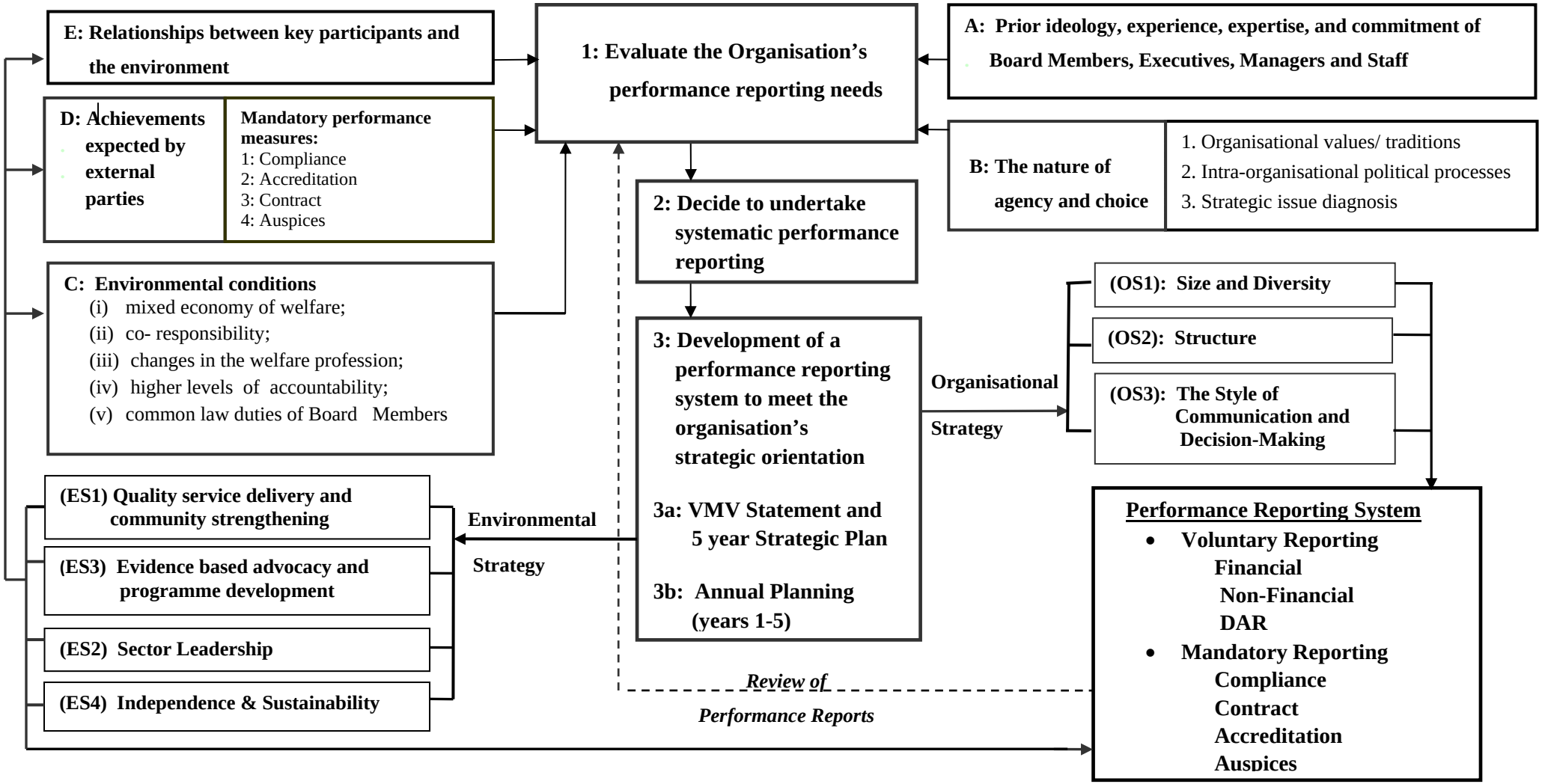


Figure: 5: A Strategic Choice Analysis of the Development and Use of Performance Reports



Legend: DAR: Direct Accountability Reporting; ES: Environmental Strategy; OS: Organisational Strategy; VMV: Vision, Mission and Values Statement