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Contingency and Institutional Approaches to Conceptualizing Organizational Performance in Non-Profit Sector

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Abstract: The conceptualization of organizational performance has received considerable attention in both the management accounting and nonprofit (NFP) literature. However, it is difficult to reach consensus on what constitutes "organizational performance." The unique nature of NFP, as well as the considerable size and influential impact of this sector in the Western economy, leads us to better understand the nature of performance of such organizations. Some argue that NFPs benefit from taking the same perspective on organizational performance as their commercial counterparts, while others argue that NFPs are so unique that the concept of the commercial sector is inappropriate or very difficult to implement. The paper argues that the seemingly conflicting views of how to conceptualize organizational performance in the NRP sector can be adjusted. The conclusions presented can guide researchers and practitioners in considering the nature of performance in this important sector.

Keywords: Organisational performance, organisational effectiveness, contingency theory, institutional theory, not-for-profit sector

JEL Classification: G3, G33
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1. INTRODUCTION

The introduction serves two purposes: first, to arouse the reader's interest, and second, to state the reasons for the research, i.e., the controversy or "gap in knowledge" that underlies the research. In other words, we want to state the purpose of the work and provide a proper background for the research conducted.

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Improving organizational effectiveness or performance has long been a major concern of management accounting researchers (e.g., Simon, Guetzkow, Kozmetsky & Tyndall, 1957; Anthony, 1965; Khandwalla, 1972). The study of organizational performance and the determination of the relative influence of compositional elements consisting of causal structures is one of the most common topics in management accounting research (e.g. Govindarajan & Gupta, 1985; Govindarajan, 1988; Govindarajan & Fisher, 1990; Perera, Harrison & Poole, 1997; Ittner & Larcker, 1997, 1998; Chenhall & Langfield-Smith, 1998; Abernethy & Brownell, 1999; Baines & Langfield-Smith, 2003; Bisbe & Otley, 2004; Henri, 2006; Widener, 2007).

Regardless of how it is conceptualized, whether a survey or case-based approach is taken, studies examining organizational performance share strong similarities. In survey-based studies, these constructs are typically positioned on the "left side of the equation," with the independent variables reflecting the various contextual characteristics displayed on the right side in their individual or collective role in identifying or predicting performance improvements. Similarly, studies that adopt a case-based perspective often view the performance of an organization and its predecessors as something to be understood, shaped, or explained in different contextual settings-their goal is to identify and explain aspects of the organization's efforts and activities that may lead to achieving, sustaining, or improving performance outcomes.

Thus, the second form of research examines approaches to improving organizational performance, but the considerable diversity in how organizational performance has been conceptualized in this study reflects the ambiguous nature of this construct (Otley, 1999). Improving organizational performance is also important for organizations operating in the nonprofit sector. While the similarities and differences between nonprofits and NRPs have been widely researched (Heinrich, 2000), the implications of conceptualizing organizational performance in the context of NRPs have not been explicitly considered, and the contribution of management accounting research to informing this debate has been limited.

There are two opposing views in the NRP literature on how to conceptualize performance in this sector. On the one hand, NRP commentators argue that the characteristics of the sector, such as unique governance structures, financial and legal status, diverse cultures, and social values- based goals, make discussions about conceptualizing and thus improving organizational performance in NRPs more complex than in commercial organizations (Speckbacher, 2003; Moore, 2000; Herman & Renz, 1999).

These opposing theoretical viewpoints and the resulting paradoxical predictions about how to conceptualize organizational performance in the NFP sector represent the tension that current studies are attempting to address.

The remainder of the paper is organized as follows. First, the evolution of organizational performance as observed in commercial organizations is briefly reviewed. This is followed by a consideration of how organizational performance is addressed in the NRP literature, and then a comparison of the similarities and differences between sectors in terms of their performance impacts. The fourth part discusses two theoretical lenses-contingency and institution-through which organizational performance in NRP has been viewed. This leads to an assessment of the 'best' lenses that can be used to view NRP performance. Finally, conclusions are drawn outlining implications for theory and practice.

2. ORGANIZATIONAL PERFORMANCE IN THE COMMERCIAL SECTOR

The theoretical work of Anthony (1965) played an important role in the development of the literature on management control and in the way performance has traditionally been viewed by accountants. According to Anthony, control is defined as "the process by which managers ensure that resources are obtained and used effectively and efficiently to achieve organizational objectives" (Anthony, 1965, p. 17). From a functionalist view of control, organizational performance is implicitly viewed as primarily financially based. The role of accounting is to monitor the prevailing financial measures (such as revenues, costs, and profits) to enable the correction of deviations from established standards. Indeed, much of the empirical research on management accounting has focused on variations in various financial criteria that serve as proxies for performance. For example, average annual sales growth, return on assets growth, return on sales growth (Chenhall, 1997); revenues, expenses, profit margins, return on sales, retail customers, and business and professional customers (Ittner & Larcker, 1998); sales growth rate, operating cash flow, ROI /ROA, and net income before taxes (Moores & Yuen, 2001); ROI, sales volume, and profit (Henri, 2006); overall profitability, market share, and delivery system (Widener, 2007).

Although they focus on financial effectiveness, it is clear that the different studies examine different aspects of performance under different conditions and circumstances, so comparison of the performance conceptualized in these studies should be made with caution. The results are sensitive to the selection of the different performance measures, and thus the conclusions from this study must be considered with these limitations in mind.

Despite the undeniable importance of financial indicators to organizational performance, it is recognized that financial performance is only one of many measures of economic efficiency and that focusing on financial performance does not provide information that reflects the full impact of the organization's activities. (Bennett, Rikhardsson, & Schaltehher, 2003; Schaltegger & Burritt, 2000). The emergence of broader conceptualizations of performance (and frameworks for performance measurement) aims to define costs and benefits beyond financial and operational terms by integrating insights from other disciplines such as marketing, organizational behaviour, human resource management, and strategy (Ratnatunga, 1988). This approach is commonly referred to as strategic management accounting (AMS) (Roslender & Hart, 2003). It includes approaches such as the conceptualization of performance as a balanced scorecard (Kaplan & Norton, 1992), which measures performance from four different perspectives: Financial, Customer, Internal Business, and Learning and Growth; 'triple bottom line' reporting, which considers the economic as well as the environmental and social impacts of an organization's activities (Epstein & Birchard, 2000); and value-based reporting, which seeks to incorporate reporting issues raised by economic, environmental, social, governance, and empowerment frameworks (Ratnatunga, Vincent, & Duval, 2005).

Despite the emergence of this more modern approach, it is clear that there is still little consensus on what constitutes a valid set of performance criteria, despite the diversity of models for examining organizational performance (Smith, 1998), and the diversity in how performance has been operationalized reflects the observation that the construct of "performance' remains "an ambiguous concept that cannot be easily defined" (Otley, 1999, p. 364). This ambiguity suggests that if there is such a thing as an “ideal” model for conceptualizing performance, it likely depends on a variety of considerations.

3. ORGANIZATIONAL PERFORMANCE IN THE NON-PROFIT SECTOR

It has been argued that organizational performance is more difficult to conceptualize in NRP than in commercial organizations (Anthony & Govindarajan, 2004). Central to this argument are the legal constraints on NFP profit distribution, which effectively erases the profit motive as the primary goal of NFP and the broader mission of NFP compared to its commercial cousins.

Profit is interpreted differently in commercial organizations and NFP. The primary goal of most commercial organizations is to generate profit or, more accurately, to create wealth for their owners. The extent to which revenues exceed expenses reflects progress toward that goal. As a rule, the higher the profit, the better the performance. However, in NFP, high profits may indicate that the organization is not performing as expected by those who provide the resources. Of course, profit is a necessary goal because NFPs cannot survive if revenues average less than their expenses; a series of losses will lead to bankruptcy, as is the case with commercial organizations. As Casteuble (1997) notes, "we may not be profit-oriented, but we are not loss-oriented either." Profit, however, is not the predominant goal of NRP, nor should it be. Financial considerations may play a potential or inhibiting role, but they are rarely the primary goal of NRP (Kaplan, 2001), and although profit exists in NRP as a reflection of performance, the overall effectiveness of such organizations can rarely be measured by a single quantitative metric (Brown, 2000).

Unlike commercial organizations, the mission or purpose of NRPs is usually to provide some kind of public service. These services are often intangible, difficult to measure, and sometimes contradictory (Forbes, 1998). This is largely due to the heterogeneous goals and needs of the various audiences that NRP organizations typically serve (Speckbacher, 2003). These audiences or stakeholders are numerous and diverse. They include funders, intermediaries, government officials, volunteers, clients, staff, boards, media, and the general public. The dual perspective on organizational performance recognizes the diversity of stakeholders or interest groups, each of which sets the criteria for evaluating a particular NFP. Different stakeholder groups tend to use or give different priority to different criteria, making the possibility of a single performance measure impossible. As a result, there is widespread agreement that, as with commercial organizations, there is no single concept of performance in NFPs (Sawhill & Williamson, 2001) and that performance in the context of NFPs is best conceptualized through a multidimensional framework rather than a single construct (Rojas, 2000). The theoretical work of Anthony (1965) has played an important role in the development of organizational performance.

4. THE DIFFERENCE THAT MAKES NO DIFFERENCE IS THAT THERE IS NO DIFFERENCE

From the preceding discussion, it is clear that there are many difficulties in conceptualizing organizational performance that are common to NRP and the commercial sector. Academic studies of organizational performance in commercial organizations are as inconclusive and chaotic as NRP. Research on performance and effectiveness does not seem to allow for general conclusions. The financial factor is important in both sectors, of course, but if the role of management accounting is to assist the manager in achieving goals, then the desired goals should be identified and the best information needed to achieve them determined (Kelly & Alam, 2008). For organizations operating in the nonprofit sector, this has been recognized by expanding the way performance has traditionally been conceptualized beyond simply measuring and reporting financial performance (Gray, Owen, & Adams, 1996; Ratnatunga, et al., 2005). Similarly, organizational performance in NRP involves identifying, integrating, and prioritizing the attention and goals of all relevant stakeholders. This is not to say that stakeholder needs and requirements are not important to commercial organizations. They are. For example, the recent collapse of companies such as Enron and WorldCom has increased interest in the role of financial reporting in protecting stakeholder interests (Ratnatunga & Alam, 2007). However, the greater diversity and heterogeneity of stakeholders in the NRP environment and the diversity of their goals, expectations, and requirements have made the conceptualization of performance in NRPs even more complex.

The fundamental question of how performance should be conceptualized in the context of NRP remains. In the next section, this question is considered against the backdrop of performance comparison across sectors through the lens of institutional theory and, later, contingency theory. The goal is to provide insight into the extent to which sectoral differences can make a difference in the conceptualization of NRP performance.

Nonetheless, other theoretical viewpoints can and have been used to examine organizational performance of NRPs. Examples include resource dependence theory (see Brown, 2000), agency theory (see Miller, 2002), and stakeholder theory (see Baruch & Ramalho, 2006). These theoretical perspectives have made considerable contributions to the field, and it is fair to explain why they were not used as analytical lenses in this thesis. Resource dependence theory (Pfeffer & Salancik, 1978) focuses on power/dependence relationships in the environment that can lead to improved performance. This is accomplished by facilitating connections to influential resources (such as funders, technical expertise, material supplies, and personnel). Given its focus on bridging resource scarcity, the practical and operational focus of resource dependence theory may be of intuitive interest to practitioners.

However, this theoretical perspective fundamentally views performance from a measured standpoint rather than as a benchmark. Therefore, it is more relevant as a framework for performance improvement than as a way to better conceptualize performance.

Agency theory assumes a fundamental conflict relationship between the owner (principal) and the participants (the agent) to perform certain services on their behalf. Broadly, it predicts the likelihood that agents will not always act in the best interests of the principal, and consequently emphasizes the need to align the interests of the principal with those of its agents. However, the application of agency theory to the NRP context has been questioned because of the difficulty in defining the term "principal" (Brown, 2000). In addition, it has been argued that agency theory in the NRP sector "paints an incomplete picture of a very complex phenomenon because its assumptions about people and conflict in NRP do not hold true" (Miller, 2002, p. 447).

As noted earlier, performance in NRP is most likely multidimensional and highly influenced by parties other than the principals and contractors. Therefore, the unidirectional stance implied in agency theory is considered insufficient for the purposes of this study.

The problem of unidimensionality is mitigated to some extent by stakeholder theory, which states that it is the responsibility of managers to select activities and direct resources to benefit legitimate stakeholders. A key feature of stakeholder theory is the simultaneous consideration of stakeholder needs (Donaldson & Preston, 1995) and therefore provides an interesting lens through which to view and explore organizational issues.

In many ways, contingency and institutional theories can be seen as the two extremes of the "theoretical, ontological, and epistemological spectrum." Tensions inevitably exist between interpretive approaches, such as institutional theory, and the positivist focus of contingency theory. Although alternative theoretical viewpoints can be brought to the study of organizational performance in the NRP sector, the conflicting predictions offered by institutional and contingency theory present significant obstacles to conceptualizing organizational performance in the context of NRP. For this reason, these two positions were chosen as lenses for a closer look at organizational performance in this study.

5. THEORETICAL FRAMEWORK

5.1 Convergence View – Through an Institutional Lens

Attention by researchers and practitioners in the NFP field over the past two decades has increasingly focused on private sector practices as potential ways to increase the efficiency and productivity of NFP (Lindenberg, 2001; Beck, et al., 2008). NFP increasingly operates in an environment where it competes for resources and therefore must demonstrate and increase its effectiveness (Rojas, 2000). This is especially true because funding agencies and governments require increased accountability and governance in evaluating the efficiency and effectiveness of NFPs in delivering their results (Gray, Bebbington, and Collison, 2006; Unerman & O'Dwyer, 2006; O'Dwyer & Unerman, 2008).

As noted earlier, similar to for-profit businesses, nonprofit organizations face the same economic pressures to survive (Clohesy, 2003; Beck, et al., 2008), and thus are increasingly seeking business models to improve their efficiency and productivity (Shoham, Ruvio, Vigoda-Gadot, & Schwabsky, 2006). For example, management principles derived from the commercial sector are often used by NFPs to guide their efforts to be accountable (Griggs, 2003; Herman & Renz, 1999; Parker, 1998) and responsive to evolving stakeholder expectations and demands (Sowa, Selden, & Sandfort, 2004; Nobbie & Brudney, 2003; Speckbacher, 2003).

This trend is consistent with institutional theory, which states that organizations seek internal and external legitimacy by engaging in similar activities, codifying the same practices, following accepted procedures, and developing comparable structures (Herman & Renz, 2008). In terms of how organizational performance is conceptualized in NRPs, institutional theory predicts that NRPs adopt what they need to adopt due to coercion, professional, or industry pressures in order to achieve or maintain legitimacy and thus demonstrate that they are pursuing the 'right' goals in the 'right' way.

The expectations and requirements of funders and other stakeholders discussed above are an important factor for NFPs in determining their effectiveness (Stone, et al., 1999). In NRPs, performance measures typically focus on activities defined in an organization's mission, goals, and objectives, which are influenced by the collective expectations of many external stakeholders (Herman & Renz, 1999). These performance expectations can be viewed as a form of coercive isomorphism, and from a practical perspective, it is understandable that NRPs take them into account. If NRPs meet certain standards, targets, or goals mandated by funders or consistent with stakeholder requirements or expectations, they are rewarded for doing so by an increase in resources.

Mimetic isomorphism may also provide an explanation for why NRP adopts certain conceptualizations of performance, with such conceptualizations signifying "symbolic demonstrations of leadership" (Mulhare, 1999, p. 323), a point reinforced by Herman and Renz, (1999, p. 122), "adherence to what is considered best practice is a sign of effective management and legitimizes NRP in the eyes of its many stakeholders." This form of isomorphism is supported by empirical data. NRP board members have been found to rate the organization's effectiveness in terms of the degree to which it employs "correct' management practices (Herman and Renz, 2008). In addition, the extent to which NRPs "follow" the concept of commercial performance is based on the concept of (what are considered to be) “best practices” in the for-profit sector (see Beck et al., 2008). The results of these empirical studies demonstrate the tendency of NRPs to mimic an established notion of effectiveness based on the nonprofit sector, particularly when there is significant uncertainty about the methods used to achieve results or when results are difficult to measure in order to achieve or maintain their legitimacy.

Normative isomorphism, the pressure to conform that comes from prevailing values, norms, and practices accepted by professional groups or peers (DiMaggio & Powell, 1983), may also influence NRP perceptions of what constitutes organizational performance.

Although it is difficult to prove empirically, this claim can be derived from the following lines of reasoning. Ideologies and strong and common expressions develop in certain professions (Frumkin & Andre-Clark, 2000). Many NRP professionals, including managers, seek to bring a new rigor to their work and develop standards for measuring performance (Stone et al., 1999). If an executive or board member has prior private sector experience, an educational background (e.g., in business, accounting, or commerce), or is a member of a business, accounting, or commerce professional association, it is quite conceivable that this will affect his or her view of performance-and thus link performance in the context of his or her NRP to a commercial view of performance. This does not mean that such executives or board members will seek to mimic the commercial perspective, size, or performance framework as a whole, but almost certainly the conceptualization of their performance will have some similarities to commercial organizations, and this means that these mimicries will be driven to some degree by normative pressures.

What emerges from this discussion is that the conceptualization of NRP organizational performance is almost certainly driven by one or more isomorphic pressures. This conceptualization is based on sectoral similarities. However, the differences between sectors also affect the way performance is viewed in NRP organizations, and it is the consideration of the impact of these sectoral differences on the way performance can be viewed that is now the focus of this paper.

5.2 Divergence view – Through a Contingency Lens

"It is generally agreed that there is a conceptual separation and a clear distinction between nonprofit organizations and activities and NFP" (Lewis, 1998, p.136). This distinction stems from the unique nature of NRP organizations, which is well documented in the NRP literature (Moore, 2000; Sawhill & Williamson, 2001; Brown & Iverson, 2004; Baruch & Ramalho, 2006; Beck, et al., 2008). These include the particular cultures prevalent in the NRP sector (Lindenberg, 2001; Lewis, 2002; Abraham, 2004), the reduced access to important knowledge, skills, abilities, and resources (Schneider, 2003; Lindenberg, 2001), the dependence on resources but also the lack of control NRPs have over them (Stone, et al., 1999), the need to deal with multiple stakeholders and interest groups (Balser & McClusky, 2005), and many, complex, diverse, and sometimes conflicting objectives to consider (Herman & Renz, 1999; Brown & Iverson, 2004).

These characteristics have been cited as reasons why the NRP sector is so unique that many of the "recipes for success" developed in the private sector are either inaccurate, very difficult to implement, or even harmful (Beck, et al., 2008). In addition, it has been argued that applying nonprofit practices to NFP does not necessarily lead to the best solution (Rojas, 2000; Moore, 2000) and that their uncritical application can pose significant risks (Bielefeld, 2006). Indeed, it has been suggested that NFP would be better served by adopting modified business practices (Brown & Iverson, 2004) or even a different model altogether (Lewis, 1998).

This recognition of the difference between NFP and commercial organizations is consistent with the theoretical orientation of the contingency approach, which assumes that the proper conceptualization of an organization's performance is influenced by the context in which it operates (Chenhall, 2003). That is, the contingency approach suggests that one cannot assume that prescriptions developed in the commercial sector are automatically transferable to the NRP environment. Instead, contingency theory aims to identify and test how contextual variables-in this case, sectoral differences-may influence the way an organization's performance is viewed, defined, and measured in the context of NRP.

From the preceding discussion, it is clear that the three differences are of particular importance. First, a time-consuming and costly consultation process involving a variety of actors pursuing different and diverse goals (Mara, 2000) is likely to make it difficult in practice to reach consensus on what is meant by performance

Second, the strong and distinctive organizational culture prevalent in many NFPs can be very inconsistent with the private sector approach to conceptualizing performance. This is consistent with the views of a number of NRP researchers. For example, Herman and Renz (1999) point to organizational culture as an important factor that distinguishes NFPs from their commercial and public sector counterparts. Baraldi (1998) reports that “soft” variables (perception, acceptance, and organizational fit) are essential to NFPs. Abraham (2004, p. 1) argues that in a sector that "values informal relationships, voluntary participation, and friendliness, the idea of accountability is somewhat foreign." Sawhill & Williamson (2001) note that the concept of accountability is traditionally foreign to NRP culture.

5.3 Which lens is "Best"?

Based on the discussions so far, the two opposing theoretical lenses provide very different views of how organizational performance can be conceptualized in the NFP context. On the one hand, institutional theory focuses on the commonalities of the sector, and NFP advocates will seek to emulate their more established commercial cousins in their views of what constitutes performance. On the other hand, contingency theory emphasizes that the difference between NRP and commercial organizations requires a different view of the relationship between MCS strategy and NRP because “what works in business does not necessarily work in NRP.”

Given that contingency and institutional theories offer conflicting explanations for how performance can be conceptualized in the context of NRP, and in the absence of empirical evidence for the predominance of a particular theoretical perspective, it is concluded that both theories can contribute to developing a more comprehensive understanding of how performance is and should be viewed in the NRP sector. If NRPs and commercial organizations are fundamentally different, it is pointless for NRPs to attempt to learn lessons from private sector management. On the other hand, if sectoral differences are not enough, NRPs can learn potentially useful lessons from their commercial counterparts.

Based on the evidence presented, we argue that it would be foolish to concede the 'superiority' of any particular theoretical stance. Whether isomorphic pressure is synonymous with "doing the right thing for the wrong reasons' (or vice versa) or whether contingent factors have an original influence on reality or simply represent the prevailing conventional wisdom in the NRP sector is arguably largely irrelevant. The point being made is that these two theoretical viewpoints are not necessarily mutually exclusive. At least not necessarily. Regardless of the reasons for adopting the concept of commercial performance, it is possible that contingent factors may impair, impede, or reduce the effectiveness of such a concept. Contingent factors, such as those identified in this study, can be incorporated and assimilated into definitions, frameworks, and performance measures, preventing NFP from being consigned to 'institutional prisons' in its approach to conceptualizing these constructs.

This response suggests that contingency theory and institutional theory need not automatically be viewed as mutually exclusive but may even function simultaneously. Kaplan (2001) has highlighted the adaptations of the balanced scorecard that have led to successful implementation in five NFPs.

Baruch and Ramalho's (2006) analysis of 149 published scholarly papers on organizational performance or effectiveness over a ten-year period identified the problem of overlapping ways in which performance and effectiveness are measured in the two sectors. These similarities relate to efficiency and/or productivity, growth and/or market share, customer focus, and quality. Baruch and Ramalho (2006) conclude that the means by which these constructs are operationalized vary across sectors, reflecting "the diversity of research traditions that have developed almost independently and the diversity of theoretical perspectives that compete in the search for 'one of the best ways' to determine or measure organizational performance in the NFP context" (Baruch & Ramalho, 2006, p. 40)

Nonetheless, the conceptualization exhibits a high degree of similarity, suggesting a state of equifinality in which an equally effective approach to conceptualizing (and measuring) organizational performance can be achieved with different theoretical starting points and in unique ways. The findings of Baruch and Ramalho (2006) provide some empirical support for the view in this paper that competing theoretical frames of reference should not be viewed prima facie as mutually exclusive - at least from the practitioner's perspective. A similar position was taken by Beck et al. (2008) in a case study of a small NFP service organization that advocates and outlines the necessary contextual checks and balances that can accompany specific tools and techniques imported from the for-profit sector into the NFP sector.

6. CONCLUSION

Based on the discourse in the management accounting and NRP literature, this research contributes to the debate on how to view organizational performance in the context of NRP. It does so by comparing and contrasting organizational performance through the lens of contingency and institutional theory. In doing so, it provides much needed insight into the extent to which these very different theoretical perspectives can be adopted by management accounting and NRP practitioners. This insight has implications for both theory and practice.

6.1 Implications for Theory

From a theoretical perspective, the assumption of the institutional and contingent perspectives to explain the conceptualization of organizational performance in an NRP setting should not be of great concern to researchers. Assuming more than one theoretical perspective from which to interpret empirical findings and evaluate theoretical contradictions helps avoid the risk of seeing phenomena as they are expected to be seen (Marginson, 1999) and allows for the development of more comprehensive theories. possible explanations provide insight into the observed phenomenon (Modell, 2005).

The theoretical triangulation involving institutional theory and contingency as a lens for considering the conceptualization of performance suggests that contingent variables unique to NRP, or considered unique, can and should be included in the institutional framework. If NRP transfers the concept of performance from the commercial sector, this should not prevent the integration and assimilation of NRP's unique characteristics into that concept.

Institutional theory can largely determine why performance is conceptualized in a particular way, but contingency theory can determine how such conceptualizations need to be modified and adapted given the specific mission of NRP. For example, as noted earlier, financial metrics are important for both sectors.

However, the relative importance or significance of profit is generally and understandably lower in nonprofit organizations than in commercial organizations. In contrast, the need for a multidimensional approach to performance in commercial contexts is well documented, although the impact of strategy, marketing, and human resource management on performance has led to a broader multidimensional framework for conceptualizing performance. Such a multidimensional approach is arguably even more important for NRP given the importance of stakeholders and constituents, their multiple and intangible goals for such organizations. As indicated at the beginning of this paper, management accounting research has played a limited role in this debate to date.

Practitioners should certainly be aware of how organizational performance is defined, but management accounting scholars can also make important contributions. If management accounting "always focuses on how people, either individually or in groups, respond to management accounting information or management accounting systems" (Atkinson & Shaffir, 1998, p. 42), then there is clearly a role for further empirical management accounting research that examines the effectiveness of observed practices. Further research that develops, refines, and tests theories (and different theories) to explain how organizational performance might be better conceptualized in the context of NRP is also likely to improve our understanding of the complex nature of organizational performance in this sector.

6.2 Implications for practitioners

The debate in this paper has three important implications for practitioners. First, it underscores the importance and value for NFPs to determine exactly what constitutes 'organizational performance or effectiveness." This requires deliberate choice and serious consideration. It may also require extensive consultation and "selling" within NFPs and with key stakeholders. Second, while conceptualizations need to be specific, they also need to be flexible, especially when NFPs are prescribed specific notions of performance by funders. Once formed, NFPs should be prepared to revise and modify these conceptualizations incrementally in response to factors they deem important that distinguish their particular organization from commercial organizations. These potential contextual variables may well include the scope and diversity of the stakeholders and constituencies that require guidance, their organization's particular culture and market position, and, in particular, how resources are acquired and allocated to competing objectives. Sometimes it may even be necessary to abandon this conceptualization in its entirety.

Third, the importance of the time horizon for new NFP or those considering it cannot be overstated. Public and intangible service missions tend to have a longer development time than commercial organizations, and how well or poorly an NRP works usually becomes apparent only over time. The new NRP should expect a somewhat skewed initial effort in determining what constitutes performance, and procedures should be put in place to ensure that 'learning to define performance' is achieved as efficiently as possible, regardless of which view is used.

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