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# **Outcome-Oriented Management in Non-Profit Organisations**

**State and Development of Practical Concepts and Instruments for  
Outcome-Oriented Management Control**

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## Kurzfassung

Der Leitgedanke, eine Organisation konsequent an der zu erzielenden Wirkung auszurichten, ist DAS aufsteigende Thema der letzten Jahre. *Wirkungsorientierung* in diesem Sinne steht, nicht nur in Zusammenhang mit öffentlichem Management, mehr denn je im Diskurs, sondern auch im Non-profit Bereich wird sich dieser Thematik zunehmend angenommen. Neben einer grundlegenden Verwaltungsreform in Österreich kann auf internationaler Ebene im öffentlichen Bereich ebenso eine Tendenz weg von einer input- hin zu einer leistungs- und wirkungsorientierten Steuerung festgestellt werden. Non-profit Organisationen (NPOs) als wesentlicher Kooperationspartner sind nun gefordert in erster Linie auf diese Veränderungen zu reagieren, und in zweiter Instanz *eigene Ansätze hinsichtlich einer Neuausrichtung an der Wirkung umzusetzen*. NPOs widmen sich vor allem (intrinsischer) Sachziele, was bedeutet, dass also gerade die (gesellschaftlich) erreichte Wirkung im Vordergrund steht. Zum anderen sehen sich NPOs derzeit mit zahlreichen Herausforderungen konfrontiert (steigende Nachfrage, stagnierenden Finanzierung). In Anbetracht dieser Voraussetzungen liegt es daher nahe, genauer zu untersuchen, inwieweit wirkungsorientiertes Management als qualifizierter Ansatz in dieser Sache dienen kann.

Diese Reflexion gab den Anstoß zu einer wissenschaftlichen Arbeit zwischen dem Autor und AUSTIN Pock + Partners, mit dem Ziel einerseits praktische Ansätze *wirkungsorientierter Steuerung (auch genannt Wirkungscontrollings)* zu untersuchen und andererseits eine Einschätzung über den derzeitigen Entwicklungsstand zu bekommen. Zu Beginn der Untersuchung galt es, die theoretischen Grundlagen für den NPO-Sektor zu ergründen, sowie die spezifischen Charakteristiken hinsichtlich der Übertragbarkeit betriebswirtschaftlicher Ansätze zu betrachten. Daraufhin wurde zuerst der öffentliche Sektor untersucht, um unter der Reformbewegung des New Public Managements aus dortigen Entwicklungen übertragbare Ansätze identifizieren zu können, sowie in weiterer Folge Erkenntnisse abzuleiten. Im Hauptteil der Arbeit wurden schließlich verschiedene *wirkungsorientierte Steuerungsansätze* im Non-profit Bereich *analysiert*, und *auf Basis neuester Studien* der *Entwicklungsstand* ergründet. Auf diesen Resultaten aufbauend, wurde im Anschluss eine eigene *Interviewreihe mit acht Experten* durchgeführt, um Erkenntnisse aus dem unmittelbaren NPO-Feld beziehen zu können.

Die Ergebnisse der gesamten Betrachtungen zeigten, dass die Herangehensweisen an wirkungsorientierte Steuerung genauso vielfältig sind wie das NPO-Feld selbst. Während gesehen werden konnte, dass für betriebswirtschaftliche Ansätze zahlreiche Adaptionen notwendig sind, konnte im öffentlichen Sektor ein breites Instrumentarien sowie weitgehende Erfahrungen festgestellt werden. Konkret im NPO-Sektor zeigten sich ebenso viele, aus verschiedenen Strömungen kommende, Ansätze. Die Literatur und die eigene empirische Erhebung enthüllten durchaus fortgeschrittene Entwicklungen, die generell mit großem Zuspruch einhergehen. Dennoch zeigte sich, dass auch in dieser Beziehung keine Generallösung realistisch ist, sondern dass es vielmehr noch *zahlreiche Weiterentwicklungen* hinsichtlich Engagements, Knowhow und praktischer Instrumentarien braucht. Davon abhängig kann es in Zukunft möglich sein, den Schwierigkeiten aus der Praxis entgegen zu treten, und in weiterer Folge das volle Potential auszuschöpfen.

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## Abstract

In recent years, the motivation to orient an organisation towards central outcome information is THE dominant theme. *Outcome orientation* is more than ever in discussion, not only in connection to public management but also in the context of non-profit organisations (NPOs). With extensive reformations going on in Austria (Federal Budget Law Reform), just like on an international level, a shift away from input-control can be identified. Output and outcome are the new key-perspectives for control in public management. NPOs as the main cooperation partner at this point on the one side have to adapt to these changes, and on the other side they see themselves compelled to start own initiatives regarding this matter. Especially for NPOs, which address themselves to intrinsic motives, it should be of central interest to find answers to the question 'What outcomes are actually achieved?' On top of that, they are currently facing difficult circumstances by having funding issues while the demand at the same time increases. All of these aspects suggest investigating if *outcome-oriented management* can prove its potential and serve as new direction to go.

Exactly this consideration gave the ignition to start a scientific work on the topic between author and the consulting firm Austin Pock + Partners. The aspiration was to *elaborate practical approaches for outcome-oriented management control* in the concrete field of non-profit organisations and to get an *insight on the level of development*. After having clarified the basic (theoretical) prerequisites, the first task was to assess the applicability of business management conceptions concerning more outcome-oriented concerns. In the next stage, the public sector was examined in order to verify transferable conceptions and instruments as well as to look for already gained knowledge and experience that can be deduced. The developments in the public sector mainly can be attributed to a reformation movement, called New Public Management, which in this sense also needed to be examined. The major part of the research however dealt with investigating approaches for outcome-oriented management directly at the non-profit area. Different conceptions were not only explored on a practical perspective, an analysis of current related studies was furthermore conducted to get an impression of the current level of development. In the final part, an independent empirical examination in the form of expert interviews was carried out. It could be managed to obtain in-depth knowledge from eight experts in the immediate field of NPOs.

The findings revealed that the approaches for outcome-oriented management control are just as diverse as the sector itself. While business management approaches require comprehensive modifications (due to the special characteristics of NPOs), the public sector proved to be rich in terms of conceptions and instruments, which could be transferred to non-profits. Besides this wide spectrum, the state sector also offered knowhow and broad experiences, on which further initiatives could build up on. In the concrete field of non-profits, various approaches could be discovered, which all emerged from different directions. Based on this progress, examined studies as well as the own empirical investigation showed that a distinct level of developments already exists, which at the same time is highly valued by many sides. Nevertheless, it can be stated that there is no all-encompassing solution, and it still needs much more advancements in terms of know-how, commitment and practical instruments, so that the approach can achieve its full potential in future.

## Vorwort

Ich möchte an dieser Stelle all jenen danken, die mich während meiner Arbeit im Rahmen der Diplomarbeit unterstützt haben. Dabei gilt mein spezielles Dankeschön allen Betreuern von AUSTIN Pock+Partners, also Hrn. Dr. Peter Pilz, Hrn. Dipl.-Ing. Herbert Pock und allen voran Fr. Mag. Sabine Ilger, sowie natürlich auch Hrn. Dip-Ing. Martin Marchner und Hrn. O.Univ.-Prof. Dipl.-Ing. Dr.techn. Ulrich Bauer von Seiten der TU Graz. Alle standen mir mit Rat und Tat zur Seite und ich konnte mich bei auftretenden Fragen oder Problemen glücklicherweise allzeit an die richtigen Personen wenden. Nur so konnte die Arbeit schließlich auch ein Erfolg für alle Seiten werden.

Zuletzt bin ich noch meinen Eltern, Verwandten sowie all meinen Freunden großen Dank schuldig. Erstere haben mich nicht nur größtenteils finanziell unterstützt, sondern mir auch in jeder Beziehung stets den Rücken frei gehalten, um mich auf Studium und Diplomarbeit konzentrieren zu können. Ein sehr großer Teil meiner erfolgreichen Ausbildung geht wohl auf diesen ununterbrochenen Beistand zurück. Meinen Freunden möchte ich hier auch noch Dank zukommen lassen, da diese mich erinnerten, auch in arbeitsintensiven Zeiten nicht mich selbst und viele weitere wichtige Dinge aus den Augen zu verlieren.

Ich hoffe, ich kann auch in Zukunft noch auf ein solches Umfeld bauen, denn vieles was schon war und vieles was noch kommen wird, hat bis jetzt und wird wohl auch in Zukunft nur profitieren können von solchen Menschen.

Danke für alles Wichtige (und vor allem auch für alles Unwichtige)!

René Bauer

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## Table of Content

<b>1</b>	<b>Introduction.....</b>	<b>9</b>
1.1	Objectives .....	9
1.1.1	Theoretical Investigation .....	9
1.1.2	Empirical Investigation .....	10
1.2	Scope of Tasks .....	11
1.3	Research Field.....	13
1.4	Procedure.....	15
<b>2</b>	<b>Theoretical Background.....</b>	<b>16</b>
2.1	Starting Point.....	16
2.1.1	Challenges, Changes, Trends .....	16
2.1.2	New Public Management and Outcome Orientation .....	19
2.2	Definition of Non-Profit Sector and Non-Profit Organisation .....	20
2.2.1	Plurality of Definitions regarding Non-Profit Organisation .....	20
2.2.2	Non-Profit Organisation in the Context of this Work.....	21
2.2.3	Sectors in the Context of this Work .....	23
2.3	Current Situation in Austrian Non-Profit Sector.....	25
2.3.1	Political and Social Conditions .....	25
2.3.2	Quantitative Picture of the Sector .....	27
2.4	Characteristics of NPOs and Differences to Profit Organisations.....	37
2.4.1	Diversity of Stakeholder Groups .....	38
2.4.2	Market and Competition .....	42
2.4.3	Corporate Image .....	45
2.4.4	Mission, Goals and Strategies.....	46
2.4.5	Financial Sources.....	49
2.4.6	Service Focus .....	51
2.4.7	Summary of Differences between Profit and Non-Profit Organisations .....	52
2.5	Outcome Orientation .....	53
2.5.1	Success and Outcome Orientation in the Context of this Work.....	54
2.5.2	Quality in the Context of this Work .....	56
2.5.3	Outcome Orientation in the Context of this Work.....	59
2.6	Implication of Characteristics on Business Management Methodologies .....	60
2.7	Outcome-Oriented Management and Controlling.....	63

---

2.7.1	Definition of Management and Leadership .....	64
2.7.2	Definition of Controlling .....	65
2.7.3	Outcome-oriented Management in the Context of this Work.....	66
2.8	Performance Management .....	67
2.8.1	Definition of Performance Management .....	67
2.8.2	Performance Management vs. Outcome-Oriented Management.....	68
2.8.3	Performance Management Cycle .....	69
2.8.4	Concepts and Instruments of Performance Management.....	70
2.9	Strategic Management .....	72
2.9.1	Definition of Strategic Management.....	72
2.9.2	Concepts and Instruments of Strategic Management .....	74
2.10	Quality Management .....	75
2.10.1	Quality Management Interpretations and Reasons .....	75
2.10.2	ISO Quality Management System .....	77
2.10.3	TQM, EFQM and Further Advancements .....	79
2.10.4	Applicability of Concepts and Instruments .....	81
2.11	New Public Management.....	84
2.11.1	NPM Concept.....	84
2.11.2	NPM Model and its Strategies .....	87
2.11.3	Criticism .....	90
2.11.4	Connection to Business Management .....	92
2.12	Data Collection.....	98
2.12.1	Qualitative vs. Quantitative Research.....	98
2.12.2	Data Collection Methods .....	99
2.12.3	Qualitative Interviews .....	100
2.13	Data Preparation .....	102
2.14	Data Analysis .....	103
<b>3</b>	<b>Outcome Orientation in Public Sector .....</b>	<b>105</b>
3.1	Performance Management in Austrian Public Administration.....	105
3.1.1	Budget-, Organisational- and Target Structure .....	106
3.1.2	Performance Management Cycle(s) .....	108
3.1.3	Analysis of Transferability of Concepts, Instruments and Methodologies.....	109
3.2	New Control Model for German Public Administration .....	121



---

3.2.1	Elements of NSM .....	121
3.2.2	Outcome Orientation in KGSt Strategic Management Approach .....	123
3.3	Outcome-Oriented Public Management in Switzerland.....	125
3.3.1	Elements of WOV.....	125
3.3.2	Process of Outcome Orientation in WOV .....	126
3.4	Comparative International Discourse.....	130
3.4.1	Analysis of Austrian Reform Concept .....	131
3.4.2	International Comparison of Outcome Orientation .....	132
3.4.3	International Comparison of (Public) Management Control Types .....	134
3.4.4	Findings from International Practice .....	135
<b>4</b>	<b>Outcome Orientation in Non-Profit Sector.....</b>	<b>137</b>
4.1	Overview of Outcome Orientation.....	137
4.2	Practical Methods for Outcome-Oriented Planning and Management Control .....	142
4.2.1	Program/ Project Approach – Logical Framework Approach .....	142
4.2.2	Strategic Approach – Balanced Scorecard Approach.....	149
4.2.3	Integrated Approaches – Outcome-Oriented Management Control Cycle .....	155
4.3	Current State of Outcome-Oriented Management .....	161
4.3.1	General Assessment of NPOs.....	162
4.3.2	Current State of Outcome-Oriented Management Control.....	163
4.3.3	Conclusions .....	165
<b>5</b>	<b>Series of Expert Interviews .....</b>	<b>166</b>
5.1	Interview Procedure .....	166
5.1.1	Selection of Interview Partners.....	166
5.1.2	Research Question and Interview Guideline.....	168
5.1.3	Interview Conduction and Analysis.....	169
5.2	Results of Expert Interviews .....	171
5.2.1	Present Situation – General Status .....	171
5.2.2	Summary of Present Situation – General Status .....	175
5.2.3	Present Situation – Outcome-Oriented Management Control .....	176
5.2.4	Summary of Present Situation – Outcome-Oriented Management Control ....	182
5.2.5	Value of Outcome-Oriented Management .....	185
5.2.6	Summary on Value of Outcome-Oriented Management .....	186
5.3	Conclusion .....	187

---

<b>6 Summary and Outlook .....</b>	<b>189</b>
6.1 NPOs and Business Management Methodologies.....	189
6.2 Findings from Public Sector.....	190
6.3 Findings from Non-Profit Sector .....	190
<b>List of Literature .....</b>	<b>193</b>
<b>List of Online Publications &amp; Internet Sources .....</b>	<b>200</b>
<b>English – German Glossary.....</b>	<b>204</b>
<b>List of Figures.....</b>	<b>208</b>
<b>List of Tables .....</b>	<b>211</b>
<b>List of Abbreviations.....</b>	<b>212</b>
<b>Appendix .....</b>	<b>215</b>

# 1 Introduction

Goods and services provided by *non-profit organisations*<sup>1</sup> (NPO) have become more and more important for today's society. In spite of this, the NPO-sector is still considered as fringe area of business-economic studies. Although this concerned field continues to grow and evolve, the economic aspects of the therein acting organisations have only been marginally discussed so far.

Based on the fact that various different parties are acting in an area, which is closely linked to both, *business and public sector*<sup>2</sup>, and due to the fact that multiple stakeholders additionally bring in diverse requirements, the current situation can be seen as a considerably complex one. What is more, resources are permanently short, expectations are remarkably high and there is much room for improvement in terms of the application of management practices.

To conclude, the area concerned is not only interesting and considerably relevant, it from hereinafter will also serve as the central investigated area for the context of this work.

The following sub-chapter starts with a presentation of the fundamental objectives (chap. 1.1) of this thesis, according to the present theoretical background. Secondly, the scope of tasks is deduced and individual issues are discussed in more detail (chap.1.2). What follows next, is a closer examination of the interdisciplinary research field, supported by a detailed specification on the emphasis of the project (chap. 1.3). The final section contains explicit information about the procedure of the thesis plus a temporal sequence (chap.1.4).

## 1.1 Objectives

This part delineates the fundamental objectives of this scientific work. The predominant criteria are, similar to the work sequence itself, structured in two elemental fields. Beginning first with a definition of the targets in connection to the *basic theoretical background*, the second part completes the picture with a detailed exploration on the *empirical or practical point of view*.

### 1.1.1 Theoretical Investigation

First and foremost, below stated areas display the overall structure of the *theoretical investigation*. The individual subject fields are formulated in the form of questions, related to specific matters. The basic intention of this categorisation is to specify a clear content-related structure that the thesis from hereinafter will apply to.

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<sup>1</sup> As there is no generally accepted definition for this term, the following thesis uses the definition *non-profit organisation or non-profits* as described in chapter 2.2.2.

<sup>2</sup> Definitions of the different sectors are discussed in more detail in chapter 2.2.3.

Figure 1 starts with the central themes of the theoretical exploration:

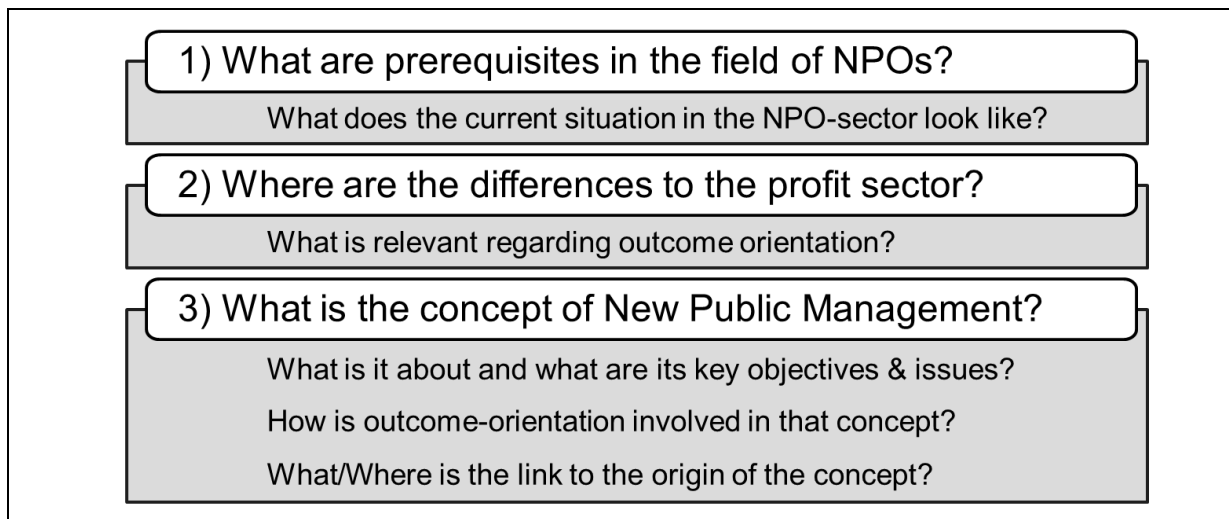


Figure 1: Objectives concerning theoretical investigation<sup>3</sup>

### 1.1.2 Empirical Investigation

In the same manner, areas of interest were formulated for the empirical part of the thesis. This one can be seen in Figure 2:

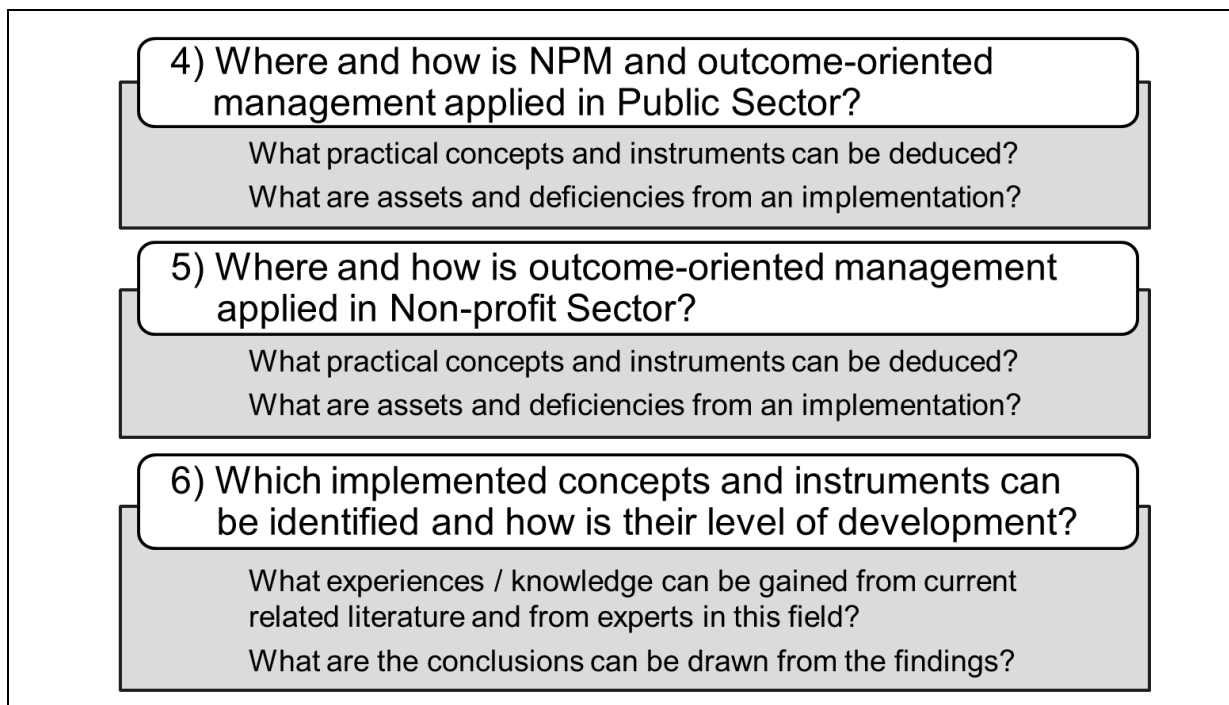


Figure 2: Objectives concerning empirical investigation<sup>4</sup>

The six illustrated thematic areas are the quintessence of this thesis. They were developed in the course of the initial discussion between the Author, AUSTIN Pock + Partners GmbH and the Institute of Business Economics and Industrial Sociology.

<sup>3</sup> own representation.

<sup>4</sup> own representation.

## 1.2 Scope of Tasks

In the course of this section, concrete task fields are deduced from the previously mentioned themes. Individual questions are discussed in detail and a closer description of the discrete actions will be given.

The indispensable prerequisite of any study is an obligatory identification of the starting point. The very first question '*What are prerequisites in the field of NPOs?*' refers to this matter. An in-depth analysis of the current situation plus an investigation of recent changes, challenges and trends are necessary. As the subsequent empirical investigation will be conducted in the *Austrian field of non-profit organisations*, the conditions in this considered field are of special interest. Another aspect to consider is the interaction between NPOs, which essentially differs from the situation in the *profit sector*<sup>5</sup>. It needs to be examined how individual organisations are connected, if they prefer competition or cooperation, or what restrictions or limitations influence them the most. Additionally, stakeholders and their expectations are another crucial factor. NPOs mostly have to take into account that not only the client's demand has to be considered, but also the funder-side (very often represented by state institutions) wants to see progress. The financiers already raise the next question, which has to be asked, namely what does success mean for non-profits. It can already be said that similar to business enterprises, different levels of organisational goals exist, but to understand how they are implemented in day-to-day activities requires a closer look. Generally speaking, it is known that especially measuring the outcome on a society is tremendously difficult. Up to now, there has not been any satisfactory solution, which is why conceptions like outcome-oriented management are potentially attractive.

The second objective is closely linked to the first one. By taking the identified characteristics and putting them in contrast to the profit sector, it will be possible to see the fundamental differences. This at the same time should serve as explanation why certain business management concepts cannot simply be transferred to non-profits. The central issue herein is outcome orientation. In the business area, generally accepted solutions for controlling effectiveness are available. In contrast to that, the non-profit field is increasingly seeking for comparable approaches, yet above-mentioned problems with 'handling' the outcome are still predominant. In conclusion, the second topic should provide information regarding these differences and complexities.

The third chapter is about a public reform movement, called *New Public Management (NPM)*. The reason for taking this digression to the public area is on one side the fact that European non-profit society is often closely connected to government affairs, on the other side the public sector is leading in terms of efforts to outcome orientation and measures for effectiveness. In the sense of an overall image of the reform program, the fundamentals of it as well as *the so-called NPM-model and its various strategic goals* (customer orientation, quality orientation, etc.) will be examined. Once again, the centre of attention will be to understand how outcome orientation is involved in that topic. Furthermore, the identification

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<sup>5</sup> cf. chapter 2.2.3 for a detailed discussion regarding this term.

of the *connection to the origin of the idea* (business management theories) is another aspired goal. Moreover, also here it is particularly interesting to determine certain knowhow or experiences that can be transferred to the non-profit area. The section finally closes with a glance at the *critical points regarding New Public Management* to consider a controversially held discussion, which has held on since first appearance of the idea.

After extensively studying the broad field of different manifestations of outcome oriented management from a theoretical standpoint, the following three task areas represent an empirical reflection.

The fourth investigated topic (first empirical point) deals with already *applied NPM- and outcome-oriented management practices in the public sector*. The experiences (lessons learned) of those implementations will be the major subject for the following. *Assets and deficiencies* of real case examples should be worked out to get an exact picture of the added value. Various emerging tools, instruments or even entire concepts will be taken into account in the framework of this study. The concrete fields of investigation are the European German-speaking countries, Germany, Switzerland, and in more detail, the Austrian Public Reformation. In addition to this sample of countries, an international comparison should be examined to get a more general picture of the developments. In the last step, it will be discussed, in how far the identified methodologies can be transferred to the non-profit area. This final discourse is of particular importance, because certain knowledge and/ or approaches should be worked out, that have the potential to be beneficial for non-profit organisations.

The fifth issue will again be about discovering already available *outcome-oriented management practices*, but this time specifically in the *environment of non-profits*. It will start by giving an overview about the broad spectrum of outcome orientation and outcome oriented management. Once this overall picture has been clarified, a closer focus will be put on certain outcome-oriented management control approaches from practice. Based on this, studies on the current state and the development of outcome-orientation will be analysed. The knowledge gained from this last investigation will at the same time serve for the next point.

Within the sixth and very last theme, the insights gained from the previous sections will be confronted with knowledge and experiences of experts from the immediate field of NPOs. This additional empirical investigation *in the form of expert* interviews will be conducted to prove/ disprove, judge and might even extend the already worked out findings.

*In the end the goal is to provide advanced statements about outcome-oriented practices, give detailed information about the general level of development as well as concrete information about the individual implementation phases of an outcome-oriented management control system. Last but not least, potential weaknesses/ problems should be identified and finally the motivation (benefit vs. effort) to carry out such an approach should be clarified, to get a holistic picture of outcome-oriented management.*

### 1.3 Research Field

Environmental- or human rights, economic-, social-, or cultural interests; those are just a few examples of issues that non-profit organisations deal with. Unlike any other form of organisation, they apply to a remarkably wide range of activities. There is almost no concern, which is not covered by the work of NPOs in some form. On that score, the field of NPOs currently is subject of numerous scientific disciplines, such as *social-, political sciences* or, central for this thesis, *economics and business administration*<sup>6</sup>.

In connection to these areas, it needs to be noted that not only the scientific background varies, but also the wording differs to some degree. While social and political literature talks about an existing *third sector*, economics and business administration refer to the term *non-profit sector*. The emphasis of third-sector research is on investigating matters of voluntary work and taking a closer look on the associated socio-political effects<sup>7</sup>. Due to the fact that these subjects do not address the theme of this thesis, they will not be further examined here. Yet, if aspects of these thematic fields appear to be relevant, they will be considered and discussed.

Economics and Business Administration represent the background for detailed research in the course of this work. The primary focus can be considered as a *business economics perspective, concentrating on classic management issues*. Nonetheless, it is also indispensable that (*socio-*) *economic aspects* are taken into account as well.

*Economic research* of these days is usually described by different points of view. Most notably either a macroeconomic or a microeconomic point of view is common. The microeconomic theory follows the question why specific institutions, like non-profit organisations, produce certain products and services. In relation to this, efforts are made to determine which institutions generally exist, what their distinct differences are and who decides which institution is most appropriate. In literature, different approaches among this area exist (providing answers based on diverse arguments), which will not be further elaborated. On a broader perspective (macroeconomics), the entire field of NPOs is put in contrast to the total national economy. From this angle, usually experts discuss the importance of the NPO-field in connection to the total economy as well as the general function in relation to state activities.<sup>8</sup>

For this work it is most important to understand that non-profit organisations with their diverse field of stakeholders are an integral part of the every economy. Their general mission is very often led by (*socio-*)*economic problems*. Besides this, social matters influence almost every aspect of the NPOs activities in some way. As a result, specific (*socio-*)*economic considerations* are prevalent from hereinafter.

Current *general literature on business administration* is scarcely addressing the issues of NPOs, although it has to be noticed that certain subject areas, like marketing, financial accounting or financing show great interest in the field of non-profit organisations. Similar conditions apply to English-speaking management-literature. Due to the fact that general

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<sup>6</sup> cf. MEYER, M.; SIMSA, R. (2013a) pp.3.

<sup>7</sup> cf. GREILING, D.; WITT, D. (2009) pp.7.

<sup>8</sup> cf. PENNERSTORFER, A.; BADEL, C. (2013) pp.107.

English management literature also shows very little interest in the NPO-field, a set of specialist literature has evolved. Last, specific management issues, like strategic planning or performance management are addressed.<sup>9</sup>

In the course of this study, the ambition is to build up on the present knowledge from business administration/ management theory. Particular interest hereby will be drawn to science fields, which are specifically addressed to issues of non-profit organisations. In respect to numerous existing subjects, the emphasis of this work will be on Quality Management, Strategic Management and Performance Management, as these sciences engage in outcome-oriented management to a large extent.

Summing up the scope of research, the main emphasis is on examining outstanding business management concepts and instruments, which have to prove themselves in a highly (socio-)economic environment. Starting first with the theoretical fundamentals, an empirical investigation later on will follow to get a comprehensive picture of outcome-oriented management.

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<sup>9</sup> cf. MAYRHOFER, W. (2013) pp.93.



## 1.4 Procedure

The timetable of this section illustrates the chronological sequence of the entire thesis. It corresponds to the five task areas just like to the overall objectives. The time resolution refers to calendar weeks (CW). Table 1 shows the scheduled procedure:

	January				February				March				April				May				June				July					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>OUTCOME-ORIENTED MANAGEMENT IN NON-PROFIT ORGANISATIONS</b>																														
CW																														
Preparation of Master-Thesis, Familiarise with Subject																														
1) Prerequisites in NPO Sector																														
2) Differences to Profit Sector																														
3) Concept of New Public Management																														
4) Applied Methodologies in Public Sector																														
5) Applied Methodologies in NPO Sector																														
6) Interviews, Conclusion and Summary																														
Documentation																														

PREPARATION

THEOR. INVESTIGATION

PRACT. INVESTIGATION

INTERVIEW

DOCUMENTATION

Table 1: Procedure<sup>10</sup>

<sup>10</sup> own representation.

## 2 Theoretical Background

This chapter starts with an introductory section about the current situation of the *non-profit sector*<sup>11</sup>, which at the same time can be considered as the starting point of this work (chap. 2.1). After this, the second topic deals with the plurality of definitions regarding *non-profit-organisation (NPO)* and takes a closer look on different types. The different existing terminologies often result in great miscommunication, which is why chapter 2.2 explicitly outlines the understanding of *non-profit sector* and *non-profit organisations* in the context of this work. Once these basics have been clarified, a more detailed picture of the Austrian sector will be given (chap. 2.3), followed by the examination of the special characteristics of NPOs (chap. 2.4). With the gained knowledge about the peculiarities of NPOs and with a clear statement of what outcome orientation means in the context of this work (chap. 2.5), it can finally be analysed which implications these characteristics have on the applicability of business management methodologies, and where outcome orientation can step in (chap. 2.6).

The second half of this chapter more specifically deals with the definition of outcome-oriented management (chap. 2.7), and examines areas where efforts in this direction have already taken place (chap. 2.8-2.10). The chapter ends with a more detailed glance on the topic of New Public Management (chap. 2.11) and with an exploration of data collection, data preparation and data analysis methods (chap. 2.12-2.14). The last three topics have had to be considered in preparation for the upcoming empirical investigation (expert interviews) of outcome-oriented management.

### 2.1 Starting Point

The *non-profit sector* as an area, where politics and administration meet organisations, which permanently find themselves in potential competition or cooperation with each other, is an interesting and constantly evolving field. The following paragraphs therefore will first give an impression of present challenges, changes and trends and after that provide a closer look on the present state of New Public Management and outcome orientation.

#### 2.1.1 Challenges, Changes, Trends

Among the broad field of services, which is covered by NPOs, some collective changes or challenges have emerged nationally, as well as on an international basis. The NPO Competence Center of the Vienna University of Economics and Business (playing a leading role in Austrian non-profit research) published an exploratory study in 2012, which demonstrates the present situation for non-profit organisations<sup>12</sup>. Experts as well as current

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<sup>11</sup> As there is no generally accepted definition for this term, the following thesis uses the definition *non-profit sector* synonymously as discussed in chapter 2.2.3.

<sup>12</sup> cf. SIMSA, R.; SCHÖBER, D. (2012) pp.12; The definition of NPO at this study is corresponding to the understanding of this work.

related literature furthermore came to the same issues. The subsequent Figure 3 and the descriptive points represent a summary of the most significant aspects:

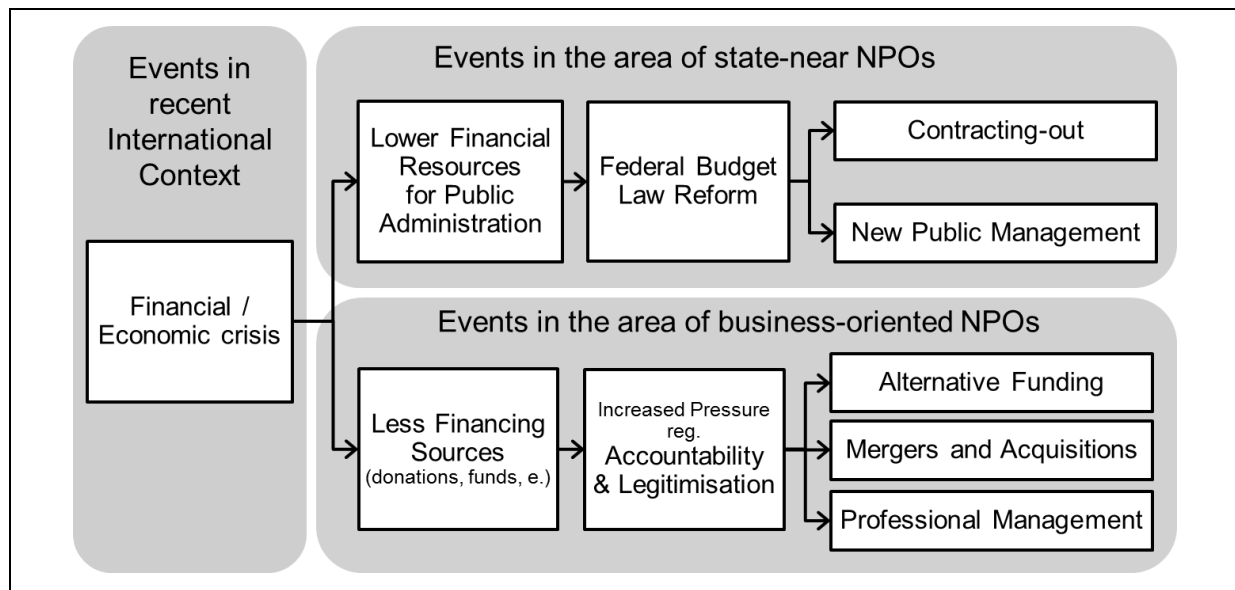


Figure 3: Overview of emerging changes, challenges and trends<sup>13</sup>

- growth of non-profit sector  
A constantly aging population (demographic change) implies an increased demand in health and social areas and consequently is one major reason why those typical NPO-sectors still continue to grow. Another result in this context is that also more funding sources need to be acquired in order to meet this increased demand<sup>14</sup>. Besides, many areas have become more liberal at the same time, which means that today more and more private services are allowed to enter the same market.<sup>15</sup>
- handling funding issues  
The situation concerning government budget has become worse (due to financial/economic crisis), which is why NPOs today progressively focus on alternative funding sources. They sometimes react to this situation with mergers or acquisitions<sup>16</sup>. Another consequence is that the decision of public organs, on where to distribute funds, has also become more difficult. NPOs again experience this in the form of higher pressure regarding accountability and legitimisation. They start to position themselves as highly efficient and effective with the help of new concepts (see subsequent point professionalisation of NPO-management).<sup>17</sup>
- gaining importance of market structures  
Services of NPOs, like for instance social services, are nowadays rather carried out in terms of payments directly to the service consumer, than via lump sum to the service

<sup>13</sup> own representation based on SIMSA, R.; SCHOBBER, D. (2012); STOCKMANN, R. (2008); MEYER, M.; SIMSA, R. (2013b); ALEXANDER, J.; NANK, R.; STIVERS, C. (1999); SCHEDLER, K.; PROELLER, I. (2010).

<sup>14</sup> cf. SIMSA, R.; SCHOBBER, D. (2012) p.13.

<sup>15</sup> cf. STOCKMANN, R. (2008) p.10.

<sup>16</sup> cf. SIMSA, R.; SCHOBBER, D. (2012) p.12.

<sup>17</sup> cf. STOCKMANN, R. (2008) p.12.

provider. This consequently introduces market-like behaviour and increases competition.<sup>18</sup>

Furthermore, the previously stated opening of the market also ends in extra competition. The result is that non-profit organisations nowadays have to compete with strong competitors from business side for clients and service contracts.<sup>19</sup>

- professionalisation of NPO-management

The more complex the condition becomes, the more an advanced management, to professionally attain the objectives, makes sense. Besides the situation getting more complex, NPOs in general face the condition of always having to justify themselves for administrative expenses more than any others<sup>20</sup>. The problem here is that these costs are essential, and they become higher for more advanced management techniques. The primary goal in the end is to improve towards *accountability and legitimacy* by optimising efficiency and effectiveness<sup>21</sup>. This potential is most likely the leading driver for this trend. Nevertheless, it has to be admitted that negative effects could also be the consequence.

A so-called mission drift is often brought in connection to a more comprehensive management. This adverse effect can occur, when the organisation slowly drifts away from its initial mission/ vision. This problem must constantly be kept in mind considering present and further foreseeable changes.<sup>22</sup>

- contracting-out

The so-called contracting-out is a continuing trend, which has distinct influence on the non-profit sector. This conception basically means that competences and services, which were originally treated by public organisations, are now forwarded to non-profit organisations. Although a 'new' non-governmental party is now responsible for the performance, it still has to be noted that these NPOs in many times are significantly dominated in terms of public ownership.<sup>23</sup>

From contracting-out, state organisations most generally expect to get public services done at lower costs (by using voluntary work). However, the other side often is that more sophisticated tasks (higher responsibilities require professional management) for NPOs have a distinct influence on their personnel structure. The consequence in many cases is a decreasing number of volunteers.<sup>24</sup>

Contracting-out can be attributed to New Public Management (cf. chapter 2.7) and its associated instruments like *performance contracts (also called performance agreements)*. This tool basically represents the framework for arrangements between politics, administration and third parties like NPOs<sup>25</sup>.

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<sup>18</sup> cf. MEYER, M.; SIMSA, R. (2013b) pp.513.

<sup>19</sup> cf. ALEXANDER, J.; NANK, R.; STIVERS, C. (1999) pp.456.

<sup>20</sup> cf. SIMSA, R.; SCHOBBER, D. (2012) p.13.

<sup>21</sup> cf. MEYER, M.; SIMSA, R. (2013b) pp.510.

<sup>22</sup> cf. SIMIĆ, Ž.; PREDOVIĆ, F. (2014) p.366.

<sup>23</sup> cf. SIMSA, R.; SCHOBBER, D. (2012) p.13 and cf. MEYER, M.; SIMSA, R. (2013b) pp.512.

<sup>24</sup> cf. MEYER, M.; SIMSA, R. (2013b) p.512.

<sup>25</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) p.120.

- sector borders become blurred

In association with contracting-out, another change can be identified, namely the blurring of borders between the sectors<sup>26</sup>. In addition, the previously discussed professionalisation of management thereby can also be made responsible for this change, just like the trend that economic businesses increasingly enter NPO-market. The result of all these changes is a mixture of public-, business-, and non-profit organisations, which in many times are significantly difficult to classify. Furthermore, these hybrid forms often lead to new concepts, such as *Social Entrepreneurship*, *Public Private Partnership*<sup>27</sup>, and many more.<sup>28</sup>

In summary, all described aspects do not only emphasise the point that the NPO-sector is subject to numerous changes, they also highlight the importance of the connection to the public sector.

### 2.1.2 New Public Management and Outcome Orientation

In the public sector, some of the most extensive changes were introduced by the concept of *New Public Management*, which first appeared around 1980/1990<sup>29</sup>. One key-aspect of this reform movement was 'outcome orientation', which developed itself and till today has become significant for both, public- and non-profit organisations. Since the state sector first started to focus on the outcome of their activities, NPOs also began to raise the question, if outcome-oriented management would make economic sense for them.

One major prerequisite, in order to implement outcome-oriented management, is to find possibilities of identifying, measuring and 'controlling' success (outcome). Many different attempts try to find quantifiable values, which provide information about *efficiency and effectiveness* of the performance. Only if all dimensions (output, outcome, etc.) are correctly taken into account, a *management control system*<sup>30</sup> can work as intended. However, it is also fact that, what is standard in the business sector, to have 'touchable' success indicators, like profit, revenue or gained market share, is far more complex in the non-profit sector<sup>31</sup>. In general it can be said that the question of measuring success is universal to all organisational units that work on achieving a common *mission and objectives*, no matter if they run under the category profit or non-profit.

The growing motivation to carry out a transition towards a more outcome-oriented management style goes back to several reasons, which can be assigned to either a microeconomic or macroeconomic perspective.<sup>32</sup>

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<sup>26</sup> cf. MEYER, M.; SIMSA, R. (2013b) p.512.

<sup>27</sup> New concepts, located at the intersection between business and non-profit sector, will not be further elaborated on, in this work.

<sup>28</sup> cf. MEYER, M.; SIMSA, R. (2013b) p.515.

<sup>29</sup> cf. GRÜNING, G. (2000) p.15.

<sup>30</sup> cf. chapter 2.7 for a detailed discussion regarding this term.

<sup>31</sup> cf. BONO, M.L. (2006) pp.142.

<sup>32</sup> cf. Ibid pp.143.

From a microeconomic point of view, state-oriented NPOs experience a pressure to reform from policy-, as well as from public side. This last-mentioned parties claim that accountability of performing organisations (mostly NPOs) should take a substantial change from reporting occasional success stories to providing quantifiable results<sup>33</sup>. Other investors of the intensified NPO-field also support this idea<sup>34</sup>. Private donators or sponsors for instance could be supported, if their decision on where to distribute funds were based on standardised indicators.

The broader view, representing a macroeconomic standpoint on the other side is led by its very own motives. One of the very basic objectives in economy is to use existing resources in an optimum way to achieve the maximum outcome for society<sup>35</sup>. However, what in fact is more in line with reality is that instead of increased effectiveness, measures regarding the outcome are rather used as an instrument to decide where cuts can be made<sup>36</sup>.

So far, it appears to be that there has been no consensus about whether outcome orientation should be reinforced more in future, neither nationally nor internationally. Irrespective of this, many NPOs have discovered the benefits of outcome-oriented management and appeal to this comparatively new conception. The following thesis puts this matter in the focus and examines it from both perspectives, theoretically and empirically.

## 2.2 Definition of Non-Profit Sector and Non-Profit Organisation

The next section provides an overview about different interpretations of *non-profit organisation*. Out of this plurality, an appropriate definition for the context of this work is defined, coupled with an explanation for the decision. The same procedure is applied to the definition of *non-profit sector*.

### 2.2.1 Plurality of Definitions regarding Non-Profit Organisation

As already pointed out in the first chapter, dealing with the term *non-profit organisation* often includes a certain risk of miscommunication<sup>37</sup>. No international consensus has evolved so far, but the concerned area is getting more and more relevant for society.

The definition '*non-profit organisation*' originated in Anglo-Saxon countries, which is why the first understandable description was done in English language. With the upcoming of NPOs all across Europe, the term from then on has been used in various countries. The first misinterpretation in connection with this term was that 'non-profit' was mistakenly understood as 'no profit', instead of 'not for profit'. 'No profit' of course is profoundly wrong, as in practice those institutions often generate profit<sup>38</sup>.

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<sup>33</sup> <http://www.berlin-institut.org> (15 January 2015).

<sup>34</sup> cf. BONO, M.L. (2006) pp.143.

<sup>35</sup> cf. Ibid.

<sup>36</sup> cf. DAHME H.-J.; KÜHNLEIN G.; WOHLFAHRT N. (2005) p.112.

<sup>37</sup> cf. MEYER, M.; SIMSA, R. (2013a) pp.6.

<sup>38</sup> cf. Ibid.

The second source for miscommunication was based on different baselines between America and Europe. While in America the dominant theme in the non-profit sector is to highlight the difference to the profit area, the central issue in Europe is to position the sector as non-governmental (or non-state-run/ non-public). For European purposes, the more suitable expression would actually be *non-governmental organisation (NGO)*, however it has to be mentioned that this definition is not free from misunderstanding, either. For this reason, this thesis refers to the more common term non-profit organisation, and the issues of NGO will not be discussed in any further detail.<sup>39</sup>

In order to give an example of how organisations usually proceed in practice, NPOs in Germany for instance use the regulation code of tax law as a criterion. The important question in these terms then is, if an organisation can be classified as charitable ('gemeinnützig'). The consequences of tax benefits in this case normally are specific regulations for asset commitment and specification on how to manage profits<sup>40</sup>.

M. Meyer and R. Simsa, representing leading non-profit research (in the German-speaking environment), describe various criteria that can be used for definition, like for instance the dominant funding source (e.g. more than half of financial resources must come from donations or from member-contributions), or the dominant organisational targets (intrinsic instead of economic objectives) as determining factors<sup>41</sup>.

Without going into detail about further definition options, the next section will outline the term non-profit organisation in the context of this work.

## 2.2.2 Non-Profit Organisation in the Context of this Work

One of the most respected attempts to find a common understanding of NPO throughout different countries can be related to the *Johns Hopkins Comparative Nonprofit Sector Project (CNP)*<sup>42</sup>, which started in the 1990s. Today it is the "largest systematic comparative effort ever undertaken to document the size, scope, history, legal position, and policy environment of the nonprofit sector around the world."<sup>43</sup>

L.M. Salamon and H.K. Anheier originally published working papers that provided several different schemes to define non-profit organisations. One approach, which has established itself, is titled the "structural-operational definition", wherein certain characteristics, for closer description, are recorded<sup>44</sup>. According to this, organisational units can be classified as *non-profit*, if they are:<sup>45</sup>

- *formally organised* to some extent. This feature describes some form of institutional reality. The idea behind this is to exclude informal groups from the interpretation, such

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<sup>39</sup> cf. MEYER, M.; SIMSA, R. (2013a) pp.6.

<sup>40</sup> cf. GREILING, D.; WITT, D. (2009) pp.34.

<sup>41</sup> cf. MEYER, M.; SIMSA, R. (2013a) p.8.

<sup>42</sup> This project was performed by the Center for Civil Society Studies at the Johns Hopkins Institute for Health and Social Policy of the Hopkins Bloomberg School of Public Health in Baltimore, Maryland (USA) [www.ccss.jhu.edu](http://www.ccss.jhu.edu)

<sup>43</sup> SALAMON, L.M. (2010) pp.171.

<sup>44</sup> cf. Ibid pp.177.

<sup>45</sup> cf. SALAMON, L.M.; ANHEIER, H.K. (1992) pp.11.

as spontaneous movements. In the end, this criterion should avoid that the term NPO becomes too shapeless.

- *private*, in terms of being a non-governmental institution. This characteristic should not only imply that a NPO is no part of the public structure, it must not be completely dominated by a public side, either. However, this criterion does not exclude that government officials can be part of the NPOs board, or that government finances the organisations. To sum up, this characteristic should move NPOs apart from public sector.
- *non-profit-distributing*, thus not forwarding a generated profit to owners, directors, partners, etc. Usually the revenue is re-invested into the organisation to promote the accomplishment of the mission. This attribute clearly distinguishes the business sector<sup>46</sup> from the non-profit sector.
- *self-governing*, or in other words the ability to make own decisions. The scenario that one organisation is just part of the public structure, especially in legal terms, is to be prevented herewith.
- *voluntary* ('freiwillig'), meaning that a certain degree of voluntary activities, or otherwise some form of voluntary input has to exist. The voluntary nature thereby can be related to the actual work of the organisation or to management activities. Important is that this characteristic is not to be understood as limitation of the NPOs receipts, meaning that it is exclusively allowed to come from voluntary contributions. Rather, even a voluntary member of the management board would classify an organisation as non-profit.

Due to the fact that this list of features is a comparatively detailed approach, it will serve as a basis description, for the context of this work. Apart from this, the following reasons reaffirm the decision:

- The first argument for selecting this set of characteristics is the slowly growing international consensus among it<sup>47</sup>. Specialist literatures as well as current Austrian studies build up on this definition<sup>48</sup>. Worth mentioning here are in particular Meyer, Simsa and Badelt (2013), Bono (2010a), or in general the NPO Competence Center as part of the Vienna University of Economics and Business. The last one is mainly responsible for studies on the Austrian field of NPOs. Referring to the above-mentioned definition, those studies can also be used in the course of this work.
- The second and most important point was that, within the nature of this approach, none of the characteristics is 100% sharp. What seems adverse at first sight is an advantage in terms of the previously defined 'hybrid' organisations. As long as all features are applied to a (self-defined) minimum percentage, these organisations can be considered as non-profits. Especially NPOs in the German-speaking environment very often show close proximity to the public area (cf. chapter 2.2.3). As long as the last-mentioned are

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<sup>46</sup> cf. chapter 2.2.3 for detailed definition of this term.

<sup>47</sup> cf. ANHEIER, H.K. (2000) pp.1.

<sup>48</sup> cf. SIMSA, R.; SCHÖBER, C.; SCHÖBER, D. (2004) pp.17 for further publications based on this definition.



not 100% public (and all other aspects can be applied) this approach does not exclude these fringe organisations.<sup>49</sup>

To conclude, the structural-operational definition is feasible for the purpose of this work, because the ambition is not to only take a look at outcome-oriented methodologies in the typical non-profit area, but also at the intersection to other fields.

### 2.2.3 Sectors in the Context of this Work

In economic theory, a recognised model is the one which is based on three different sectors. Using this convention within the framework of this thesis, it can be distinguished between *the (public) state sector*, the *(economic) market* and a *third field*, which summarises all *organisations that cannot be assigned to the first two areas*. A *state organ* in this context refers to the entire political level as well as all governmental and administrative organisations among the three basic levels (state, federal, communal). Their primary objective is to fulfil sovereign functions and their financing is based on public funds. The *market*, as second field, is used synonymously for the *profit sector* (also called for-profit- or business sector). As the name already anticipates, this term refers to businesses which are primarily interested in generating profit, and they are primarily financed by market activities. The most common understanding of 'third sector' refers to a 'neither-nor' expression, meaning that institutions in this field are neither absolutely profit-oriented, nor completely public.<sup>50</sup>

While this notion can be considered as valid, also in the context of this thesis, it from here on will rather be referred to the term *non-profit sector*, which as repeatedly said, considers all organisations, *which fulfil the five criteria of the structural-operational definition* (of the John Hopkins Project) *to a reasonable minimum*. Considering the aspiration of this work, a further distinction would make no sense, as any kind of organisation faces the difficulty to consider the outcome dimension in the right degree. In these terms it makes no difference if they are '100% non-profit', or if they are a mixture of non-profit and private-/ public organisation.

The example of the Austrian Public Employment Service (AMS)<sup>51</sup> proves that the selected convention is suitable for the circumstances in the German-speaking environment. The AMS in some cases fulfils sovereign functions like unemployment payment, but in other areas deals with non-sovereign tasks, like job counselling. As a consequence, the AMS could actually be counted as public or non-profit organisation.<sup>52</sup>

From this example, it can be recognised, that the specified definitions prove as practical.

Apart from the three above-mentioned areas, another frequently used terminology is '*civil society*'. This definition is to understand as a field, where public society independently deals with civil issues. The dominant criterion in these terms is private commitment that does not

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<sup>49</sup> cf. MEYER, M.; SIMSA, R. (2013a) pp.9.

<sup>50</sup> cf. Ibid.

<sup>51</sup> 'Arbeitsmarktservice Österreich - AMS' [www.ams.at](http://www.ams.at)

<sup>52</sup> cf. MEYER, M.; SIMSA, R. (2013a) p.11.

intend to generate profit. Social movements, gatherings or spontaneous groups are just some example of this sphere.<sup>53</sup>

In order to promote the understanding of this thesis, it furthermore appears to be helpful to agree on terms, instantly giving information about a potentially relevant connection to one of the described areas. For this purpose an approach was chosen, which again best fits the scenario in German-speaking areas. A. Zauner, in his conception, introduces different *institutional attractors* as classification criteria. Depending on a potential relation to the state sector, to the market or to civil society, the unit either can be denoted as *state-oriented*, *business-oriented* or *community-oriented* (also -near or -related).<sup>54</sup>

Starting with the state-near area, organisations in this context most commonly focus on social, cultural, or scientific aspects. In many cases a close relationship to public institutions can be recognised, which in turn has distinct influence on the general objectives as well as on financial, organisational or personnel affairs. For agreeing upon the services, the already mentioned performance contracts here again come into play.

*Cooperatives* ('Genossenschaften') are usually part of the next type of typical organisations, the so-called *business-oriented NPOs*. By starting cooperation between different parties, those weaker market participants, very often try to strengthen their market position. A typical characteristic of the business-near area is that organisations in this region can often hardly be distinguished from conventional profit-oriented enterprises.

The last category is the so-called *community-related NPO*. Worth mentioning here are especially associations ('Vereine'), and many other forms of interest groups ('Interessensvertretungen').<sup>55</sup>

Figure 4 finally shows the classification scheme of A. Zauner in graphical form.

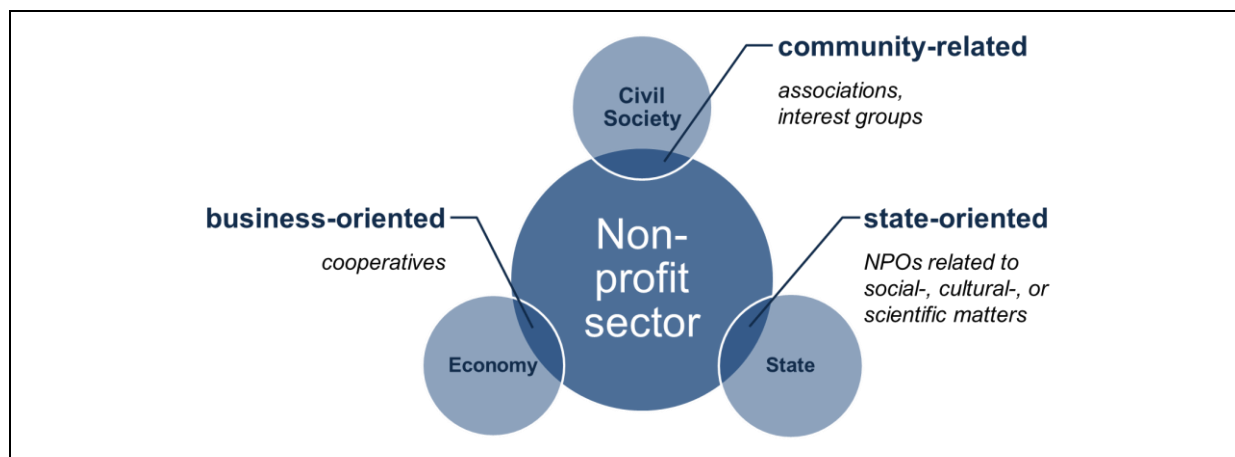


Figure 4: State-oriented, business-oriented and community-related NPOs<sup>56</sup>

<sup>53</sup> cf. MEYER, M.; SIMSA, R. (2013a) p.10.

<sup>54</sup> cf. ZAUNER, A. (2007) pp.148.

<sup>55</sup> cf. Ibid.

<sup>56</sup> own representation; based on Abb. I.8.1 in Ibid p.147.

## 2.3 Current Situation in Austrian Non-Profit Sector

The following two paragraphs will provide a detailed picture of the Austrian non-profit sector. However, before discussing this concrete sphere from a quantitative point of view, first a short explanation of the social and political background needs to be given in order to better understand the current situation.

### 2.3.1 Political and Social Conditions

In Austria it can be seen that a multitude of factors from both, political and social side, have significant influence on the current state of the NPO-sector.

*Austria's federal structure* is based on the traditional hierarchy, state, federal (also federal state) and local (also communal) level. In connection with this, it is noticeable that this federalist modality finds itself in the non-profit area, as well. NPOs primarily act on a *federal level*, where they usually have their corresponding state partner. The state level, in contrast to this, normally has lower significance for them. From a general viewpoint, a certain level of autonomy is significant for both of the lower levels, and consequently is an important factor for the existence of non-profit organisations.<sup>57</sup>

What else is an important point in Austria is the fact that *interest groups* play a major role in the non-profit sector. They can usually be located in the area of community-related organisations (definition chapter 2.2.3) and furthermore, two different types can be distinguished. The ones that require obligatory membership are usually called *chambers* ('Kammern'). Examples of this are the Austrian Economic Chamber<sup>58</sup>, the Chamber of Agriculture<sup>59</sup>, or the Chamber of Labour<sup>60</sup>. In the context of this work, they are in fact no non-profit organisation, because they do not comply to the criterion 'voluntary', as they require mandatory membership. In legal terms, they are normally corporations under public law ('Körperschaften des öffentlichen Rechts') and they primarily fulfil sovereign functions. The second category of interest groups are those where membership is voluntary. In Austria for instance the Austrian Trade Union Federation<sup>61</sup> or the Federation of Austrian Industries<sup>62</sup> would be examples of that.

Irrespective of which type of interest group is considered, they all mostly relate to specific business professions. Political influence plays an additional role, when it comes to negotiations in the individual areas of work. A recent trend among NPOs nowadays is to form umbrella organisations ('Dachverbände'). According to this idea, one organisation either directly introduces such a structure (state organ above many federals), or also cross-sectorial forms have been identified lately. In other words, besides sectorial umbrella

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<sup>57</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.55.

<sup>58</sup> 'Österreichische Wirtschaftskammer - WKO' <https://www.wko.at/>

<sup>59</sup> 'Landwirtschaftskammer Österreich - LKO' <https://www.lko.at>

<sup>60</sup> 'Kammer für Arbeiter und Angestellte/ Arbeiterkammer - AK' [www.arbeiterkammer.at](http://www.arbeiterkammer.at)

<sup>61</sup> 'Österreichische Gewerkschaftsbund - ÖGB' [www.oegb.at](http://www.oegb.at)

<sup>62</sup> 'Vereinigung der österreichischen Industrie/ Industriellenvereinigung - IV' [www.iv-net.at](http://www.iv-net.at)

organisations such as the Austrian Sports Organisation<sup>63</sup>, also cross-sectorial groups have emerged, like the Interest Group of Public Benefit Organisations<sup>64 65</sup>.

As is standard in many areas today, the NPO-sector is not unaffected by *political influence*, either. It used to be the case that the two established political parties; the Social Democratic Party of Austria ('Sozialdemokratische Partei - SPÖ') and the Austrian People's Party ('Österreichische Volkspartei - ÖVP') both had its organisations in place, besides the ones being politically independent. This phenomenon for instance could be seen in different cultural branches. Today's tendency, however, is towards greater political independence. A close relationship to politics implies several positive and negative sides. On the one hand, political involvement allows increased influence on governmental affairs and at the same time usually goes along with a better financial situation. The negative side of political influence is that exactly this dedication often bears the risk of ending up as governmental service provider.<sup>66</sup>

Further types of NPOs, worth mentioning in the Austrian context, are partners of the *Catholic Church, cooperatives, associations, and foundations* ('Stiftungen'). The first-mentioned ones usually provide services regarding social, health or educational matters. Remarkable, due to their size, are especially Caritas and Diakonie<sup>67</sup>, which represent two of the most significant partners of the Catholic Church. For cooperatives, it has to be said that, although they make up a considerably large part of the NPO-sector, they have lost importance in recent times. Quite in contrast to this, establishing an association has proved to be practical due to its simplicity and because of the fact that almost no assets are needed. Associations are often committed to issues of daily life, which is why they generally can be assigned to the community-related area. Cooperatives, with the primary objective of reinforcing economic efficiency of their members, can be designated as business oriented.<sup>68</sup>

For the last form, foundations, it is on an international basis standard that they are dedicated to common welfare and consequently are community-related or of general benefit ('gemeinnützig')<sup>69</sup>. However, the majority of Austria's foundations does not correspond to this convention. Unlike the international practice, self-serving foundations also represent a big part of the total number of Austrian foundations (see following quantitative picture).<sup>70</sup>

To sum up this information about the Austrian background, the subsequent points once again demonstrate what has been found in this section:

- NPOs are predominantly located on a federal level, where they find their corresponding state partner.

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<sup>63</sup> 'Österreichische Bundessportorganisation - BSO' [www.bso.or.at](http://www.bso.or.at)

<sup>64</sup> 'Interessenvertretung gemeinnütziger Organisationen - IGO' [www.gemeinnuetzig.at](http://www.gemeinnuetzig.at)

<sup>65</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) pp.56.

<sup>66</sup> cf. Ibid pp.57.

<sup>67</sup> Caritas and Diakonie are two large social organisations in Austria, which make a major contribution to the overall social affairs of people in need of help.

<sup>68</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) pp.58.

<sup>69</sup> cf. SCHNEIDER, H.; MILLNER, R.; MEYER, M (2010) p.1.

<sup>70</sup> cf. Ibid p.10.

- Groups of great relevance in Austria are interest groups, so chambers (obligatory membership; no NPO) with specific political influence as well as independent groups (voluntary membership, NPO).
- It has become common in Austria to form umbrella organisations either specifically for one organisation, sectorial or, since recently, cross-sectorial.
- Even though the influence of SPÖ and ÖVP is still present, a trend towards political independence has developed. A close relation to political parties has shown positive (more influence and better funding situation) as well as negative aspects (risk of becoming 'political service provider').
- Social NPOs, like Caritas and Diakonie, which are cooperating with (Catholic) churches, make up a major part of the social area.
- While cooperatives have gradually lost importance, associations have become more and more popular, because they are comparatively simple to set up and furthermore they require almost no assets.
- The Austrian field of foundations also involves self-serving ones to a great extent.

### 2.3.2 Quantitative Picture of the Sector

What the previous section could show was that NPOs take a special position in terms of their general orientation (society-, economy-, state-oriented, economic vs. non-economic aims, etc.) and in terms of their legal form (associations, foundations, etc.). These characteristics are at the same time described as main reasons why there, so far, has not been any satisfying quantitative picture or official statistic of the NPO-sector.<sup>71</sup>

In the following, further issues will demonstrate which difficulties lead to such an unsatisfying picture:

- A first problem is that the different (legal) forms oblige to numerous official registers:<sup>72</sup>
  - Common for economic statistics is to record data like profit or turnover, which in other words means that the focus mainly is on profit-oriented enterprises. As a result, intrinsically motivated organisations do not appear in economic statistics.
  - NPOs, which are recorded in the Austrian commercial register ('Firmenbuch') do not have to indicate if they follow public or private interests. As a consequence, NPOs of public interest can only be identified, if they signal their form somehow with their name. One indicator of this would be that the term 'gemeinnützig' for instance is part of the corporate name.
  - Different legal forms understandably are recorded in different registers. Associations can be found in the register of associations<sup>73</sup>, companies and non-charitable foundations in the commercial register. For a total picture of sector, the information of those multiple databases would have to be brought together.

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<sup>71</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) pp.61.

<sup>72</sup> cf. Ibid.

<sup>73</sup> 'zentrales Vereinsregister - ZVR' [www.zvr.bmi.gv.at](http://www.zvr.bmi.gv.at)

- Austria's statistical office, called Statistik Austria<sup>74</sup>, is not in compliance with already existing international approaches on how to record organisations, in order to get a comprehensive picture of the NPO sector. The most common established concept is defined in the "United Nations Handbook on Nonprofit Institutions in the System of National Accounts (the UN NPI Handbook)."<sup>75</sup> Based on the CNP (cf. chapter 2.2.2), it promotes a more advanced, but also far more complex analysis of NPOs. Up to now, only few national offices have changed their system according to this international concept. Yet, more and more have committed to the handbook, due to its consequent benefits.<sup>76</sup>

The reason why many countries still hesitate to refer to this advanced approach, is that first the statistical effort would increase substantially (more required data) which again would mean more required resources.<sup>77</sup>

In spite of all these difficulties, the following subsections provide quantitative data of the Austrian NPO sector, based on latest available statistics and studies. Particular attention needs to be drawn to the enclosed information about the timeliness of the facts and figures. It furthermore has to be mentioned that a major part of this information goes back to scientific studies, provided by the Vienna University of Economics and Business.<sup>78</sup>

### 2.3.2.1 Quantity by Legal Form

The goal of this section is to get an idea of which legal forms are common for NPOs, and to show which of them are of special significance in quantitative terms.

- **Growing Number of Associations**

Figure 5 shows how the number of associations in Austria has grown since 1960.

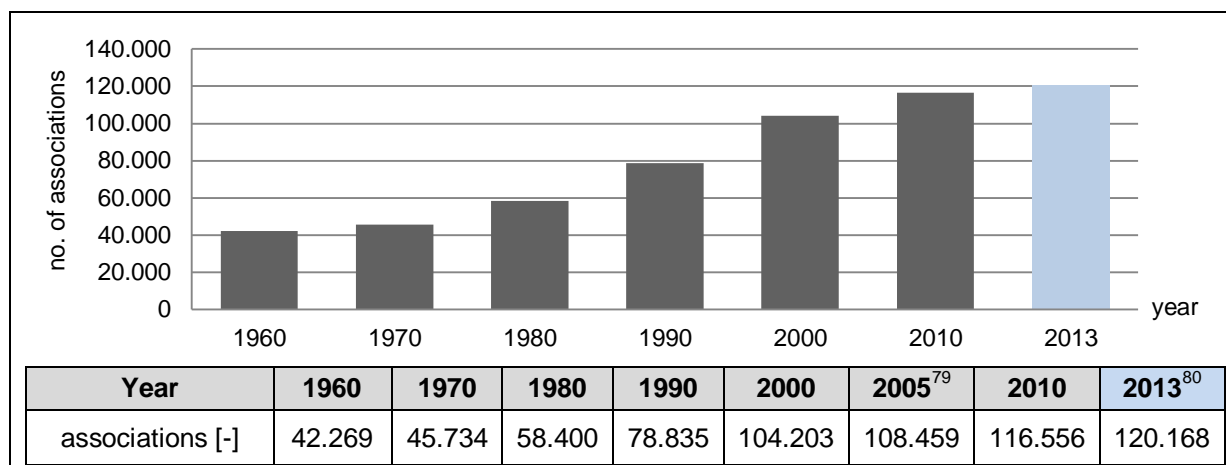


Figure 5: Number of associations from 1960 to 2013<sup>81</sup>

<sup>74</sup> Statistik Austria [www.statistik.at](http://www.statistik.at).

<sup>75</sup> cf. SALAMON, L.M. (2010) p.193.

<sup>76</sup> cf. Ibid pp.192.

<sup>77</sup> cf. SCHNEIDER, U.; HAGLEITNER, J. (2005) pp.21.

<sup>78</sup> cf. Ibid.

<sup>79</sup> The decline in the number of associations in 2005 can be explained due to data cleansing as part of the transition to the new register of associations (ZVR).

<sup>80</sup> latest available data at the current moment.

Associations today represent the most relevant legal form in quantitative terms. As already mentioned, the set-up is comparatively simple, and requires almost no financial resources. Most likely, because of these features, in many cases the decision falls on associations. Until 2003, 'Statistik Austria' recorded the general purpose of associations. With a reformation of the register in this year, the system changed in the way that there is no more information available about basic purpose, but before that, the largest groups were related to sport, culture and so called savings clubs ('Sparvereine').<sup>82</sup>

- **Foundations**

In order to get a concrete picture of Austrian foundations, a detailed look on extensive scientific studies is necessary. The problem is that the latest investigation by H. Schneider, R. Millner and M. Meyer<sup>83</sup> (Vienna University of Economics and Business) is based on data from 2008, hence not up-to-date. Nevertheless, Figure 6 shows the situation in 2008:

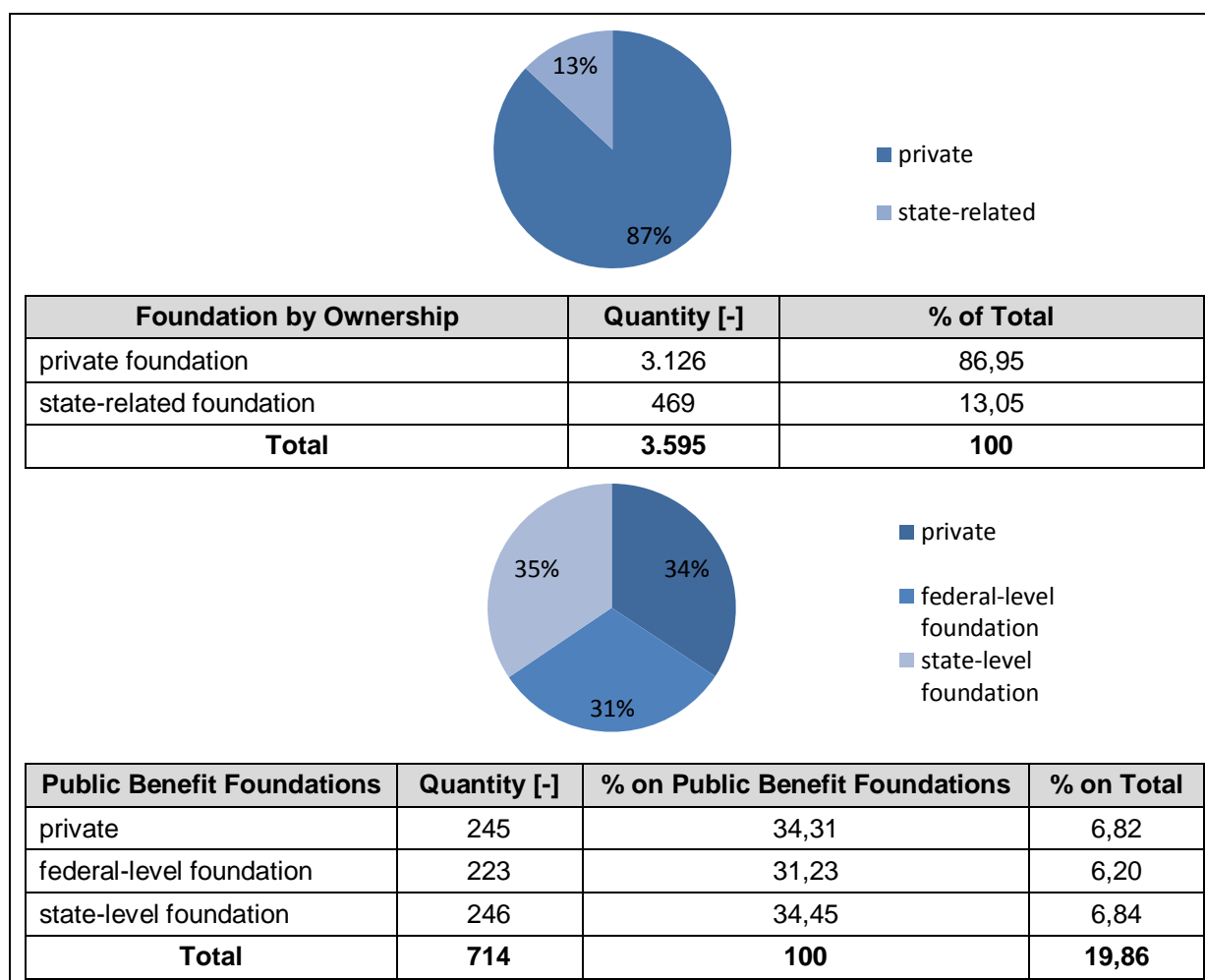


Figure 6: Austrian foundations in 2008<sup>84</sup>

<sup>81</sup> cf. Abb. I.4.1 in PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.62.; data based on STATISTIK AUSTRIA (2015) p.202.

<sup>82</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.62. and cf. STATISTIK AUSTRIA (2003).

<sup>83</sup> cf. SCHNEIDER, H.; MILLNER, R.; MEYER, M (2010) for studies on Austrian foundations.

<sup>84</sup> cf. Abb. I.4.2 in PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.62; data based on PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.62 and SCHNEIDER, H.; MILLNER, R.; MEYER, M (2010) pp.10.

In the Austrian economy, state-related foundations can either be assigned to the federal ('Bundesstiftungen') or to the state level ('Landesstiftungen'). As both of them represent governmental institutions (non-private), they are no non-profit organisations in the context of this work. Nevertheless they are observed in order to get an overall impression. In addition to public foundations, and unlike the international standard, there is also a third category, called private foundations. The lastly-mentioned ones now can serve general interests, own interests, or both purposes in combination.<sup>85</sup>

Private foundations follow private law, and consequently are listed in the commercial register. Information about the basic purpose is available in the form of descriptions, but unfortunately not in compliance with the definitions of tax law. This again leads to imprecision in terms of classification. State-related foundations on the other hand are recorded by administrative bodies, and are not publicly accessible.<sup>86</sup>

- **Limited Companies, Joint-Stock Companies and Cooperatives**

The so-far discussed legal forms represent the largest proportion of the total quantity of non-profit organisations. Among the remaining forms, like Austrian limited companies ('Gesellschaft mit beschränkter Haftung – GmbH'), Austrian joint-stock companies ('Aktiengesellschaften – AG') and cooperatives, organisations can be found, which follow public interests. However, if they in next consequence can also be considered as non-profit, has to be examined for every individual case.<sup>87</sup>

Another issue in this context is that the currently available studies in Austria are based on secondary data, and due to this, also imply certain vagueness. Commercial registers for instance do not indicate if an enterprise officially can be considered as charitable<sup>88</sup>. Only if the corporate name contains further information, it can be assured that an organisation follows charitable objectives.<sup>89</sup>

Next, Figure 7 demonstrates the development of the total number of Austrian cooperatives.

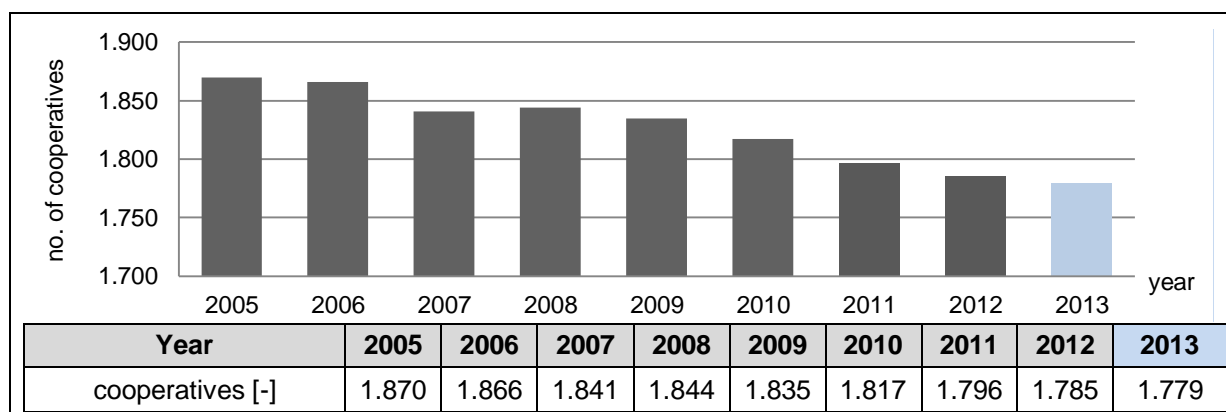


Figure 7: Number of Austrian commercial and industrial cooperatives from 2005 to 2013<sup>90</sup>

<sup>85</sup> cf. Abb. I.4.1 in PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.62.

<sup>86</sup> cf. SCHNEIDER, H.; MILLNER, R.; MEYER, M (2010) p.9.

<sup>87</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.63.

<sup>88</sup> If an enterprise can be designated as 'gemeinnützig' in Austria (from a legal point of view) and consequently can enjoy tax benefits, is subject to the responsible financial authorities.

<sup>89</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.63.

<sup>90</sup> own representation; data based on STATISTIK AUSTRIA (2015) p.474, STATISTIK AUSTRIA (2012) p.460 and STATISTIK AUSTRIA (2011) p.466.



Records of Statistik Austria in this case demonstrate that a slight loss of importance can be recognised for some time past (see Figure 7). From a total of 1817 cooperatives in 2010, 95 could be classified as 'gemeinnützig', because of their name. This was found out by a study by A. Pennerstorfer, U. Schneider, C. Badelt in 2012.<sup>91</sup>

With regards to all deficits in terms of preciseness and timeliness, the subsequent Figure 8 provides a rough estimate of the remaining legal forms in Austria. Again it needs to be annotated that the following cannot be seen as statistically representative.

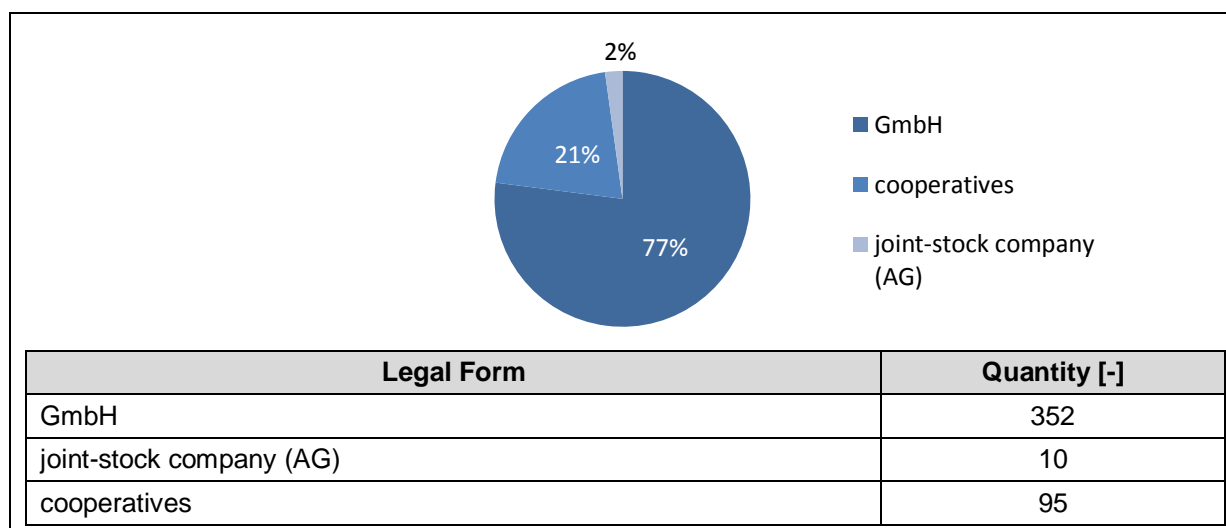


Figure 8: Remaining legal forms for NPOs at 3 January 2012<sup>92</sup>

### 2.3.2.2 Market Share in Selected Sectors

The presence of non-profit organisations in different branches varies significantly. While NPOs in some areas are less important in contrast to public and business enterprises, in others, they clearly dominate the activities in the field. Several of the latter examples will be examined in the following. However, it needs to be stated in advance that NPO-dominant branches almost exclusively belong to the social and health area.<sup>93</sup>

- **Hospitals**

Due to the fact that NPOs are not recorded in official statistics, the actual quantity can only be estimated with the help of the legal status. Hospitals in the form of foundations or associations, and those belonging to religious communities association are likely to be non-profit organisations. For other examples, like private organisations and for social insurances, no statements can be made, yet, it is possible that these groups include further NPOs.<sup>94</sup>

Statistik Austria showed that from 278 hospitals in 2013, 38 belonged to religious communities, and 7 had the status of an association or a community. In sum, these 45 potential NPOs make up 16% of the total branch. Figure 9 graphically displays this situation.<sup>95</sup>

<sup>91</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADELDT, C. (2013) p.63.

<sup>92</sup> cf. Abb. I.4.3 in Ibid; data based on an electronic query of the commercial register at 3 January 2012.

<sup>93</sup> cf. Ibid pp.71.

<sup>94</sup> cf. Ibid p.72.

<sup>95</sup> cf. STATISTIK AUSTRIA (2014a) p.279.

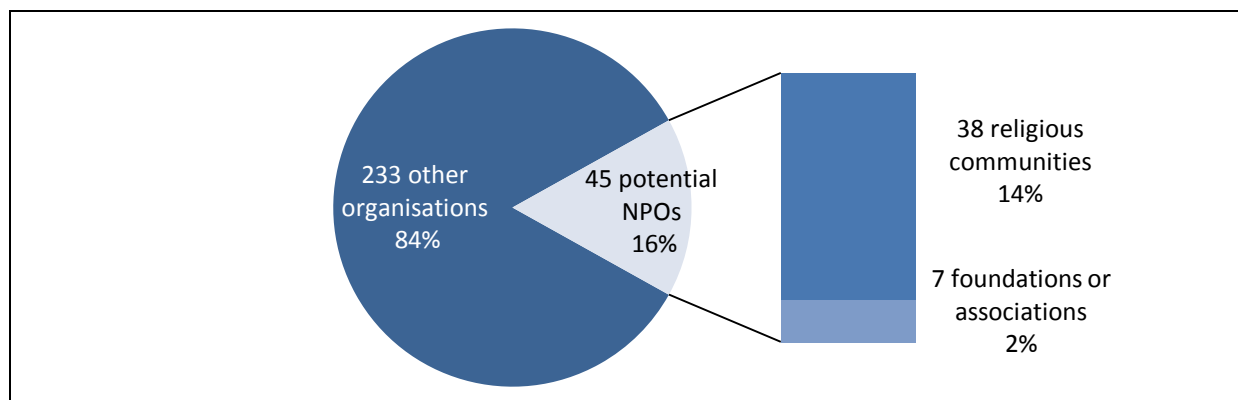


Figure 9: Number of potential NPO hospitals in 2013<sup>96</sup>

- **Day Care Centres**

According to *day-care-centres for children*, statistics of 2013/14 show that from 8.445 organisations, 2.120 are associations and 963 belong to religious communities. In the same manner as at the previous example (assumption based on legal status and ownership), this total number of 3083 potential NPOs represents 36%. For other categories, such as private persons (89) and other forms of ownership (180), it cannot be ascertained if they are public-, profit-, or non-profit organisations. Figure 10 again provides a graphical representation of this present state.<sup>97</sup>

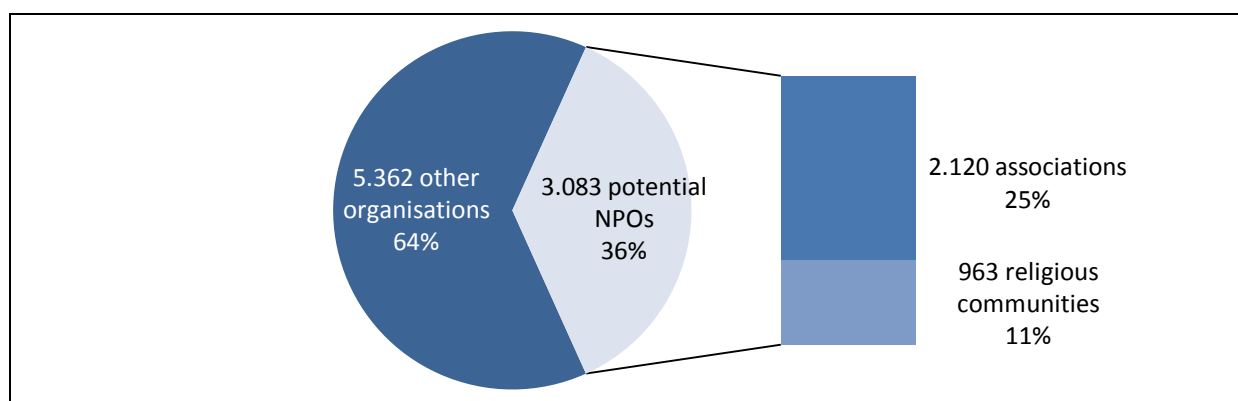


Figure 10: Number of potential NPO (children) day care centres in 2013<sup>98</sup>

Regarding *homes for senior citizens* ('Altersheim'), no similar new statistics are available. The latest publication of A. Pennerstorfer, U. Schneider, C. Badelt revealed that about 37,6% of the total amount can be designated as non-profit. Other branches (mobile care services, etc.) have no records at all, which is why for those branches, no statements can be made at the current moment.<sup>99</sup>

### 2.3.2.3 Employment Data

The latest projection of employment figures of the Austrian non-profit sector was conducted in 2010 by A. Pennerstorfer, U. Schneider, C. Badelt (cf. subsequent Figure). The secondary

<sup>96</sup> own representation; data based on STATISTIK AUSTRIA (2014a) p.279.

<sup>97</sup> cf. STATISTIK AUSTRIA (2014b) p.64.

<sup>98</sup> own representation; data based on Ibid.

<sup>99</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADELDT, C. (2013) pp.72.

data within this study was based on information, provided by the management of Statistik Austria. The original figures are collected data from Statistik Austria, which have not been published in any form.

Figure 11 now compares the employment in 2000 and 2010 and gives more details about individual branches.

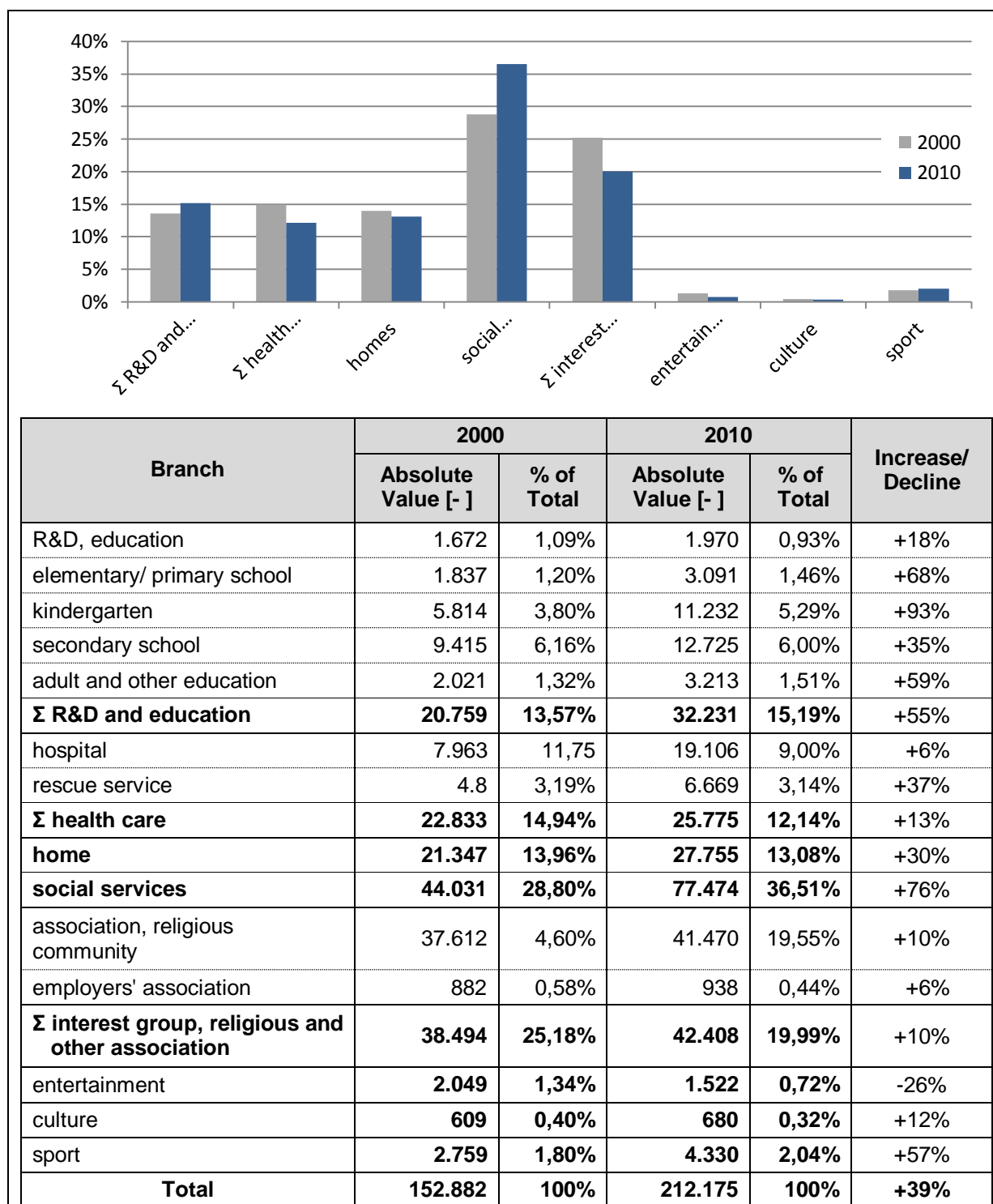


Figure 11: Number of contractual relationships of the Austrian NPO-sector 2000 and 2010<sup>100</sup>

<sup>100</sup> cf. Abb. I.4.4 in PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.64; data based on information of management of Statistik Austria at 1 December 2012.

The above-shown projection displays the number of contractual relationships, which in reality can be higher than the actual number of employees. This can be attributed to the fact that one person actually can have two or more contracts. An example of this would be for instance, if one contract ends during the year, and the concerned person starts another contractual relationship in the same time periods. Especially in areas where short work contracts are common practice (like for social services), it can be expected that the actual employment number is significantly lower.<sup>101</sup>

The total number of contractual relationships has increased by 39% between 2000 and 2010. A particularly strong growth can be noticed at kindergartens (+93%), in the social service area (+76%), and at elementary/ primary schools (+68%). A decline on the other side could be observed at the entertainment branch (-26%). The total number of contractual relationships in 2010 (212.175) corresponds to *about 5,2% of the entire Austrian working population*<sup>102</sup>, which is more than 15 years old (4.096.400).<sup>103</sup>

#### 2.3.2.4 Receipts

Up to the present state, data regarding receipts and expenditure of Austrian NPOs are very fragmentary, due to a lack of completeness and timeliness.

The last representative study was conducted by U. Schneider/ A. Haider (Vienna University of Economics and Business) in cooperation with Statistik Austria, and goes back to the year 2005. A survey was conducted, based on questionnaires, which were sent to 5104<sup>104</sup> organisations with at least one full-time employee. Excluded from this were non-profit hospitals, schools and vicarages ('Pfarren'). In total, 947 questionnaires were sent back, which corresponds to a return rate of 18,5%.<sup>105</sup>

The results of this study reveal that the biggest shares on receipts are performance-based payments from state side (36%) and the turnover/revenue (33%)<sup>106</sup>. The distinction between state (performance-based payments + subsidies are in sum 53%) and market (turnover + membership fees together are 36%) provide a different point of view on the financial structure. Figure 12 finally displays those results in graphical form.<sup>107</sup>

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<sup>101</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.65.

<sup>102</sup> cf. STATISTIK AUSTRIA (2012) p.192.

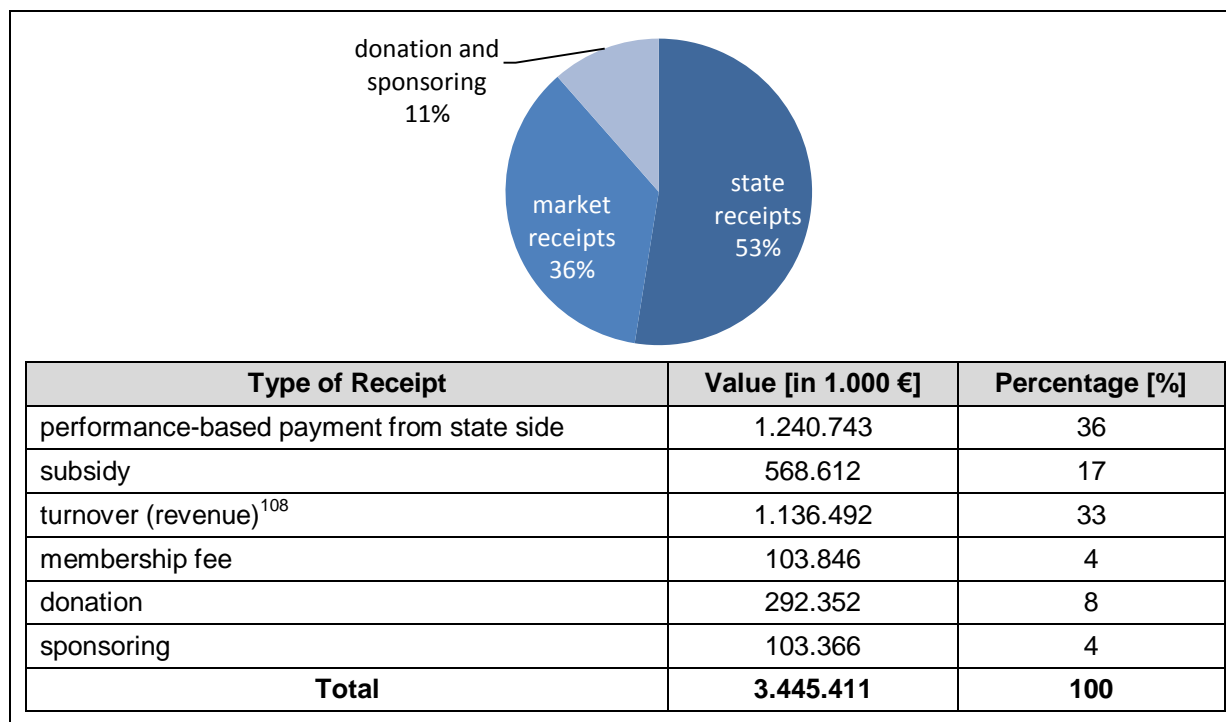
<sup>103</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.64.

<sup>104</sup> Public/ private kindergartens and old people/ nursing homes were designated as control groups in the course of this study, because these are fields where public-, private- and non-profit organisations operate in.

<sup>105</sup> cf. SCHNEIDER, U.; HAIDER, A. (2009) pp.2.

<sup>106</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.67.

<sup>107</sup> cf. SIMSA, R.; SCHÖBER, D. (2012) pp.7.

Figure 12: Structure of receipts from Austrian NPOs in 2005<sup>109</sup>

- **Revenue from National Income Accounts**

The following figures are deduced from national income accounts ('Volkswirtschaftliche Gesamtrechnung'), based on the Austrian form (ÖNACE) of the European classification system (NACE), thus has different categories. This and the fact that performance-based payments in this term are included in the calculation of the turnover, cause a deviation between this and the previous picture of the sector. Table 2 shows the data from Statistik Austria in detail.<sup>110</sup>

Branch	Turnover (revenue) [in 1.000 €]			Increase/ Decline
	2000	2005	2010	
research and development	47.245	51.708	64.366	+36%
kindergarten and preschool	51.741	56.053	139.646	+170%
adult and other education	36.049	54.778	65.908	+83%
health care/ rescue service and other similar forms	226.305	302.359	391.303	+73%
home	716.298	875.732	1.081.489	+51%
social service	472.854	654.538	908.242	+92%
creative, arts, and entertainment activity	12.412	13.376	12.599	+2%

Table 2: Turnover (revenue) of Austrian NPOs in 2000 and 2010<sup>111</sup>

<sup>108</sup> Receipts from service agreements are excluded.

<sup>109</sup> cf. Tab. 1-3 and Abb.1-1 in SIMSA, R.; SCHÖBER, D. (2012) pp.7; data based on SCHNEIDER, U.; HAIDER, A. (2009) p.29.

<sup>110</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.69.

<sup>111</sup> cf. Abb. I.4.4 in Ibid; data based on information of management of Statistik Austria at 1 December 2012.

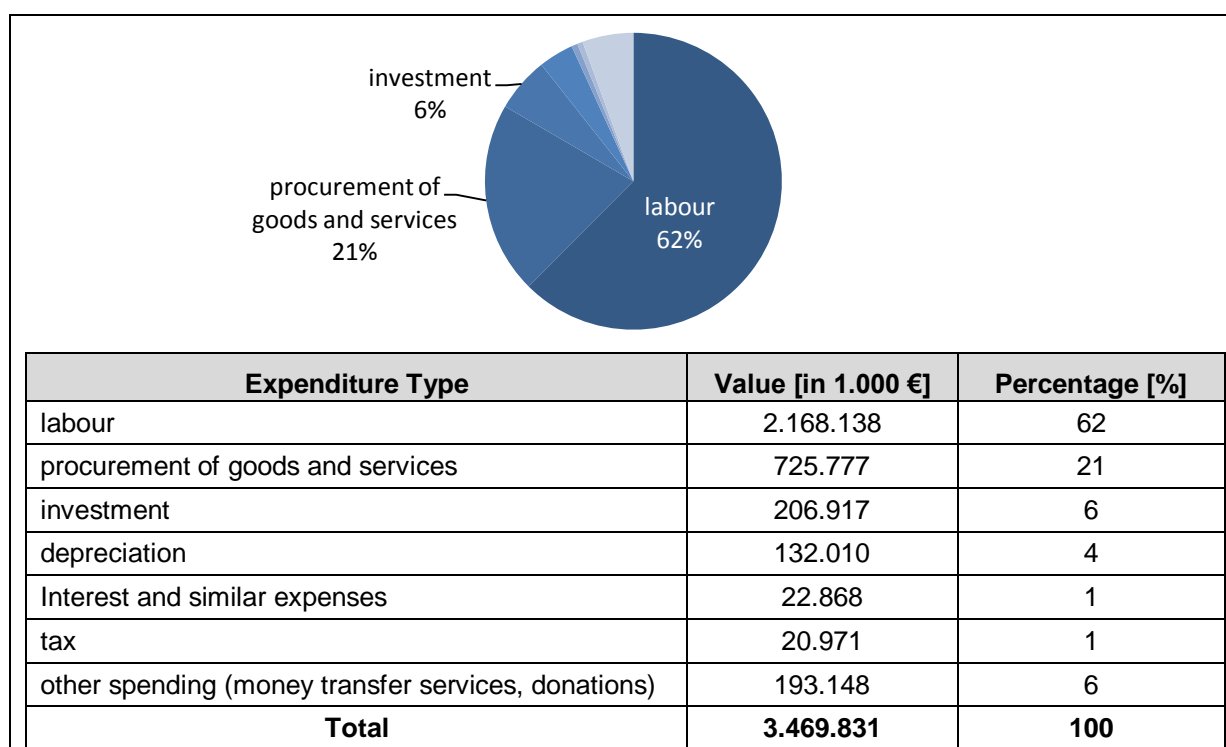
Branch	Turnover (revenue) [in 1.000 €]			Increase/ Decline
	2000	2005	2010	
library, archive, museum	3.702	10.012	12.338	+233%
sport	4.888	5.532	10.387	+113%
interest group, religious, political and other similar associations	196.092	254.258	374.028	+91%
employers' association	124.867	139.560	160.198	+28%
<b>Total</b>	<b>1.892.453</b>	<b>2.417.906</b>	<b>3.220.504</b>	<b>+70%</b>
hospital	-	-	1.200.000	-
school	-	-	177.000	-

Table 2 (continued): Turnover (revenue) of Austrian NPOs in 2000 and 2010<sup>112</sup>

From the investigation of Statistik Austria, a strong increase of the turnover (+70%) between 2000 and 2010 can be noticed. Particularly outstanding areas were libraries, archives, museums (+233%) kindergartens (+170%) and sports (+113%). The significant increase on the one side can be attributed to the general growth of the sector, on the other side turnover as financial basis gets increasingly important.

### 2.3.2.5 Expenditure

In the same survey, data regarding spending were collected, which can be seen in Figure 13.

Figure 13: Expenditure of Austrian NPOs in 2005<sup>113</sup>

<sup>112</sup> cf. Abb. I.4.4 in PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.69; data based on information of management of Statistik Austria at 1 December 2012.

<sup>113</sup> cf. Tab. 1-4 in SIMSA, R.; SCHÖBER, D. (2012) pp.6; data based on SCHNEIDER, U.; HAIDER, A. (2009) p.30.

With about 62% of the total, the majority of costs can be assigned to labour. This is understandable if one considers the fact that most *services* are intensive in terms of personnel.<sup>114</sup>

### 2.3.2.6 Economic Performance

In order to get an impression of the economic performance of the sector, the added value ('Wertschöpfung') is an adequate measure. Table 3 demonstrates the achievements of the individual sub-areas.<sup>115</sup>

Branch	Turnover (revenue) [in 1.000 €]		Increase/ Decline
	2000	2010	
research and development	26.860	38.672	44%
kindergarten and preschool	135.177	283.136	109%
elementary/ primary school	59.703	116.625	95%
secondary school	373.750	484.834	30%
adult and other education	15.191	23.747	56%
hospital	475.648	587.294	23%
health care/ rescue service and other similar forms	218.328	350.850	61%
home	565.263	878.016	55%
social service	862.202	1.708.124	98%
creative, arts, and entertainment activity	8.394	9.250	10%
library, archive, museum	1.486	9.542	542%
sport	74.753	132.309	77%
interest group, religious, political and other similar associations	897.331	1.265.569	41%
employers' association	42.908	51.871	21%
<b>Total</b>	<b>3.756.993</b>	<b>5.939.839</b>	<b>58%</b>

Table 3: Gross value added of Austrian NPOs in 2000 and 2010<sup>116</sup>

In total, 5,9 billion euros were generated in 2010, which corresponds to an increase of approximately 58% since the year 2000. During the same period, Austria's entire gross value added<sup>117</sup> grew by 38%.<sup>118</sup>

## 2.4 Characteristics of NPOs and Differences to Profit Organisations

With a detailed inspection of the essential attributes of NPOs, the objective is to get a deeper understanding of the essential differences to profit-oriented enterprises. What follows is to investigate why business management methodologies cannot simply be transferred to the

<sup>114</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) p.70.

<sup>115</sup> cf. Ibid p.71.

<sup>116</sup> cf. Abb. I.4.4 in Ibid p.69; data based on information of management of Statistik Austria at 1 December 2012.

<sup>117</sup> cf. STATISTIK AUSTRIA (2012) p.192.

<sup>118</sup> cf. PENNERSTORFER, A.; SCHNEIDER, U.; BADEL, C. (2013) pp.72.

field of non-profits. It will be shown where the ideas reach their limits, due to the mostly more complex situation that non-profit enterprises face.

### 2.4.1 Diversity of Stakeholder Groups

Beginning with the better-known scenario, the attention first needs to be drawn to the *for-profit sector*. In this field, a *one-dimensional relationship* to the person, buying the good or service is the decisive relationship. He or she, in the following called *customer or buyer*, is the main protagonist, deciding upon the potential purchase. In a market under certain competition (cf. chapter 2.4.2), the customers' expectations have major influence on the company's product or service. At the same time, the customer thereby also indirectly decides upon the reasonable and acceptable price.<sup>119</sup>

A far more complex situation shows the non-profit sector. The usual connection between sellers (providing a good) and the buyers (purchasing and using good) is no longer valid for many NPOs. More often, the financier is no longer the recipient(s) of the service, but in fact, both can be considered as customers. A more adequate approach, however, serving as a basis for this work, is to refer to *client/ sponsor/ donator* when talking about the financier, and use *target person or group/ recipient* when talking about the person receiving the service or product. With this consensus, the relationship to the 'customers' becomes *multi-dimensional*.<sup>120</sup>

Figure 14 shows differences in terms of 'customer' relationships in graphical form.

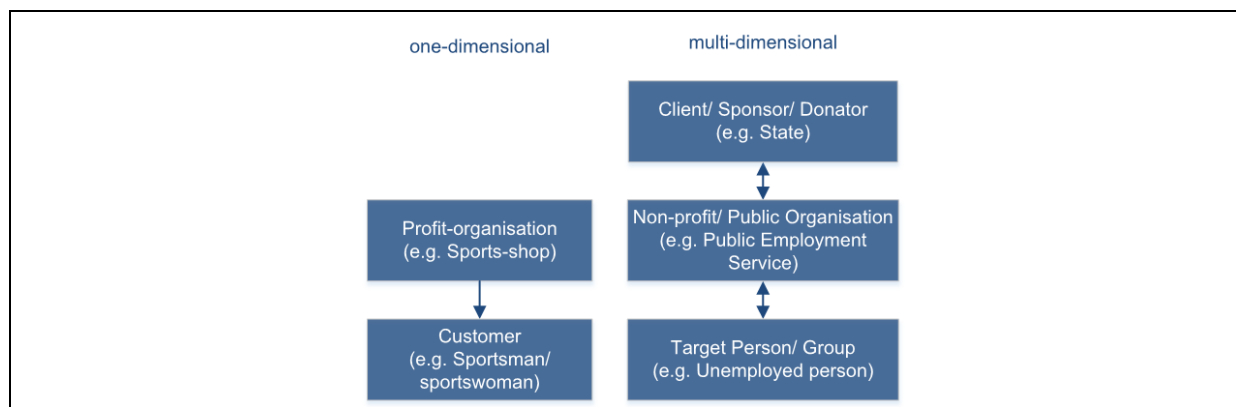


Figure 14: One-dimensional vs. multi-dimensional relationship to 'customer'<sup>121</sup>

In order to make the reality of NPOs (or also public institutions) more tangible, the Public Employment Service is a prime example. The target person, in this case, *can neither choose* from different programs (like in a market situation), *nor does he or she actually pay* for the service. Furthermore, NPOs frequently also have to manage *multiple stakeholders at the demanding side*, as can be seen for instance at an international development aid program ('internationales Entwicklungsprogramm')<sup>122</sup>. In the course of their work, they are constantly

<sup>119</sup> cf. STOCKMANN, R. (2008) pp.49.

<sup>120</sup> cf. Ibid.

<sup>121</sup> cf. Fig. 2.6 in Ibid p.51.

<sup>122</sup> The main representative in Austria is the Austrian Development Agency (ADA), responsible for implementing the programmes. [www.entwicklung.at](http://www.entwicklung.at)



in connection with a donator/sponsor (bringing in funds), the official side from the partner country (managing legal/ official affairs), a partner organisation in the foreign country (executing service/ work) and the actual recipients of the service or product (people in need). Figure 15 shows this circumstance.<sup>123</sup>

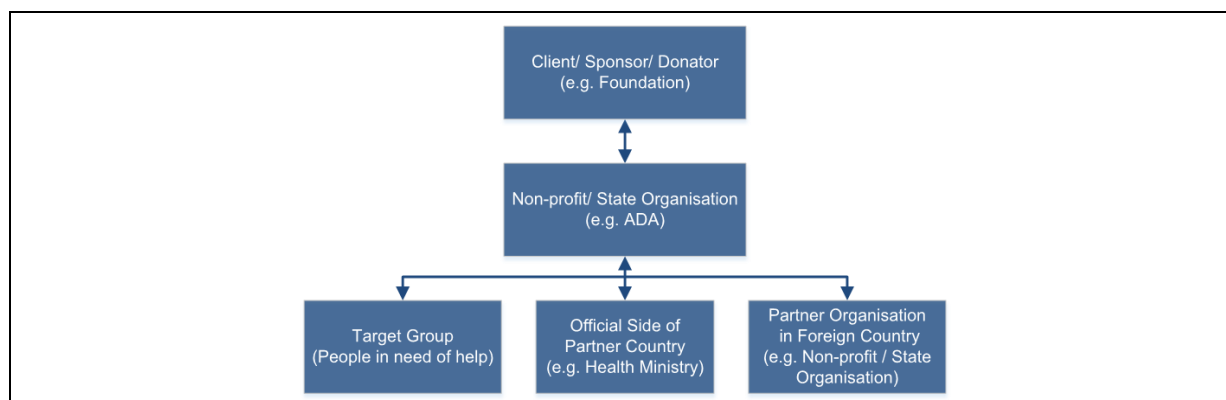


Figure 15: Multitude of stakeholder relationships of development aid program<sup>124</sup>

Besides all issues described so far, certain *sector-specific aspects* additionally have come into play, and consequently have to be considered as well. The social and health field for instance has to respond to the ‘parameters’ given by public side (client) and react to the limited number of ‘target persons’.<sup>125</sup>

In the first point it needs to be noticed that non-profits in the social and health area pursue the opposite goal of business enterprises, when it comes to long-term cooperation with the target group. While businesses aim at a long-term customer relationship, which at best should go beyond the actual need, social or health facilities basically try to help persons to become independent. Support is provided as long as required, but always under the premise of reducing and finally terminating the demand in future. As an example, people having problems with drugs or alcohol should become clean and learn how to live without any help.<sup>126</sup>

Another important point is the fact that there often exists a significant power gap between demander and supplier, which in this form is very unlikely in the business sector. People depending on social- or health services of NPOs, are at that moment very often seriously in need, and consequently not in the condition to assess different possibilities or weigh them up against each other. It occasionally can also be the case that they are not in the psychological condition to make decisions, for example dealing with small children or mentally ill people.<sup>127</sup>

The last critical factor, influencing stakeholder relationships in social and health areas, is the contract processing. Different procedures exist, but as mentioned in chapter 2.1.1 many changes are also taking place at the moment. Three common constellations in practice are:<sup>128</sup>

<sup>123</sup> cf. STOCKMANN, R. (2008) pp.50.

<sup>124</sup> cf. Fig. 2.7 in Ibid p.52.

<sup>125</sup> cf. BONO, M.L. (2006) p.37.

<sup>126</sup> cf. Ibid.

<sup>127</sup> cf. Ibid.

<sup>128</sup> cf. Ibid.

- a) The worst scenario for the recipient is no freedom of choice, because the client preserves himself/ herself the right to decide. This situation can be seen, when the state calls for tenders, and the best bidder (for example a NPO) gets the contract. The sovereignty of the recipient in this case is limited to the minimum.
- b) A better agreement for the recipient-side is, when the client narrows down the choice via basic agreements. Here, first a pre-selection of acceptable NPOs is done for example from official state side, and the recipient afterwards is free to decide from this selection.
- c) The best option for the person in need is a market like situation. The point 'gaining importance of market structure' already revealed that when lump sums are passed to the service consumer, he or she is, very much like in a market, in the position of 'buying' a service. This on the other side means increased competition for non-profits.

So far, the discussion has only been dealing with *external* supply-demand relationships as well as with *external* financing. In reality, however, many more stakeholder perspectives, especially internal ones, have to be considered. Table 4 highlights the diversity of *external and internal* stakeholders interested in matters of non-profit organisations.

Stakeholder	Expectations / Interests
<b>Target Group/ Person</b>	max. satisfaction of needs large service/ product benefit low contribution fees
<b>Donator(s)/ Sponsor(s)</b>	achieving personal goals image/ social recognition
<b>Full-Time Personnel</b>	good working atmosphere meaningful work job security personal development good salary
<b>Voluntary Personnel</b>	self-fulfilment social recognition achieving organisational goals
<b>Manager(s)</b>	maintaining/ gaining power/ responsibility achieving organisational goals organisational possibilities/ responsibilities good salary challenging tasks

Table 4: NPOs stakeholders and accompanied expectations<sup>129</sup>

<sup>129</sup> cf. Abb. 1/VI in BONO, M.L. (2006) pp.16; based on Tab. 1 in KRICKHAHN, T. (2002) p.94; Certain expectations of stakeholders understandably also apply to for-profit businesses.

Stakeholder	Expectations / Interests
<b>Free-Paying Members</b>	achieving vision achieving intrinsic mandate(s) ('Sachziele') low fees
<b>Public/ State Authorities</b>	optimal realisation of delegated tasks
<b>Competitor(s)</b>	no interference between different goals no labour piracy cooperation for common objectives standard for comparison purposes (benchmark)

Table 4 (continued): NPOs stakeholders and accompanied expectations<sup>130</sup>

All of those expectations significantly influence NPOs' daily routines. From this, it can be derived that it is on the management of NPOs to permanently balance stakeholders' expectations and compensate upcoming conflicts.<sup>131</sup>

To conclude, important aspects regarding stakeholders are:

- The one-dimensional customer concept cannot be transferred to non-profits, because:
  - the recipient often has from minimal up to no freedom of choice, which is very unlike in a typical market situation, where there is certain selection to choose from.
  - in many cases the funder is not the recipient of the service. Yet, both sides require increased attention (multi-dimensional relationship).
  - the demand side already can imply multiple relationships, like it is the case in development aid programmes.
- Sector-specific features are in most cases inherent and must be considered additionally. Taking a prime example, the social and health area is subject to:
  - long-term goals that ultimately try to terminate the original demand on which the service or product is based on.
  - a power gap between person in need and supplier, which is beyond comparison (persons in desperate situation)
  - a variety of contract constellations, which decide upon the decision-making side
- Non-profits are facing multiple internal and external stakeholder expectations. It depends on the competence of the management board if a satisfying balance can be achieved and potential conflicts are solved.

<sup>130</sup> cf. Abb. 1/VI in BONO, M.L. (2006) pp.16; based on Tab. 1 in KRICKHAHN, T. (2002) p.94.

<sup>131</sup> cf. BONO, M.L. (2006) p.17.

## 2.4.2 Market and Competition

Market and competition are terminologies that had long time been preserved for the profit-sector, but today have become just as relevant for the non-profit area. As discussed previously, multiple effects like current financing issues or New Public Management with its contracting-out approach have driven a phenomenon, which is frequently defined as *market liberalisation*. NPOs and profit-oriented businesses increasingly share the same field of activity, wherein they face each other as *competitors*. The most representative field in these terms again is the social and health branch, which in the past was primarily dominated by state organisations, but now is exposed to great economic momentum.<sup>132</sup>

### 2.4.2.1 Classic Market Understanding and Market vs. Non-Market Goods

In micro-economic theory, the market is understood as the action field, where sellers (also supplier) and buyers (demander) meet and agree upon the exchange of goods or services. Different market participants that pursue the same goal (competitive sellers) can compete for *financial resources, work, clients, or simply for potential earnings*.<sup>133</sup>

In the resulting market economy, the price is influencing the strategy of the actors in the market. The higher the price, the more customers value the *market good or service*. Besides this, the price can also be an indicator for a shortage of goods or services, or in other words, the scarcer something is, the more it costs.<sup>134</sup>

There are different possibilities to display the supplier-demander relationship. A common form is to refer to the proportion of suppliers and demanders. The market in economics then usually is described as can be seen in Table 5.

Supply Demand	atomistic (many)	oligopolistic (few)	monopolistic (single)
atomistic (many)	perfect competition	supply oligopoly	supply monopoly
oligopolistic (few)	demand oligopoly	bilateral oligopoly	limited supply monopoly
monopolistic (single)	demand monopoly	limited demand monopoly	bilateral monopoly

Table 5: Market categories in profit sector<sup>135</sup>

According to these definitions, both, the supplier- and the demander-side can have just one actor (monopoly), a few actors (oligopoly), or many actors at the same time. The last-mentioned scenario is also referred to as perfect competition in economics.<sup>136</sup>

<sup>132</sup> cf. STOCKMANN, R. (2008) p.10.

<sup>133</sup> cf. BUBER, R. (2013) p.231.

<sup>134</sup> cf. SCHÖBER, C.; RAUSCHER, O. (2014) p.29.

<sup>135</sup> cf. Abb. 6 in LECHNER, K.; EGGER, A.; SCHAUER, R. (2010) p.523.

<sup>136</sup> cf. PENNERSTORFER, A.; BADEL, C. (2013) p.95.

During a so-called perfect competition, there is ideal balance between supply and demand, which means that there are enough profit-maximising companies to satisfy the general demand.<sup>137</sup>

In contrast to this, non-profit organisations most of the time deal with goods or services that show certain specific features, which in turn lead to, what in economics is called *market failure*<sup>138</sup>. This phenomenon is one part of the most generally accepted theory in economic research, which tries to explain the reason for the existence of non-profit organisations<sup>139</sup>. This common theory says that NPOs can be considered as an answer to institutional deficits, such as market or governmental failure<sup>140</sup>.

Without going into detail about these economic theories, the result mainly is that the concept of market and price regulation cannot be applied on all services and products<sup>141</sup>.

One typical example of such commodities, which visualise this market failure (and therefore cannot be treated in the classic market sense), are *collective goods* (also called public goods), like for instance national defence ('nationale Verteidigung'). Collective goods are characterised by no competition in consumption ('Nichtrivalität im Konsum'), which means that the individual benefit is independent from the number of consumers. Furthermore, they show a non-excludable behaviour ('Nichtausschließbarkeit'). Taking again the example of national defence, this means that no person in a country can be excluded from the benefit of it.<sup>142</sup>

A further problematic form is a merit good. Richard A. Musgrave originally introduced this expression. He defined it as goods which are provided by the state, due to the fact that the demand is lower than socially desired. Practical examples of that are numerous offerings in cultural, social, or health matters, like job counselling and job placement.<sup>143</sup>

On the basis of these features, profit oriented businesses are understandably not interested in offering those goods. Thus in cases such as these, public institutions or especially NPOs need to step in.<sup>144</sup>

What this discussion finally should point out is that when dealing with non-profit organisations, the traditional idea of a market-situation (supply-demand relationship) cannot be applied. Rather, the differences between market and non-market goods have to be taken into account in the right degree.

#### 2.4.2.2 Free vs. Non-Free Market

A second aspect, important to consider, is the difference between a free and non-free market. The first-mentioned one takes place, whenever customers are free to decide upon

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<sup>137</sup> cf. PENNERSTORFER, A.; BADEL, C. (2013) p.108.

<sup>138</sup> cf. PINDYCK, R.; RUBINFELD, D. (2009) pp.792 for further details on market failure according to micro-economic theory.

<sup>139</sup> Current theories about reasons for existence of non-profit organisations will not be further elaborated in the context of this work. For related literature see PENNERSTORFER, A.; BADEL, C. (2013) p.108.

<sup>140</sup> cf. PENNERSTORFER, A.; BADEL, C. (2013) p.108.

<sup>141</sup> cf. SCHÖBER, C.; RAUSCHER, O. (2014) p.29.

<sup>142</sup> cf. PINDYCK, R.; RUBINFELD, D. (2009) pp.872.

<sup>143</sup> cf. HELMIG, B.; BOENIGK, S. (2012) p.47.

<sup>144</sup> cf. SCHÖBER, C.; RAUSCHER, O. (2014) p.29.

the purchase of goods or services. The provider, which best fulfils the specific demands, can be chosen out of many possibilities.<sup>145</sup>

The other case is a non-free market. In this situation, the customer either cannot decide upon the purchase of a good/ service, or otherwise he or she cannot choose from whom to buy. A typical scenario, where this occurs, is whenever NPOs or state organisations take a quasi-monopolistic position. Examples for this would be pensions' insurance agencies or social welfare agencies. What is more, the service recipient at these examples will not quit the service, either, if he or she is unsatisfied with its quality. In fact, considering for instance social insurance agencies, no employee can actually sign off from it.<sup>146</sup>

All these cases should emphasise the fact that, in contrast to business enterprises, NPOs and state organisations frequently find themselves in non-free markets. This consequently not only has influence on market-behaviour (supply-demand relation), but also on the topic of the next section, namely competition.

### 2.4.2.3 Forms of Competition

As already explained, typical fields where strong competition can be seen are social and health areas. Based on this, M. Bono's<sup>147</sup> description of three general forms of competition in these areas will be presented, due to the fact that rivalry in other markets often occurs in the same manner. On this account these definitions are transferred to this work.

If competition in a market takes place or not, according to Bono, depends on how intensive the actors struggle for resources. The first form can be considered as 'real' market that is common especially for the business area. This type accordingly is referred to as a *market competition*. The primary objective is to push weaker competitors out of the market during competing for resources. New Public Management in these terms is a main driver, when it comes to an increase of this form of competition in the public and also non-profit area.<sup>148</sup>

The second type of rivalry is called *fictional competition*, because it rather corresponds to a simulated contest. An organisation thereby is measured and compared to others with the aim of initiating performance incentives. During this period, a company is not really in competition with others, but from comparing data, the cost-/ performance-awareness should be raised. Comparable partners do not necessarily have to be NPOs. They can also come from other areas, like from the state or business sector.<sup>149</sup>

A standard instrument to perform fictional competition is benchmarking. This is a very common tool, especially when organisations find themselves in a monopolistic or quasi-monopolistic situation. Without any influence on the market structure, inspirations for further developments can be encouraged.<sup>150</sup>

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<sup>145</sup> cf. STOCKMANN, R. (2008) pp.46.

<sup>146</sup> cf. Ibid.

<sup>147</sup> cf. BONO, M.L. (2006) for current related literature about the social and health sector.

<sup>148</sup> cf. BONO, M.L. (2006) pp.6; based on WEGENER, A. (1997) pp.83.

<sup>149</sup> cf. Ibid.

<sup>150</sup> cf. BONO, M.L. (2006) p.159.

Fictional competition and related instruments furthermore correspond to the previously described non-free market. Although there actually is no real competition going on, still fictional comparison promotes improving the performance.

The last category can be considered as somewhere in between market- and fictional competition. The intensity varies from just fictional competition, to an actual allocation of resources, based on the performance figures. This middle-form of rivalry, which is sometimes titled as *market-like competition* (also market-oriented competition), does not go as far as to push others out of the market. Agreements between financiers and NPOs are usually fixed in advance. Nonetheless, the specifications, stated in these service agreements have to be sufficiently met, in order to sustain competitiveness.<sup>151</sup>

Figure 16 summarises the described forms of competition:



Figure 16: Forms of competition<sup>152</sup>

In conclusion, even though NPM promotes tendering in public- and subsequently also in the non-profit sector, still NPOs are rarely confronted with real market competition like in a business area.

### 2.4.3 Corporate Image

Image cultivation is one more subject, which is exposed to constant changes, going on in the NPO field. The increased competition hereby has particular influence on the image. Organisations nowadays expect to strengthen their market position and thereby at the same time improve competitiveness with the help of an outstanding *corporate identity*.<sup>153</sup>

Interesting in this connection is that business approaches regarding image cultivation apparently also work for non-profits. Various concepts, such as *marketing*, *branding* and many other similar techniques are used. In sum, everything that works towards greater visibility and better accountability or legitimacy shows potential and is worth considering<sup>154</sup>.

As non-profit marketing itself is often viewed as a considerably large part of non-profit research, reference here is made to currently related literature<sup>155</sup>.

<sup>151</sup> cf. BONO, M.L. (2006) pp.6; based on WEGENER, A. (1997) pp.83.

<sup>152</sup> cf. Abb. 1/I in BONO, M.L. (2006) p.8; based on Abb. 3 in WEGENER, A. (1997) p.83.

<sup>153</sup> cf. SIMIĆ, Ž.; PREDOVIĆ, F. (2014) p.366.

<sup>154</sup> cf. ROBERTS, S.; JONES III, J.; FRÖHLING, O. (2005) p.1852.

<sup>155</sup> For further information on non-profit marketing see BUBER, R: Marketing in NPOs, in SIMSA R.(Ed.); MEYER M.(Ed.); BADEL, C.(Ed.): Handbuch der Nonprofit Organisation (2013), pp.227-246.

## 2.4.4 Mission, Goals and Strategies

What is a matter of fact, and what reality also reflects, is that the fundamental objectives of NPOs seem to be considerably more complex than those of profit-oriented enterprises. In the course of an investigation with the aim of finding the root causes of this, one inevitably will come across two aspects, which have already been discussed in some place of this work.

The first problem arises from the broad definition of non-profit organisation. Interest groups understandably have other objectives than cooperatives or sport associations. One target that could serve as success indicator for all kinds of NPOs (like it is the case for profit organisations) is therefore quite unimaginable. More realistic in these terms is an individual approach that determines appropriate indicators matching the specific goals.<sup>156</sup>

The second issue was examined in chapter 2.4.1 upon the diversity of stakeholders. The therein-described multiplicity also reflects in terms of more expectations from different parties. The expectations of financiers often significantly differ from future prospects of internal stakeholders like voluntary or full-time personnel.<sup>157</sup>

In order to reduce complexity, and to get an image of the major differences between business firms and NPOs, the following approach classifies various target areas according to a contextual dimension. This scheme at the same time points out the central emphasis of NPOs on intrinsic mandates ('Sachziieldominanz'). This aspect is in theory frequently highlighted as the most essential characteristic of NPOs.

Before going into more detail, some brief excursions need to be made that take into account two fundamentals:

- What is the purpose of mission, goals and strategies particularly in the context of NPOs and how are they connected?
- How are those elements embedded in a non-profit organisation?

### 2.4.4.1 Connection between Mission, Goals and Strategies

A *mission* in the common context is a written statement, which defines the (*general*) *overriding purpose of the organisation*. Different designs of mission statements exist, which vary in the range of details. The internationally accepted *mission statement* gives at least information about:<sup>158</sup>

- What is the founding principle about? What is the official mandate from state-side? What are reasons for existence? What is the original idea?
- What is the general purpose of the organisations? What are the activities trying to achieve?

After the basic idea has been outlined, the next level will reveal what the mission wants to accomplish in detail. Basically, a mission is fulfilled, when the organisation's performance

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<sup>156</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.533.

<sup>157</sup> cf. Ibid p.542.

<sup>158</sup> cf. HORAK, C.; SPECKBACHER, G. (2013) pp.159.



leads to the *desired effect, impact or outcome*. The goals in this scenario are represented exactly by those effects, impacts or outcomes.<sup>159</sup>

Only if the bottom line ('Endresultat') has been clarified, the necessary conditions are created in order to address the next question regarding HOW to achieve it. A *strategy* outlines exactly this HOW, always considering available sources and existing market competition. With a defined strategy, the basis is set for long-term success. However, formulating and embedding a strategy in an integral way is a sophisticated task.<sup>160</sup>

The discipline, which focuses on strategy planning and realisation from a management perspective, is called *Strategic Management*. This thesis will have a closer look on this topic, later in chapter 2.9.

#### 2.4.4.2 Diversity of Goals

Non-profit organisations constantly have to consider aspects of two spheres. For-profit considerations thereby represent one side, which, as the name already suggests, is ruled by *economic mandates*<sup>161</sup>. The second major part mainly deals with the very own mission, goals, or in other words *intrinsic mandates*<sup>162</sup>. Although NPOs are often considered as prime example for the second sphere, their real challenge in fact is to follow the rules from both sides<sup>163</sup>.

In order to ensure organisational existence, economic mandates have to be taken into account from beginning on. In this concern not only the profit is a key-indicator, but also the profitability (relation of return to original investment) is important. Furthermore, organisations permanently have to show their ability to pay (liquidity), and have to protect against investment loss and excessing debts (economic security). Intrinsic mandates on the other side can either be connected to an *intrinsic dimension*, or to an *economic dimension*. While the first-mentioned reflect the overriding purpose (goals deduced from mission), the others are the consequence of product-, service-, or cash flows.<sup>164</sup>

The general purpose is usually linked to either private or state interests. Examples of state interests are typical affairs like education (e.g. private schools or universities). Private interests can be of humanitarian nature (e.g. development aid, services for disabled persons), related to society (e.g. interest representation, representing religions), or of ecological nature (e.g. environmental protection). Economic interests can be distinguished between customer-oriented interests (e.g. marketing, customer acquisition, ascertainment of demand), issues regarding performance (e.g. productivity, flexibility, quality), and objectives related to competitiveness (e.g. market share, growth).<sup>165</sup>

<sup>159</sup> cf. HORAK, C.; SPECKBACHER, G. (2013) pp.159

<sup>160</sup> cf. Ibid p.166.

<sup>161</sup> The definition is used to refer to the expression 'Formalziel(e), which is standard among German NPO-research.

<sup>162</sup> The definition is used refer to the expression 'Sachziel(e), which is standard among German NPO-research.

<sup>163</sup> cf. EICHHORN, P. (2001) pp.123.

<sup>164</sup> cf. Ibid.

<sup>165</sup> cf. Ibid.

Figure 17 demonstrates the different objectives, which were discussed in this current section, and lists matching indicators/ objectives.

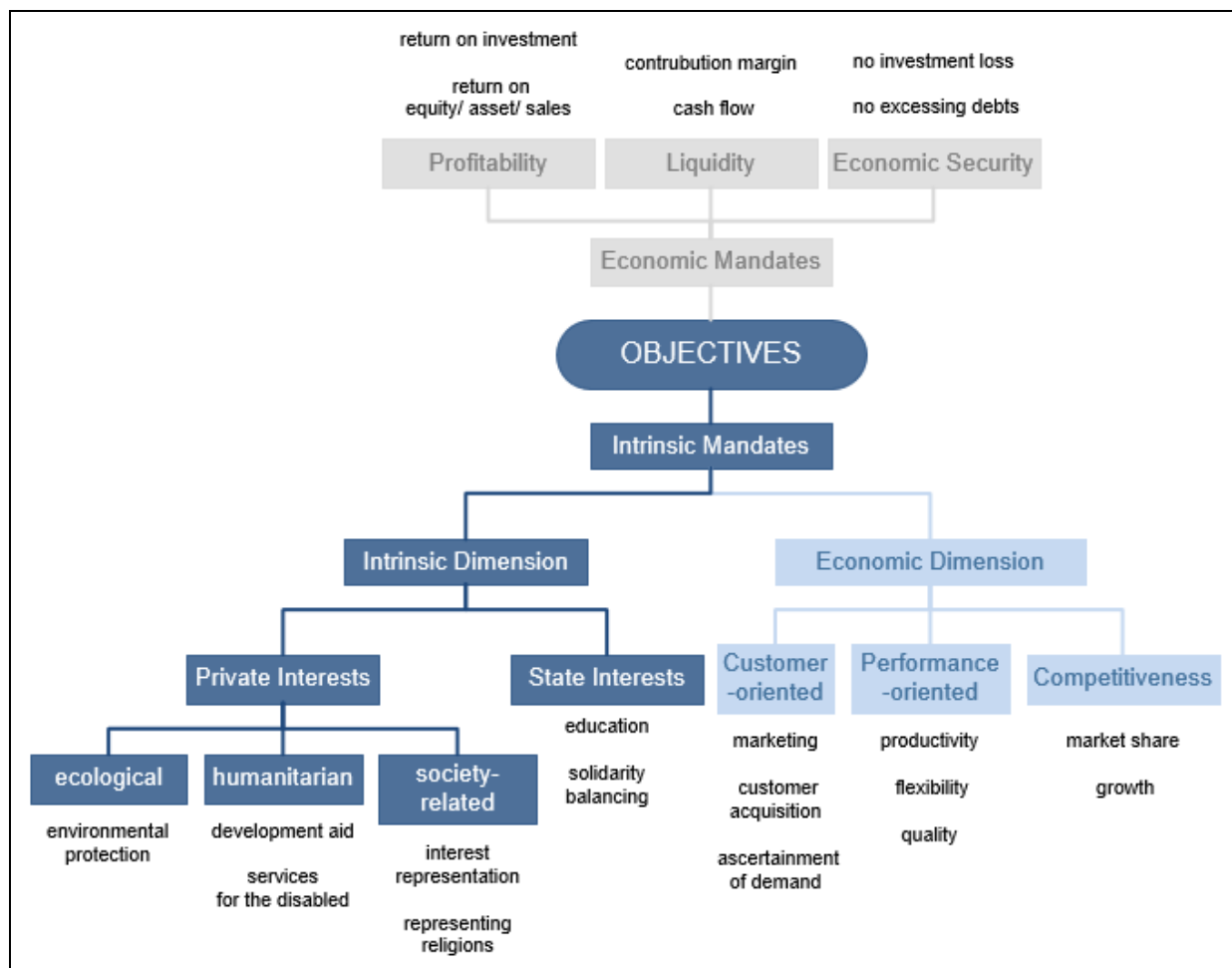


Figure 17: Intrinsic vs. economic mandates<sup>166</sup>

### 2.4.4.3 Goal Priorities

The success of profit organisations is primarily based on economic mandates and dominated by monetary measurements. This issue is comparatively simple and therefore deserves no closer inspection, due to the fact that this field is addressed by business sciences.

On the other side, the reality for NPOs is that various different types of goals have to be taken into account. The crucial factor hereby is that *intrinsic mandates must take highest priority*<sup>167</sup>. The previously mentioned German specialist term ‘Sachziieldominanz’<sup>168</sup>, refers exactly to this point.

Furthermore, whenever multiple goals have to be handled (which is the majority of cases for NPOs), goal prioritisation must be performed. With the mission statement as the key, describing the fundamental purposes, goals subsequently have to be coordinated, balanced,

<sup>166</sup> cf. Abb. 3/I in BONO, M.L. (2006) p.82; based on Abb. 1 in EICHHORN, P. (2001) p.124.

<sup>167</sup> cf. EICHHORN, P. (2001) pp.123.

<sup>168</sup> cf. for instance EICHHORN, P. (2001) pp.123 or GREILING, D.; WITT, D. (2009) pp.34.

ranked, so that in the end a defined goal system is in place. Only if this is properly executed, the next step (finding quantitative and qualitative indicators for the goals) can be taken.<sup>169</sup>

### 2.4.5 Financial Sources

Looking at what is standard in the business area, it is common to distinguish between *internal or external financing* ('Innen- und Außenfinanzierung') and between *equity and borrowed capital* ('Eigen- und Fremdkapital'). Figure 18 displays these traditional categories.<sup>170</sup>

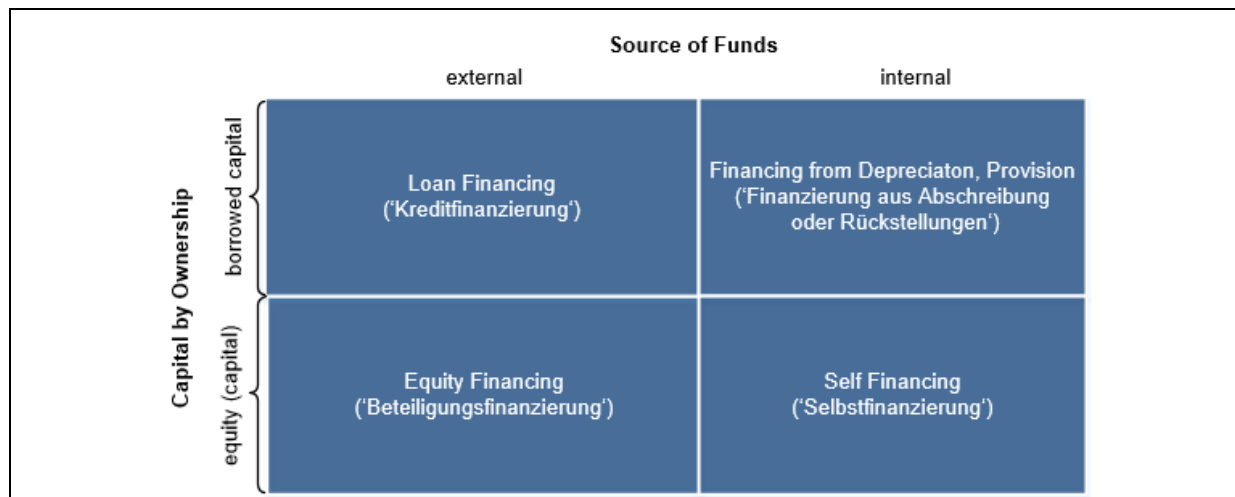


Figure 18: traditional categories of financial sources<sup>171</sup>

The problematic point, once again, is to transfer above stated definitions to the non-profit field. Equity providers (e.g. shareholders) usually expect to have a say and to get a share on the profits in exchange for funding. Typical features of loan financing are the redemption obligation ('Rückzahlungspflicht') and interest payments ('Zinszahlungen'). All these characteristics do not apply to NPOs financiers. Another point in this term is that membership fees (internal source) for instance can either be seen as performance funding, or otherwise as remuneration for matters like reduced entrance tickets for events. Funding sources, understood as an investment, recently brought up a completely new field, called *social investment*<sup>172</sup>. Different forms of cooperation in this area exist, varying mainly in the degree of involvement, or in terms of prevailing interests (interest in mission or financial success).<sup>173</sup>

Overall, it can be seen that a NPO-specific picture is required, which considers those special funding sources, and their accompanied peculiarities.

<sup>169</sup> cf. BONO, M.L. (2006) pp.82.

<sup>170</sup> cf. LITTICH, E.; SCHÖBER, C. (2013) pp.296.

<sup>171</sup> cf. Abb. II.8.3 in LITTICH, E.; SCHÖBER, C. (2013) p.297.

<sup>172</sup> cf. for instance LITTICH, E.; SCHÖBER, C. (2013) pp.298 for detailed information regarding social investment.

<sup>173</sup> cf. Abb. II.8.3 in LITTICH, E.; SCHÖBER, C. (2013) pp.297.

### 2.4.5.1 NPOs Sources of Funds

In order to find an equivalent to businesses' equity capital, one practical method is to refer to the definition of *quasi-equity*. In contrast to 'standard' capital, it is handed over without any redemption claim and without a certain share on the profit.<sup>174</sup>

A further way of looking at the financing structure is to distinguish between mission-based receipts and receipts aside the mission. It needs to be noticed, however, that both forms in the end again work towards the mission. Figure 19 gives a comprehensive overview about NPOs possible funding sources. The picture furthermore shows if the relationship is monetary or non-monetary, or in other words if the receipts can be seen as market profit.<sup>175</sup>

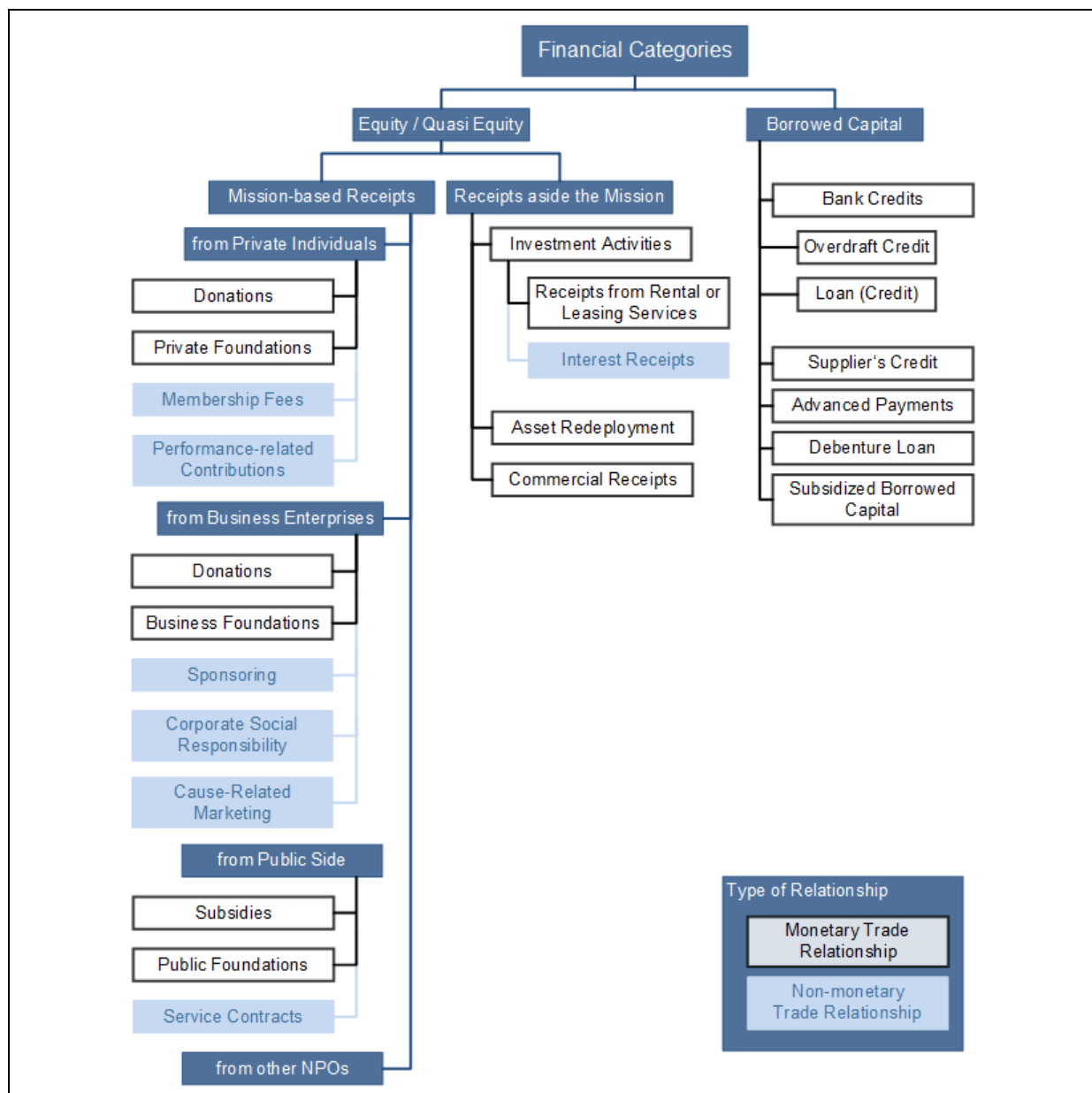


Figure 19: NPOs possible funding sources<sup>176</sup>

<sup>174</sup> cf. LITTICH, E.; SCHÖBER, C. (2013) p.297.

<sup>175</sup> cf. Ibid p.300.

<sup>176</sup> cf. Abb. II.8.4 in Ibid.

Mission-based receipts via *membership fees* can be seen as in between donations and performance-related contributions ('Leistungsentgelt'), yet the usual case is some return for funding. Financial exchanges related to performance for example can be contributions to health/ care services or entrance fees for museums. For the receipts *from business enterprises* it can be said that they all are very dependent on the economic situation, and consequently are exposed to economic fluctuation. *Receipts from public side* make up a significant proportion of NPOs' receipts, as could be seen in chapter 2.3.2.4. Performance contracts hereby are the accepted agreement modality between state and NPOs. *Receipts aside the mission*, in particular investment activities, are in practice receipts from interests, rental- or leasing services. Speculative investments underlie the restrictions of the Austrian tax law, which defines under which circumstances an organisation is officially considered charitable ('gemeinnützig'). Funds, resulting from *commercial activities*, can serve as compensation in times of decreasing donations. However this also involves certain risks. If a non-profit organisation has started to be seen as commercial service provider from customer- or employee side, it can seriously damage its image, due to the fact that commercial activities always have a certain negative connotation in the context of NPOs activities. Bank credits on the other side are part of the category *borrowed capital sources*. Whereas conventional banks often have problems with the financial structure of non-profits, specialist banks come into play, which mostly cooperate with them.<sup>177</sup>

The logical consequence of all differences described until now is that especially financial management has to adapt to the special circumstances being present at their sphere of action. They experience the following changes:<sup>178</sup>

- Especially in small NPOs, financial tasks are often seen as 'necessary evil'. On that score, they are considered less important than working on the mission.
- Donations and subventions are far more discontinuous, hence more difficult to plan. Financial plans, forwarded to eventual creditors and donators, are less reliable compared to business enterprises.
- Many NPOs are dependent on one dominant financier, which in many areas (e.g. culture, education or health) is a public institution.
- Focussing exclusively on the overriding mission ('Sachzieldominanz') has the consequence that the essential financial management often moves into the background.

## 2.4.6 Service Focus

What already could be seen a couple of times is that NPOs are frequently involved in activities regarding social and health issues. The dedication in these branches at the same

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<sup>177</sup> cf. LITTICH, E.; SCHÖBER, C. (2013) pp.301.

<sup>178</sup> cf. Ibid pp.289.

time implies a strong focus on *service provision*, which in turn means facing certain special characteristics.<sup>179</sup>

The following points highlight the difference between service provision and classic production of goods:<sup>180</sup>

- The *intangible nature* of services leads to the problem that the achievements are more difficult to explain to the target person. A product, in contrast, can be presented by shape, design, colour, etc. However, if a person for instance enters a hospital, he or she expects a solution to their illness. The performance in this example is to administer to the concerns of the sick.
- Services can neither be stored, nor produced in advance, like it would be the case for certain produced goods. The explanation for this is provided by the next point.
- The recipient takes part actively in the service provision. The degree of involvement thereby mainly depends on the individual situation, but basically can range from just being present or simply commit to the activity, until to actively collaborating with the other actors. Referring again to the hospital example, only if the patient commits and contributes to the healing process, the service in the end can lead to success. The target person becomes an *external factor in this matter*, significantly influencing the outcome of the performance.

The described characteristics have great influence on an outcome-oriented management, which will be shown in subsequent chapter 2.6, but before this, a summary of all discussed NPO-specific features will be given.

## 2.4.7 Summary of Differences between Profit and Non-Profit Organisations

The following Table 6 shows a brief summary of the previous sections.

Possible Differences		Profit Organisations	Non-Profit Organisations <sup>181</sup>
Stakeholders	Relationship	one-dimensional (company – customer)	multi-dimensional (sponsor/ donator – NPO – target group/ person)
	Choice	(mostly) freedom of choice <sup>182</sup>	no freedom of choice
	Paying-Side	recipient of product/ service	recipient or sponsor/donator

Table 6: Summary of possible differences between profit and non-profit organisations<sup>183</sup>

<sup>179</sup> cf. BONO, M.L. (2006) p.23.

<sup>180</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.538; It needs to be mentioned, that services understandably also play a distinct role in the for-profit sector. Service-oriented business enterprises thereby face similar conditions as service-dominant NPOs.

<sup>181</sup> Non-profit organisations, which are similar to business enterprises, not necessarily have to show such concise differences.

<sup>182</sup> Exceptions are monopolistic markets.

<sup>183</sup> own representation.

Possible Differences		Profit Organisations	Non-Profit Organisations <sup>184</sup>
Market and Competition	Market Goods	appropriate market goods/ services (supply-demand relationship)	collective, merit goods (result in market failure)
	Market Type	free market	non-free market
	Competition	market competition (fictional competition also common)	market-like competition (fictional competition)
Goals	Relevant Types	economic objectives (profit, market share, etc.)	economic + intrinsic (financial + mission success)
	Prioritised Goals	economic mandates (e.g. maximizing profit)	intrinsic mandates (e.g. fulfilling a mission)
Financial Affairs	Categories Financial Sources	internal/ external sources and related to equity/ loan capital	quasi-equity capital/ loan capital and mission or non-mission based
	Financial Management Condition	financial sources are calculable and considered as main management discipline	difficult to plan (special conditions) and considered less important than mission
Service Focus	Sector-Specific Importance	both, provision of products and services, is covered by business enterprises	sub-areas like social and health have outstanding focus on service provision
	Nature of Performance	products/ goods are tangible, can be stored, produced in advance and do not necessarily require involvement of target person <sup>185</sup>	services are intangible, cannot be stored/ produced in advance, and additional external factor (target person) comes into play

Table 6 (continued): Summary of possible differences between profit and non-profit organisations<sup>186</sup>

## 2.5 Outcome Orientation

The previous efforts (examining NPO-specific characteristics plus identifying outstanding differences to businesses) should in the next step lead to an investigation with the task of identifying *potential positive and negative implications on business management methodologies as well as on all outcome considerations*, which are of relevance for non-profit organisations. In preparation for this, first this definition of *outcome* plus accompanied terms will be elaborated in more detail. What follows after this, in chapter 2.6, is the analysis of the

<sup>184</sup> Non-profit organisations, which are similar to business enterprises, not necessarily have to show such concise differences.

<sup>185</sup> This argument does not apply to service-dominant business areas.

<sup>186</sup> own representation.

influencing factors and the conclusion, why conventional business management approaches often cannot be applied to non-profit organisations.

### 2.5.1 Success and Outcome Orientation in the Context of this Work

What has already been explained in this thesis is that NPOs and business enterprises often set up a mission, wherein the main purpose is specified. This general aspiration should serve as basis reference for all organisational activities. Based on this, a *NPO understandably is successful, when it accomplishes its mission. Goals in the next stage can be deduced and formulated in the way that they work towards certain intended 'outcomes'*<sup>187</sup>. Usually, stakeholders who bring in necessary resources, have a significant influence on those outcome goals, because pressure regarding accountability is experienced from this side. In order to do justice to this, an organisation permanently needs to monitor if *type and quality of the goods/ services matches the stakeholder's expectations (desired outcomes/ goals)*.<sup>188</sup>

At least equally important, however, is to take into account the recipients needs and requirements. If last-mentioned stakeholders are disregarded in some way, this could end up in mission drift. It is the responsibility of the management of NPOs to find the right balance between those two sides.<sup>189</sup>

Irrespective of which side has more influence on the result, the wording 'outcome' in many times leads to great miscommunication. First problem in this connection is that there is no standard procedure on how to define and structure the changes, caused by the activities of non-profit organisations.<sup>190</sup>

Different so-called *logical models*<sup>191</sup> ('Logisches Modell/ Wirkungsmodell') exist in theory and practice, which graphically display the connection between individual causes and effects. The final result is some form of achieved 'outcomes'.<sup>192</sup>

Different types of outcomes can now be categorised on the basis of various criteria. Common procedures in these terms are classifications according to the affected party (individual person – target group – entire society), into objective or subjective outcome or based on different time sequences (short-term – medium-term – long term). Many more features could serve as distinctive criteria in this case. In the context of these numerous possibilities, however, the second problem arises. The terms *output, effect, impact, and outcome* are not only used very differently in connection to the individual result dimensions, their definition also varies substantially among different researchers and sciences.<sup>193</sup>

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<sup>187</sup> The definition in the first place refers to the German expression 'Wirkung', as a generic term for a specific achieved change, which is the result of the organisation's product or service.

<sup>188</sup> cf. HORAK, C.; SPECKBACHER, G. (2013) pp.160.

<sup>189</sup> cf. O'DWYER, B.; UNERMAN, J. (2008) p.821.

<sup>190</sup> cf. BONO, M.L. (2010a) pp.76.

<sup>191</sup> cf. Ibid pp.79.

<sup>192</sup> The terms 'logical model' and 'cause-effect chain' are used to refer to the German expression 'Wirkungskette/ Wirkungsmodell/ Logisches Modell'. However, those models have to be distinguished from the so-called 'cause-effect paths' (cf. chapter 2.8.4).

<sup>193</sup> cf. BONO, M.L. (2010a) pp.76.



Whereas one model refers to impact as *subjectively identified changes* of one specific person/ group<sup>194</sup> (e.g. a person experiences health improvement from medical treatment), another one uses the term in a broader sense, meaning verifiable effects on a total economic, cultural or social system<sup>195</sup> (e.g. increased social climate/ cooperation in a city, due to an integration campaign for ethnical minorities).

To avoid any further imprecisions, the terminologies will now be defined in the context of this work. Figure 20, displays the fundamental correlations and definitions that are valid, from hereinafter.

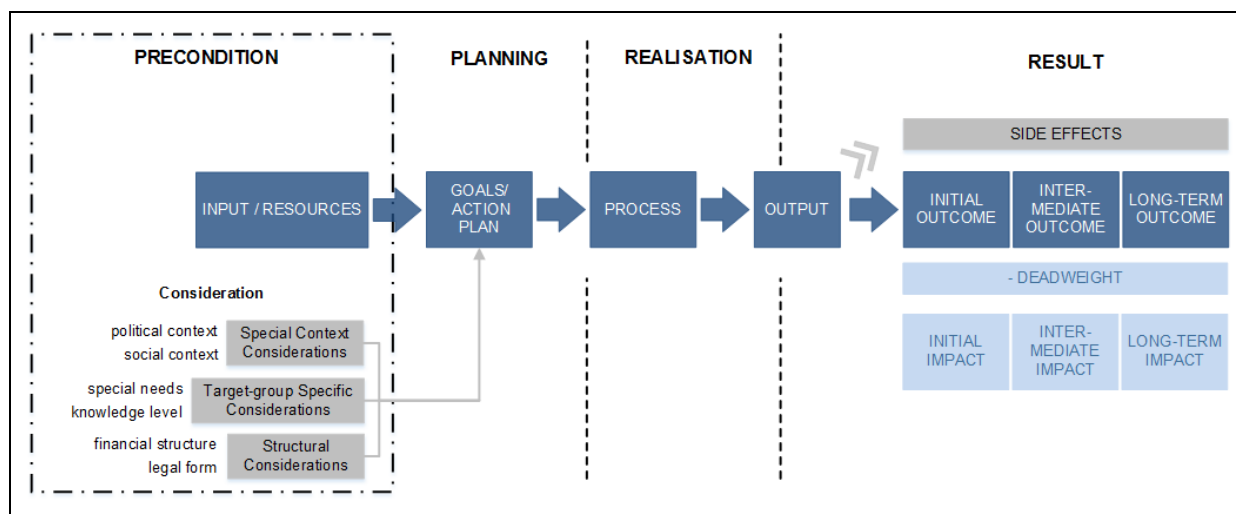


Figure 20: Cause-effect chain/ logical model<sup>196</sup>

At the beginning, the process starts with a concrete program plan (specific action or intervention). Relevant influencing factors, resulting from present circumstances, can be a certain special context (political, social, etc.), target-group-specific considerations (needs, level of knowledge), required resources (personal and financial) or potential structural aspects (legal form, financial structure). Once the concept is clear, the next stage is the actual implementation, or to be more precise, the manufacturing of goods or the service provision. The immediate result of the process is called *output*, which has the advantage of being comparatively simple to quantify. Examples for this are rendered service hours, or the number of produced goods. The next consequence of an output is a concrete intended influence on the target group, as well as non-intended side effects.<sup>197</sup>

The identifiable positive or negative change of state is called *outcome* (e.g. measured improvement of a person's/ group's health condition).

Depending on how long it takes until the outcome can be detected, a further distinction is made into initial, intermediate, and long-term outcome. Apart from the temporal dependency, another question, which needs to be raised, is if some form of change would also have taken place without the program. If something like that can be proven, this *deadweight* needs to be

<sup>194</sup> cf. model of BONO, M.L. (2006) pp.149.

<sup>195</sup> cf. model of BEYWL, W.; SPEER, S.; KEHR, J. (2004) p.25.

<sup>196</sup> cf. Abb. III.5.1 in SCHOBBER, C.; RAUSCHER, O.; MILLNER, R. (2013) p.453; based on model of BEYWL, W.; SPEER, S.; KEHR, J. (2004) p.25.

<sup>197</sup> cf. SCHOBBER, C.; RAUSCHER, O.; MILLNER, R. (2013) pp.453.

deducted from the detected outcome, so that finally the *impact* remains. The lastly-mentioned term in other words is now the outcome, which can be exclusively assigned to the activities of the concerned organisation. The temporal sequence again can serve as distinguishing criterion, so that initial, intermediate, and long-term impact can be observed.<sup>198</sup>

The drawback of this model is that it does not go into detail about different outcome types (economic, political, social, etc.) or different affected target persons or groups (individual person, specific target group, entire society). Information regarding these issues has to be appended additionally. In spite of this, the concept is feasible as it takes into account the relevant criteria for outcome-oriented management, but still is based on a simple logic, which is the basis of most models (input – performance – output – outcome/ impact).

Due to the fact that conceptions from various fields will next be examined, the definitions in some areas will understandably deviate from this convention. Whenever this is the case, the differences will be outlined in detail.

## 2.5.2 Quality in the Context of this Work

A non-profit organisation, which aims at long-term success, wants to achieve its goals and general mission. Against this background, the organisation will inevitably have to raise the question: *How far has the goal already been achieved?* In order to answer this question, the identification, measurement and control of ‘success’ criteria are necessary.

As discussed before, a mission can be considered as achieved, when the intended change has taken place, and the target group can experience the planned utility (‘Nutzen’). This in the end makes a product or service attractive for potential stakeholders. *Quality* now can make a statement about this ‘attractiveness’.<sup>199</sup>

In the context of this work, a product shows excellent quality, when its characteristics can fulfil, what has been expected from the decisive side. This understanding also matches the official definition from ISO. According to them, quality is the:

*“[...] degree to which a set of inherent characteristics [...] fulfils requirements [...]”*<sup>200</sup>

The efforts in quality development in the non-profit sector are in many times a reaction to the ideas and trends of the profit sector. Nevertheless, the first-mentioned area does not work according to comparatively simple rules like profit maximisation. The benefit for the stakeholder is often difficult to measure in quantitative terms. For this reason, many tools and instruments are modified in a way, that they put more emphasis on qualitative ‘success’ criteria like customer satisfaction, quality of life, etc.<sup>201</sup>

Depending upon the circumstances, specific models and success criteria can be more or less applicable. In the following, a very basic concept, and an advanced one will be presented, to point out the spectrum.

<sup>198</sup> cf. SCHÖBER, C.; RAUSCHER, O.; MILLNER, R. (2013) pp.453.

<sup>199</sup> cf. HORAK, C.; SPECKBACHER, G. (2013) p.179.

<sup>200</sup> ONORM EN ISO 9000 (2005) pp.22.

<sup>201</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.532.

### 2.5.2.1 3-E Model

In a very basic sense, an approach, matching the defined logical model, is the 3-E model<sup>202</sup>, which will be used to define the most fundamental quality criteria in the course of this thesis. The reason, why the model is suitable for this work, is because it is simple and has established internationally in literature and in practice. Apart from this, it corresponds to the theory of New Public Management, as it actually evolved from public reformations.<sup>203</sup>

Figure 21 demonstrates the three basic aspects, which are defined from this point on.

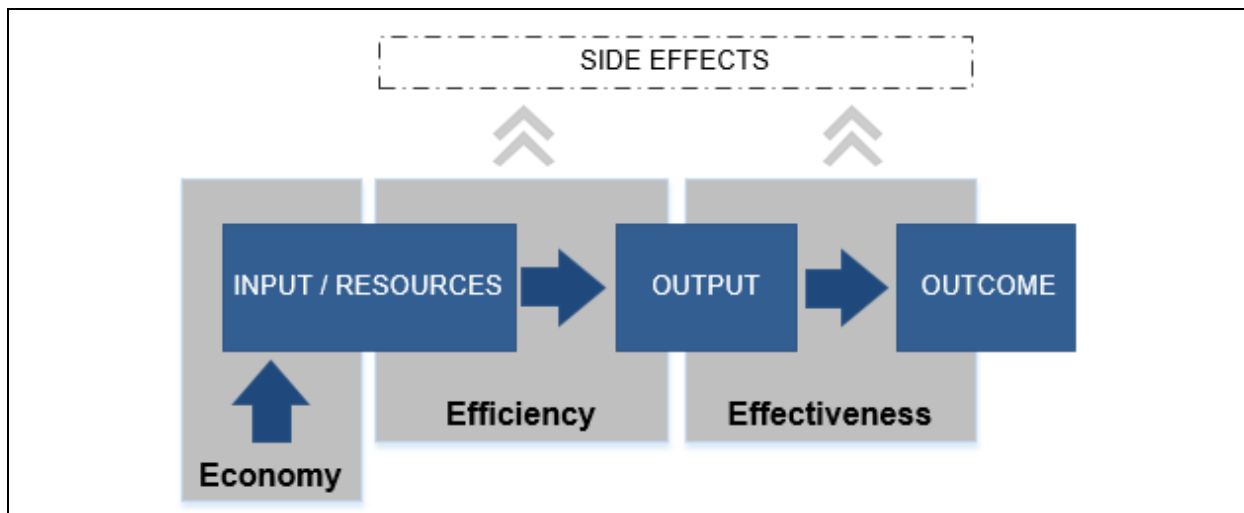


Figure 21: 3-E model for NPOs<sup>204</sup>

Economical, efficient and effective activities, like shown above, are the best case and finally lead to the desired effect (organisational success). As those dimensions primarily measure the performance of a programme or an organisation, this model is often rather designated as *performance measurement model*. An institution can be seen as *economical*, when the necessary input is provided with the least-possible expenditure. The second factor, *efficiency*, basically delineates that the required *output* should be produced, with as little input/ resources as possible. The third and final indicator, *effectiveness*, says that the necessary *outcome* at best should be generated with the smallest possible amount of output.<sup>205</sup>

### 2.5.2.2 Advanced/ Total Quality Model

In order to deal with quality development in a comprehensive way, it needs a holistic quality management approach, much like the Total Quality Management Philosophy<sup>206</sup> in Business Management.

For NPOs it is significantly important to consider all relevant stakeholders as well as all quality aspects regarding performance. Needless to say, that the existing plurality of

<sup>202</sup> cf. BUDÄEUS, D.; BUCHHOLTZ, K. (1997) p.332 for the original model.

<sup>203</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.60.

<sup>204</sup> cf. Fig. 3.4 in SCHEDLER, K.; PROELLER, I. (2010) p.61; original description based on BUDÄEUS, D.; BUCHHOLTZ, K. (1997) p.332.

<sup>205</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) p.60.

<sup>206</sup> The concept of Total Quality Management will be explored in chapter 2.10.

stakeholders and the resulting broad spectrum of expectations turn this task into a considerably complex issue.<sup>207</sup>

An excellent representation of these circumstances can be seen in Figure 22.

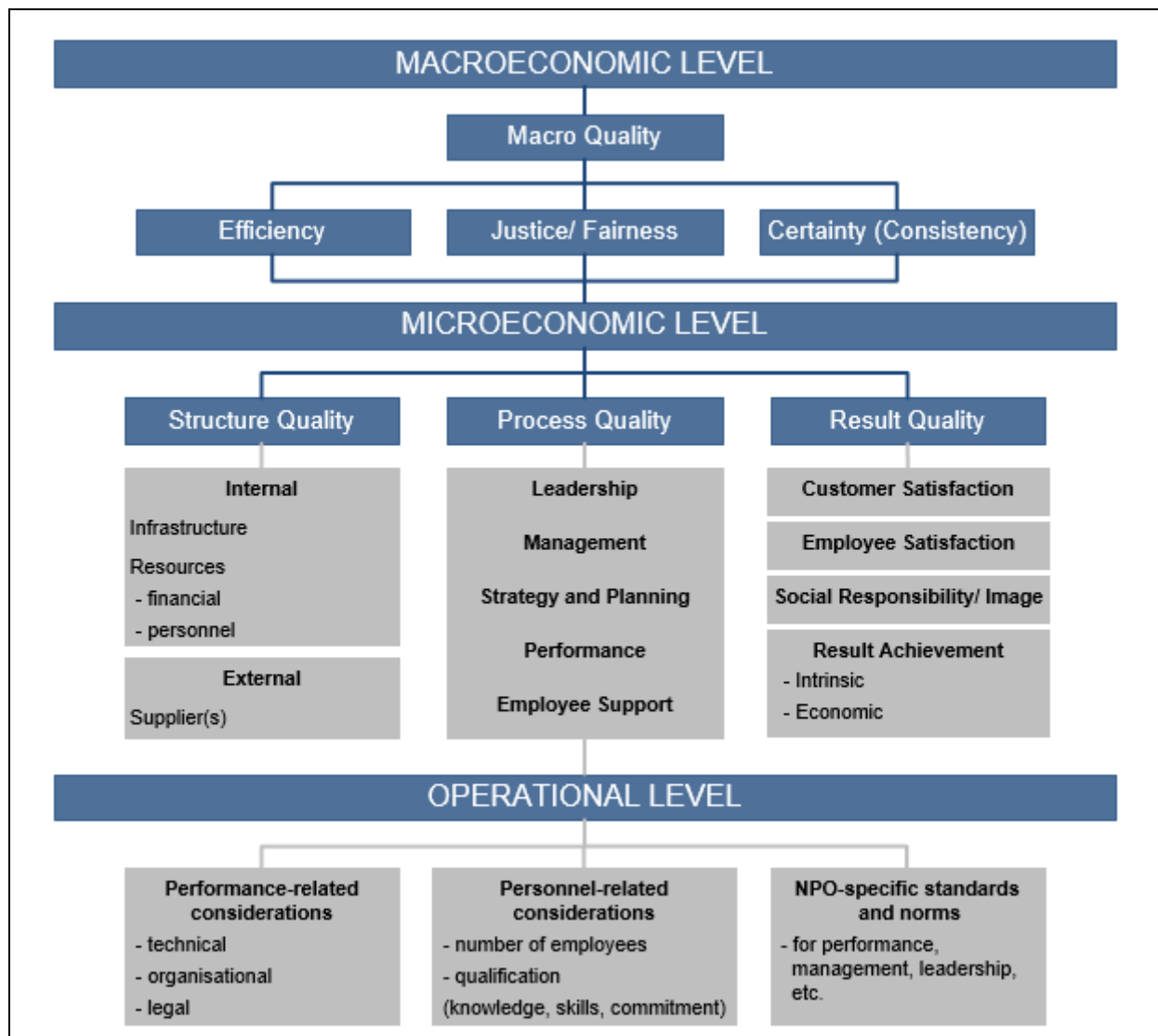


Figure 22: Advanced total quality model for NPOs<sup>208</sup>

The structure starts with the top-level, related to macroeconomic concerns. Efficiency, fairness and consistency are interesting for non-profit organisations at this stage. At the second level (microeconomic), the EFQM idea of structure, process and result quality is reflected. In connection to the structure quality, both, internal (financial, personnel) as well as external (supplier) structures are of relevance. Process quality is usually managed with the help of various concepts and instruments from business theory, which deal with leadership<sup>209</sup>, personnel orientation, strategy and planning, performance and employee support. The last category, result quality, basically displays individual stakeholders (target person/ group, employee, etc.), the organisational results (intrinsic, economic results) and

<sup>207</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.542.

<sup>208</sup> cf. Abb. III.2.3 in Ibid p.545.

<sup>209</sup> cf. chapter 2.7.1 for the definition of leadership in the context of this work.

the 'effect' on the society (social responsibility and image). The ground level is designated as operational level. At this, all parameters come into play, which can be assigned to performance, personnel concerns or NPO-specific standards and norms. Certain conditions are occasionally predetermined by process tools and instruments, which are already in place at the organisation. In any terms, it is important that quality aspects regarding the actual service provision are considered in a proportionate manner. To conclude, a comprehensive approach has to refer to all these quality factors.<sup>210</sup>

A concept like the above-shown total quality model can serve as starting point to get an idea about potentially important quality dimensions. The groundwork of the model itself for instance is based on EFQM<sup>211</sup> quality dimensions. The next step in any terms is to deduce quality targets. This again has to be done individually for every single case, as there are no such things as universal indicators. The formulation of adequate measures (also called operationalisation<sup>212</sup>) in the end should bring up quality targets, which are:<sup>213</sup>

- communicable,
- measurable
- controllable

To sum up, it can be said that for non-profit organisations just like for business enterprises, the key-factor for success is the right quality<sup>214</sup>. With all terminologies at hand, the next chapter finally will deal with the definition of outcome orientation.

### 2.5.3 Outcome Orientation in the Context of this Work

As the orientation towards outcomes represents the *focal point* of this thesis, it was briefly discussed at the beginning (cf. chapter 2.1 about the starting point). At this point, a closer inspection of the term is required in order to promote understanding, in preparation for the detailed investigation at the next chapters. For this purpose, the task now is to put 'outcome orientation' into a defined context.

The thought-provoking impulse for outcome orientation originally came from the New Public Management movement in the public sector. NPM will be examined later in this work (chap. 2.11), but what can be anticipated at this stage, is that one central element is the distinct emphasis on outcome called 'outcome orientation'. This specifically means that public organisations need to move away from traditional input management and increasingly needs to focus on the achievement of outcomes<sup>215</sup>. This is a crucial point, if one considers the fact that the overriding mission is only fulfilled, when the planned outcome is achieved<sup>216</sup>.

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<sup>210</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.544.

<sup>211</sup> 'European Foundation for Quality Management'; The EFQM provides an overall quality concept, which will be discussed in detail in chapter 2.10.2.

<sup>212</sup> 'Operationalisierung = Ableitung konkret messbarer Ziele'.

<sup>213</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.544.

<sup>214</sup> cf. Ibid p.554.

<sup>215</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.57.

<sup>216</sup> cf. BRINCKMANN, H. (1994) p.173.

It can be noticed that this last argument is valid for all organisations, which pursue a certain strategy, irrespective if the organisation is public, profit or non-profit.

Outcome orientation, in this sense, now means a general shift of the top priority from input/output to outcome success criteria. However, at this point it must be said that this does not mean that input or output can be considered as less important. In the course of an economical, efficient and effective organisation, all dimensions have to be considered appropriately.

To put this in short words, the following definition is valid from this point on:

*Outcome orientation in this work is synonymous for a transition of the main emphasis of organisational functions from input/ output to outcome. However, important at this is that this does not imply that other dimensions (input, output) therefore are important.*

If one thinks of the intrinsic missions, which non-profit organisations usually follow, this change seems more than necessary. Especially for NPOs, the actually achieved outcome must be top-priority.

Outcome-oriented objectives in this case can refer to questions like:<sup>217</sup>

- What is the purpose of an activity?
- What does the output has to achieve in the long-term perspective?
- What are the intended developments?

Apart from all positive aspects of outcome orientation, it has to be kept in mind that also complex problems can occur. The main points in the last term are the cause-effect relationships, which are mostly difficult to identify, and the long-term nature of outcome achievements.<sup>218</sup>

## 2.6 Implication of Characteristics on Business Management Methodologies

Now that the term outcome orientation has been defined, the next task is to analyse which influence the NPO-specific characteristics have on business management methodologies and where outcome orientation can provide potential support. Several facets will now be shown, which in the end will lead to an answer of the question, why *conventional business management methodologies cannot (simply) be transferred to non-profits*.

The first major difference appears in terms of *stakeholders*. Multiple relationships, which are standard for NPOs, cannot be put on the same level with the customer concept of profit enterprises. This circumstance can be shown at the example of the public employment service. In order to get reintegrated into the job market, an unemployed person might have to take serious actions (intense training, etc.). When the program finally is successful for the sponsor (state has no more financial burden, because the person needs no more support/training), this does not necessarily imply that the target person also assesses the program

<sup>217</sup> SCHEDLER, K.; PROELLER, I. (2010) p.106.

<sup>218</sup> cf. Ibid p.58.

positively. He or she possibly had to spend much time and/ or energy on training and therefore sees the success from a different perspective. The question in this term now is, whose perspective counts for the assessment of the program. Focussing exclusively on the 'customer'-side certainly is not enough. This example reveals that the *customer concept, which is the groundwork for many business management ideas, cannot be applied onto NPOs without considering also other perspectives*. This issue understandably also has an influence on the quality (effectiveness) of the product or service. Furthermore decisive criteria and perspectives furthermore should always be clarified in advance.<sup>219</sup>

Two further issues can be attributed to the special stakeholder situation. The first one is the occurring conflict potential between financier and NPO. Both parties have to agree on a common understanding of quality, which can frequently lead to debates about an optimum use of resources.<sup>220</sup>

In contrast to the problems that business management approaches have with stakeholder peculiarities, those characteristics on the other side promote an increased emphasis on *outcomes*. The power gap between organisations (NPO or state) and recipients often bears the risk that needy people perhaps are underrepresented. Concepts and instruments, which give greater importance to the outcome, would strengthen the recipient's position and consequently improve this situation. This is also the reason why *many experts increasingly refer to outcome orientation*.<sup>221</sup>

Further differences between NPOs and profit enterprises can be related to *market and competition*. The *supply-demand relationship, as key regulatory mechanism* in the business sector, in many times does not apply to NPOs. As a consequence, the recipient frequently has no idea of what an adequate price should look like. As an example, welfare recipients are unsatisfied when welfare offices do not meet their financial needs. However, the expectations of the individuals can in fact be excessive, whereas the organisation at the same time performs at its maximum. Still, the recipient would assess the performance negatively.<sup>222</sup>

Another problem in connection with the work of NPOs, are potential *non-free markets*. If there is no alternative to choose, a user will not change, even if the quality decreases and he or she is unsatisfied with the product or service. To conclude, the key incentive to constantly measure and improve the quality (outcome) does not exist.<sup>223</sup>

Competition on the other hand promotes focussing *on the outcome*. Organisations in this case are forced to implement systems, which ensure the right quality (efficiency and effectiveness) in order to keep the demand high. The recipient understandably is looking for the provider, which best meets his/ her very own needs and expectations.<sup>224</sup>

In terms of *mission, goals and strategies*, the main finding was that NPO's highest priorities are based on *intrinsic mandates*, deduced from a *general non-monetary mission*. As all

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<sup>219</sup> cf. STOCKMANN, R. (2008) pp.52.

<sup>220</sup> cf. BONO, M.L. (2006) pp.34.

<sup>221</sup> cf. Ibid p.35.

<sup>222</sup> cf. STOCKMANN, R. (2008) pp.52.

<sup>223</sup> cf. Ibid pp.46.

<sup>224</sup> cf. Ibid p.47.

employees have to commit to these goals, normally they are developed in a participatory manner. This is also supported by the democratic culture of most NPOs, where not only full-time personnel are involved, but also voluntary work represents a major part. In opposition to this, concepts from the business sector usually place all responsibility to the management, who are then responsible for the development of mission and goals. On top of all that, business methods mostly use monetary measures (profit, return on equity) in order to quantify success. It becomes apparent that business management concepts have to be modified drastically, before they can be used for NPOs. The most important issue at this point is that the goal achievement cannot be simply measured with economic benchmarks.<sup>225</sup>

All so-far discussed complications now have to be handled besides the transition from input- to *outcome-oriented management*. This major change not only has an influence on the organisations' performance, but also implies certain problems, like difficulties regarding the identification and evaluation of the outcome. Last mentioned issues are the main reasons, why organisations still hesitate to implement outcome orientation. *However, it is also fact that only the outcome (and not the input) of an organisation provides details about how far the mission has already been achieved.*<sup>226</sup>

The next relevant topic refers to the *financing mechanism* of NPOs. Usually, a large part of financial resources is based on donations, contributions, state funds, etc. As a consequence, NPOs are not as depended on the demand of their products/ services as for instance companies in a market are. The latter would not be able to stay in a market, if their products were not accepted by the customers. In conclusion, *non-profit organisations often miss an essential incentive to use resources as efficiently and effectively as possible, which can be attributed to a lack of market-based financing* (pricing mechanism).<sup>227</sup>

A second difficulty comes into play whenever *public money (state-side finances) is in use*. In this case, it is necessary to not only base the quality appraisal on the recipient perspective due to the fact that this would exclude all 'non-users'. If for instance, funding for Austrian universities were to be increased massively, this would satisfy university 'customers', but on the other hand dissatisfy everyone, who would be affected by cost-cuttings. The example demonstrates how important a comprehensive view on environment, stakeholders and especially funders is.<sup>228</sup>

The last characteristic discussed the *service dominance*. In the course of this investigation, it was found that the target person often has major influence on the quality. If the recipient for instance brings in a negative input (e.g. not willing to cooperate), this would have a negative effect on the outcome.

What can be deduced from this is that *success criteria also have to display the performance process*. Non-profits not only have to define WHAT should be the outcome, and HOW the performance should look like, but *also HOW the performance is perceived by 'user'-side.*<sup>229</sup>

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<sup>225</sup> cf. STOCKMANN, R. (2008) p.54.

<sup>226</sup> cf. BONO, M.L. (2006) p.17.

<sup>227</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.536.

<sup>228</sup> cf. STOCKMANN, R. (2008) pp.53.

<sup>229</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.539.



To sum up all implications, Table 7 once again shows all arguments of this chapter in compact form.

Characteristic	Implication
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• ‘customer’ concept from business theory cannot be transferred to NPOs situation (sponsor-NPO-recipient). An adequate assessment of success requires considering multiple stakeholders</li> <li>– difficult to find balance between optimum allocation of resources (expectation funder) and recipient’s needs and expectations (conflict potential)</li> <li>+ implementation of outcome orientation strengthens position of recipient</li> </ul>
<b>Market and Competition</b>	<ul style="list-style-type: none"> <li>• no key regulatory mechanism (supply-demand relationship) for business management concepts</li> <li>– from no freedom of choice up to very limited number of alternatives</li> <li>+ competition promotes quality (efficiency and effectiveness)</li> </ul>
<b>Goals</b>	<ul style="list-style-type: none"> <li>– intrinsic (non-economic) mandates of NPOs cannot be based on monetary measures of profit sector</li> <li>+ outcome-oriented targets address non-monetary mission of NPOs</li> </ul>
<b>Financial Affairs</b>	<ul style="list-style-type: none"> <li>– lack of incentive to optimally allocate resources, due to ‘constant’ funding (donations instead of market based financing sources)</li> <li>– when public funds are used, ‘non-users’ must not be disadvantaged</li> </ul>
<b>Service Focus</b>	<ul style="list-style-type: none"> <li>• ‘client’ is not only receiving, but also influencing performance and the result (output – outcome)</li> </ul>

Table 7: Summary of implication of characteristic on quality and outcome orientation<sup>230</sup>

Based on the findings, the author suggests answering the question “*Can business management methodologies/concepts be applied to non-profit organisations without any modification/ adjustment efforts?*” with NO. The subsequent chapters about management approaches from different disciplines (chap. 2.8 - 2.11) will show to which degree which modifications are necessary, but before that outcome-oriented management and controlling will be explored in more detail.

## 2.7 Outcome-Oriented Management and Controlling

In view of the investigation regarding numerous management aspects, this chapter provides the necessary knowledge base. Starting with a glance at the general definition and functions of Management and Controlling, the section furthermore will provide a definition of outcome-oriented management in the context of this study. After this, the essentials of those disciplines will be discussed, which are important for the subsequent empirical investigation. Specifically, this involves Strategic-, Quality-, Process-, and Performance Management.

<sup>230</sup> own representation.

## 2.7.1 Definition of Management and Leadership

Hardly any other definition is used in as many occasions as management. As a consequence, a wide range of literature exists, which tries to put the subject in concrete terms. Following the purpose of this work, it appears to be useful to refer to the most common interpretation of management.

Different viewpoints can be identified in literature. The two most common ones are the *institutional-* (group of persons with key delegation power) and the *functional perspective*. Lastly-mentioned will serve as framework in the course of this work. It basically states that certain functions are central for managers and have to be fulfilled by them.<sup>231</sup>

The standard regarding a functional viewpoint evolved from the first explanation by H. Koontz and C. O'Donnell<sup>232</sup>. Inspired by this, the five currently most accepted functions are:<sup>233</sup>

### 1) Planning

The planning phase represents the starting point of the entire set of management responsibilities. This function mainly refers to the questions *what to achieve* and *how to achieve it*. Typical tasks in this connection are target setting, developing a framework, identifying and choosing a course of action, and many more. All following activities need to align to what has been fixed at this stage.

### 2) Organising

In this stage, an activity plan needs to be developed, which means to *form a scope of sub-tasks, responsibilities and competences*. The sub-units need to be coordinated horizontally and vertically within the organisation. An adequate communication system has to be established.

### 3) Staffing ('Personaleinsatz')

Now that an appropriate substructure is created, it is time to *build a workforce*. This task must not be considered as a one-time activity (place the right person on the right position), but a permanent challenge to maintain the human resource. Important in these terms is that staffing also covers personnel assessment and development.<sup>234</sup>

### 4) Leadership (Directing)<sup>235</sup>

Once all necessary conditions have been fulfilled, it is at the management's response to ensure that the performance stays within the planned borders/ framework. This also involves *directing the work force (employees) by motivation, communication and conflict handling*.

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<sup>231</sup> cf. STEINMANN, H.; SCHREYÖGG, G. (2005) p.6.

<sup>232</sup> cf. KOONTZ, H.; O'DONNELL (1968) pp.47 for the original description.

<sup>233</sup> cf. STEINMANN, H.; SCHREYÖGG, G. (2005) pp.10.

<sup>234</sup> Staffing can either be considered as a management function along the classic management process (like in this work), or otherwise as one element of Personnel Management (or Human Resource Management). Last-mentioned, however, involves many further personnel concerns.

<sup>235</sup> The original description uses the definition 'directing' to refer to the German expression 'Führung'. However, this thesis from here on will use the term leadership to refer to this sub-function.

### 5) Checking<sup>236</sup>

Checking means comparing the actual results with what has been planned. The *target performance comparison* identifies potential deviations and points out if countermeasures need to be taken. This last function furthermore initiates a new planning phase, which means that the entire management process starts again.

From the sequence of the individual steps it could already be presumed that the functions build an ongoing process or cycle, designated as the classical management process. Figure 23 shows this conception.

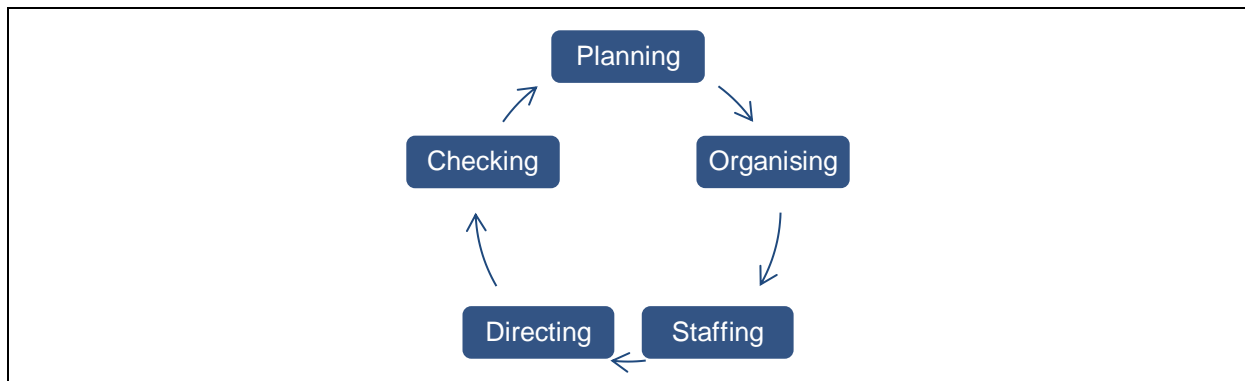


Figure 23: Classic management process<sup>237</sup>

What qualifies this model (in contrast to others) is that functions like coordinating or decision-making are no independent phases. Rather, these actions are an integral part of all stages. Planning, organising and staffing for instance require decision-making.<sup>238</sup>

In the course of this work, it will not be further distinguished between leaders and managers, like in Anglo-Saxon countries<sup>239</sup>.

This thesis uses the term manager to refer to the classic management process, and relates to leader when meaning the person who is responsible for the sub-function 'leadership'. This convention is an appropriate approach, because first this thesis mainly operates at the German-speaking area and secondly the focal point of this work does not require to make such a distinction.

## 2.7.2 Definition of Controlling

A business management approach, which arose from accountancy is 'controlling'<sup>240</sup>. It basically can be understood as a *management subsystem*, which provides relevant

<sup>236</sup> This phase, which is in Anglo-Saxon countries called 'controlling', corresponds to the German expression 'kontrollieren'. However, as the English term 'controlling' is also used in German-speaking countries, but with a different meaning, this bears a risk of misunderstanding. In order to prevent any confusion, this function is from here on referred to as 'checking'.

<sup>237</sup> own representation; adopted from Abb.1-2 in STEINMANN, H.; SCHREYÖGG, G. (2005) p.13; based on original source: MACKENZIE, R. (1969) pp.80.

<sup>238</sup> cf. STEINMANN, H.; SCHREYÖGG, G. (2005) p.10.

<sup>239</sup> In the Anglo-Saxon understanding, managers and leaders have different responsibilities and a different meaning.

<sup>240</sup> In this work, 'controlling' is used in the context of the German-speaking environment, which means that controlling is not only 'kontrollieren' but is considered as an entire management subsystem (like described in chap. 2.7.2).

information about the current organisational environment, as well as about future developments. It *helps the management* to adapt to environmental changes, and additionally keeps track of internal processes. It furthermore *informs* decision makers about the relationship between planned and actual developments, in order to make adequate management decisions possible. On top of all that, an additional task of controlling is to *coordinate* various management subsystems, so that different activities can be harmonised.<sup>241</sup>

For all these purposes, usually a system is put in place, which allows *planning, checking* and at the same time serves as *information system*<sup>242</sup>. This from here on is referred to as *management control system* ('Controlling System').

The extent to which such a management control system is used can be very different, but particularly depends on the size of organisations or enterprises. While in smaller companies or NPOs, managers themselves normally perform controlling, larger ones often have special controlling experts or even their own institutionalised controlling unit. Besides the size, many further factors, like the general leadership-style, come into play.<sup>243</sup>

What else is important in connection to controlling is that there is no consensus on how far controlling should support management. The scope in these terms can range from just information provision and coordination to significantly contributing to decision-making.<sup>244</sup>

What is essential for this thesis is that from this point on, *planning and checking* of results are considered as *primary tasks* of a management control system. This terminology will be used in the following section, when outcome oriented management (control) will be defined. In the course of this work, it furthermore will not be discussed, whether manager or controller make use of the management control system, because as previously described both possibilities are common practice.

### 2.7.3 Outcome-oriented Management in the Context of this Work

With functions and responsibilities of management and controlling described, and the context of outcome orientation clarified, the notion '*outcome-oriented management*' can now be specified. The following should apply from hereinafter:

*A management control system, which puts the central focus on the intended outcome [as described in def. outcome orientation], will be designated as outcome-oriented management control system*<sup>245</sup>.

*In the course of this thesis, the term outcome-oriented management*<sup>246</sup> *is used synonymous for the use of such a system that allows carrying out control (planning, checking) resting on outcome considerations. Based on this, all*

<sup>241</sup> cf. STOCKMANN, R. (2008) p.70; p.73.

<sup>242</sup> cf. Ibid p.73.

<sup>243</sup> cf. Ibid p.71.

<sup>244</sup> cf. Ibid.

<sup>245</sup> In this work, outcome-oriented management control refers to what is in German designated as 'Wirkungscontrolling'.

<sup>246</sup> Outcome-oriented management and outcome-oriented management control will be used synonymously, as the first-mentioned is limited to the 'control' function of management.

*subsequent management functions along the management process will be oriented towards the outcome.*

Outcome-oriented management is frequently described as an advancement of management in public sector, due to changes in legitimation. For NPOs it is getting increasingly important to legitimise via achieved outcomes.<sup>247</sup>

Nevertheless, it has to be stated that the idea of using the outcome as centre for management control aspects is still a fairly new and developing approach, even in the public sector. The basic idea must not be seen as an individual discipline. Rather, outcome-oriented management touches a great variety of different disciplines, like Quality Management, Strategic Management and many others.

Another fact is that so far there has not been developed any all-embracing model, which covers all aspects of non-profit management. Rather, basic theoretical and practical approaches exist, which concentrate on partial aspects of outcome-oriented management. A number of practical guidelines are available, which can serve as practical support. Nevertheless, when it comes to the intention of these handbooks, they mostly concentrate on learning, legitimisation or control purposes. Their methodological support ranges from single instruments for management control tasks up to first attempts of a total management control system.

In chapter 3 and 4, current practical approaches regarding outcome-oriented management will be presented in more detail, but before this, the fundamentals of essential management disciplines will be explicated in the next sub-chapters.

## 2.8 Performance Management

In current literature on public and non-profit management, the key-term 'Performance Management' is used excessively, yet, no generally accepted definition seems to have established so far. Experts like M.L. Bono brought up comprehensive publications, wherein Performance Management is specifically viewed as 'new' business approach. This thesis will refer to the definition of Bono, because it firstly considers the theme in an adequate manner, and secondly and more important, looks at the subject from a 'non-profit' perspective.

### 2.8.1 Definition of Performance Management

To begin with, it needs to be pointed out that the English terms 'performance' and 'Performance Management' are also used in German-speaking environment. Moreover, both languages have *many different interpretations* for 'performance'. In German for instance 'Performance' can refer to 'Leistung', 'Ergebnis', 'Erfolg' or to a more quality management-oriented understanding as 'Leistungsfähigkeit'.<sup>248</sup>

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<sup>247</sup> cf. PHINEO (2013a) p.5.

<sup>248</sup> cf. BONO, M.L. (2010a) p.23; Important to understand is that 'performance' in this work is primarily used to refer to 'Leistung'. If it is used in another context like at this point (in connection to Performance Management), it will be pointed out explicitly.

Performance, as it is used in Performance Management by M.L. Bono, is in accordance with the understanding of EFQM and corresponds to the German term 'Erfüllungslevel'. Based on this, it is possible to speak of the performance of an individual, a team, an organisation or a process.<sup>249</sup>

Performance Management now is the term, used to describe a *process, which keeps control of efficiency and effectiveness of organisational activities*. This process must not be seen as linear. Rather, it is a performance-oriented management control system that is characterised by continuous improvement.<sup>250</sup>

The central ambition of the approach is to extend the understanding of organisational success. *Non-monetary indicators* need to be added to monetary success criteria. The priority not only has to be put on efficiency, but also effective, long-term changes have to be put at the centre of attention. To serve this task, one important requirement is *transparency*. With this, learning should be promoted and commitment should be appreciated.<sup>251</sup>

Taken as a whole, the transition from a 'traditional' control system (e.g. classic business controlling) to performance management control involves some major changes. Table 8 provides a comparison of some main aspects:

	Traditional Control System	Performance Management
<b>Overarching Goals [Success]</b>	checking financial/ monetary goals	<b>development and checking of strategy (success)</b>
<b>Horizon</b>	short-term	<b>medium to long-term</b>
<b>Focus</b>	monetary indicators	<b>balancing various perspectives</b>
<b>Flexibility</b>	system dominates reporting framework	<b>continuous development of system and adaption to organisational requirements</b>
<b>Orientation</b>	reducing/ stabilising costs	<b>improve results</b>
<b>Approach</b>	separate analysis of quantitative and qualitative aspects	<b>integration of quantitative and qualitative criteria</b>
<b>Target Group</b>	individual	<b>team/ organisation</b>

Table 8: Traditional control system vs. performance management<sup>252</sup>

## 2.8.2 Performance Management vs. Outcome-Oriented Management

From the previous description, it can be recognised that the approach shows great similarity to the key-aspects of outcome-oriented management. As both conceptions try to introduce a new form of management control, which puts the emphasis on outcome and effectiveness, Performance Management and Outcome-oriented Management can hardly be distinguished.

<sup>249</sup> cf. BONO, M.L. (2010a) p.23; The understanding of performance is based on the description of EFQM (2003).

<sup>250</sup> cf. BONO, M.L. (2010a) pp.27.

<sup>251</sup> cf. Ibid pp.34.

<sup>252</sup> Abb. 2/3 in Ibid p.28; based on LYNCH, R.; CROSS, K. (1995) p. 38.

In fact, it would also have been possible to use Performance Management as title for the written study. The author decided against this for two main reasons:

The ambiguity of 'performance' has a potential of misinterpretation, especially in the German-speaking environment. To prevent any confusion, the author decided to use the term 'Outcome-Oriented Management', in the style of Schedler and Proeller, inspired by their publication called 'Outcome-oriented Public Management'<sup>253</sup>. By using the term '*outcome*', the *main emphasis* should be stressed already at the headline. Furthermore, it will not occur that 'performance' mistakenly is understood as 'Leistung' (in the sense of output), like in Performance Management. Outcome-oriented management, in contrast to this, avoids this potential mistake.

A second reason for the choice of 'outcome-oriented management' is that this study is *not intended to be limited just on theories and literature of the area of Performance Management*. Many more different fields, such as Strategic and Quality Management or New Public Management should be investigated. Aspects from these disciplines, which also work on the advancement of outcome-oriented management control, should be considered as well. In short, the chosen perspective should take a look on concepts and instruments from many different directions.

### 2.8.3 Performance Management Cycle

The fundamentals of Performance Management (chap. 2.8.1) reveal that the core of the concept can be viewed as a process. A broad outline of the approach shows three basic elements: development, implementation and performance measurement (see Figure 24).<sup>254</sup>

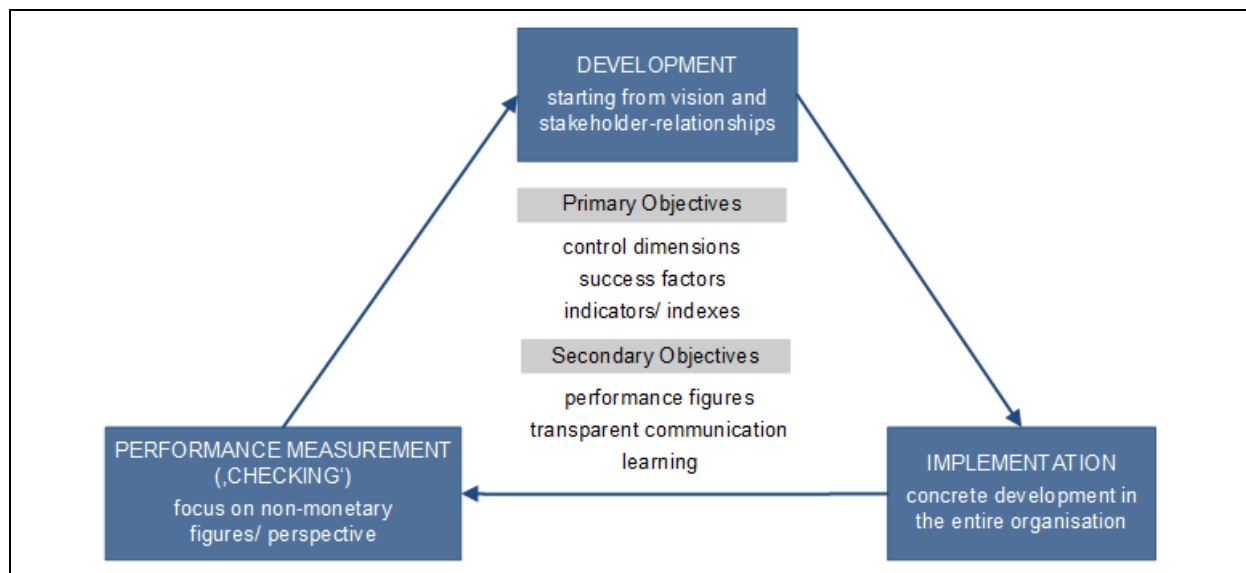


Figure 24: Phases of performance management cycle<sup>255</sup>

<sup>253</sup> cf. SCHEDLER, K.; PROELLER, I. (2010).

<sup>254</sup> cf. BONO, M.L. (2010b) p.17.

<sup>255</sup> cf. Abb. 1 in Ibid p.18.

The cycle starts with a *development phase*. On the basis of the organisational vision, the targets, which need to be measured, have to be clarified. Here, it makes no difference if an existing concept is modified or a new one is set up. The goals in any terms must represent reference points that are capable of giving information about the current situation/ deployed change. In the second phase, called *implementation*, the aim is to set the basis for a management control system. This involves tasks, like for instance deciding upon appropriate software as well as introducing new instruments or procedures. The actual control activity, which finally ends the cycle, is called *performance measurement*. At this stage, it is determined in how far the actual results reach the planned targets. Moreover, it is checked if the followed strategy still matches the general mission (purpose) of the organisation.<sup>256</sup>

A clear distinction and strict chronology, like described above, understandably will not be the practical case. In reality, phases are often interlinked and the process itself is dominated by the idea of continuous improvement.<sup>257</sup>

#### 2.8.4 Concepts and Instruments of Performance Management

Performance Management faces the same problem as many other disciplines. The transition from theory to practice represents a substantial problem. Numerous conceptions and instruments can be assigned to performance management, but especially two elements build the fundament of the approach. *Cause-effect chains and indicator/index-based systems* ('Kennzahlensysteme') are used and modified in a way that they meet the specific circumstances.<sup>258</sup>

For most (practical) planning or control tasks, *indicators/ indexes* are the basic fundament. The enormous amount of data, which is forwarded to the control system, has to be put in compact form, so that the manager or controller in the end receives the adequate information. In order to be precise, indexes ('Kennzahlen') actually differ from indicators ('Indikatoren'). While indexes refer to matters that can be measured directly (e.g. participation rates, turnover), indicators are used for issues that are only indirectly verifiable (comfort, motivation, etc.). To simplify matters, however, both terms are used synonymous for the context of 'Kennzahl'.<sup>259</sup>

Information in the compact form of indicators have the major advantage that they are easy to handle, and furthermore allow benchmarking<sup>260</sup>. Indicators can be classified according to manifold criteria, but generally fulfil the following functions:<sup>261</sup>

- provide information
- make internal and external communication easier
- promote motivation through transparency
- allow control

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<sup>256</sup> cf. BONO, M.L. (2010a) p.29.

<sup>257</sup> cf. Ibid pp.29.

<sup>258</sup> cf. Ibid pp.20.

<sup>259</sup> cf. Ibid pp.55.

<sup>260</sup> cf. Ibid p.62; cf. chapter 2.10.4 for a detailed description of benchmarking.

<sup>261</sup> cf. Ibid p.56.



*Cause-Effect chains (also logical models)*, as second element, have already been presented in chapter 2.5.1, and it was shown that different numbers of dimensions are possible just as different definitions for the terms input, output, outcome or impact. Another aspect, which needs to be explained at this point, is the fact that there also exist different forms of logical models in terms of graphical representation. The two most common ones will be briefly discussed in the following:<sup>262</sup>

- The first form is the (process-oriented) cause-effect path ('Wirkungspfad'). In general, the priority of the cause-effect path is to show how dynamic the process is. Alongside a time axis, different dimensions (input, process, output, etc.) are connected with arrows to show the inter-relations.
  - + clear and transparent picture of process
  - limited number of stakeholders (frequently concentrating on recipient)
- Another form of logical models is the matrix form ('Wirkungsmatrix'). This approach is very similar to the 'Logframe' of the logical framework approach, which will be presented later at the empirical investigation of the NPO-sector. The basic intention here is to display the information in matrix form, which puts more emphasis on the diversity of stakeholders (in contrast to the cause-effect path).
  - + consideration of all relevant stakeholders
  - complex picture, due to large amount of information

For each of these forms of logical models, the subsequent Figure 25 provides an example.

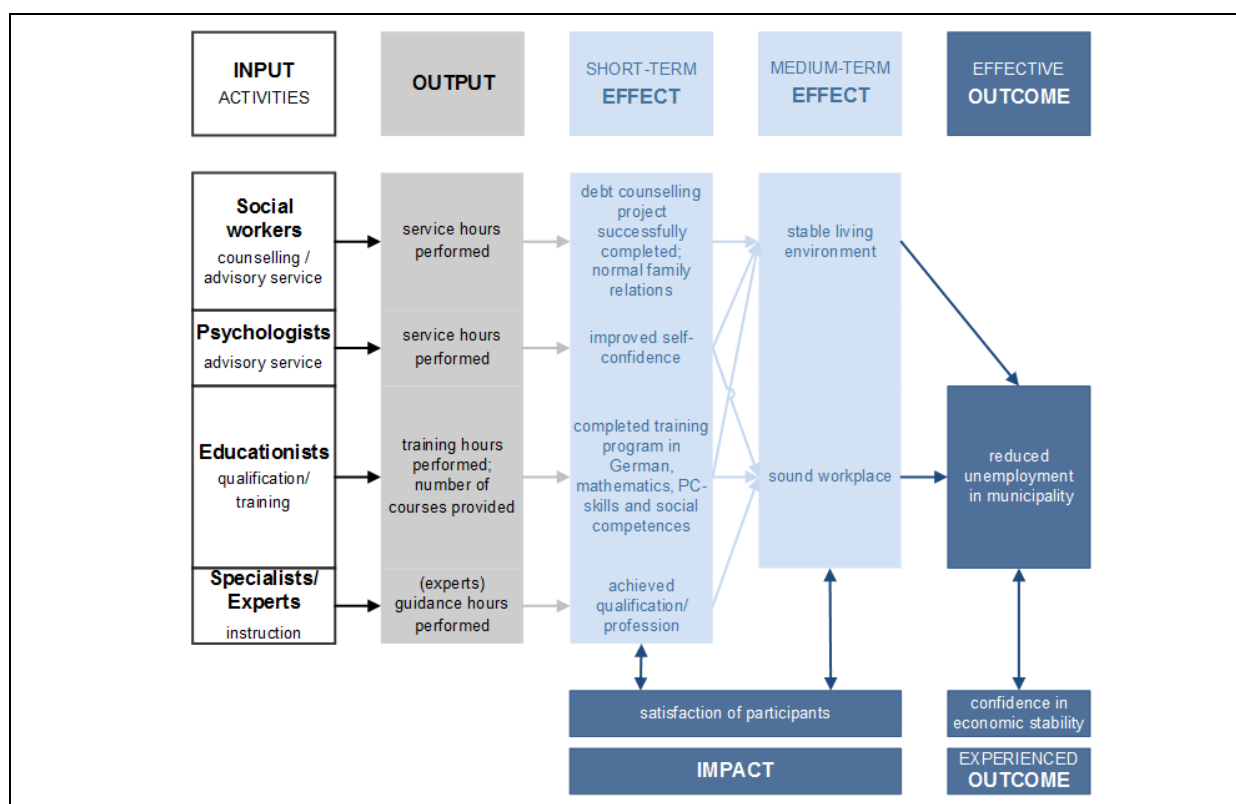


Figure 25: Cause-effect path vs. logical model in matrix form<sup>263</sup>

<sup>262</sup> cf. BONO, M.L. (2010a) pp.82.

<sup>263</sup> cf. Abb. 6/4 and 6/5 in Ibid p.84; p.86.

	Employees	Participants in work project	Customer of products (produced in work project)	Financier
OUTPUT	salary	counselling, training, and instructional hours	amount of products bought	number of long-term unemployed people involved in the project
SHORT-TERM EFFECT	regular income	stable financial & familiar circumstances; strengthened personal & professional skills	benefit from product	number of persons strengthened in personal and professional terms
MEDIUM-TERM EFFECT	secure job	housing and labour market integration		number of persons placed in jobs
IMPACT	satisfaction, motivation	satisfaction, self-confidence, vitality	satisfaction, loyalty to project / responsible body	satisfaction, willingness to provide finances, identification
EFFECTIVE OUTCOME	living standard	reduced unemployment rate in region	product-specific	reduced costs of labour market policy
EXPERIENCED OUTCOME	attractiveness of occupation	confidence in economic stability	increased sympathy for work projects	voters' approval

Figure 25: Cause-effect path vs. logical model in matrix form (work project example)<sup>264</sup>

The most controversial topic in relation to logical models is the problem of identifying valid cause-effect relations. Although experts' opinions differ widely in these terms, the positive side in any case is that a dialogue is initiated, which consequently can be used to promote organisational learning.<sup>265</sup>

## 2.9 Strategic Management

In the course of this study, the fundamentals of strategic management need to be outlined in order to set the basis for later discussed concepts and instruments, coming from this area. Subjects of this field usually address typical matters of business managers, which is why most concepts and instruments have its origin in business administration theory. Nevertheless, it can be stated that many aspects apply to managers from all areas, regardless whether they operate in the profit-, non-profit or public sector.

### 2.9.1 Definition of Strategic Management

In chapter 2.4.4, the definition of strategy and the connection to mission and goals have already been discussed. Once again, the strategy basically deals with the question on *HOW to achieve what has been defined* in the mission (with respect to competition and available resources).

<sup>264</sup> cf. Abb. 6/4 and 6/5 in BONO, M.L. (2010a) p.84; p.86.

<sup>265</sup> cf. Ibid pp.88.

At first sight, a multitude of different approaches regarding this topic can be identified. Apart from different theoretical viewpoints<sup>266</sup>, primarily interesting for this work are the *associated management tasks*. Following this, it again seems appropriate to use a *process-based approach* to consider all essential management aspects and, at the same time, to have a framework for all accompanied concepts and instruments. Lastly-mentioned approaches are particularly interesting in the course of this thesis.

A general description of strategic management, suitable for the context of this thesis, is provided by M. Welge and A. Al-Laham. They refer to strategic management as a process, which in its core focuses on the *formulation, development and implementation of strategies within an (business) enterprise*.<sup>267</sup>

Based on this, they developed a *process model* which provides a clear picture of the related tasks and elements. Figure 26 gives an impression of that.<sup>268</sup>

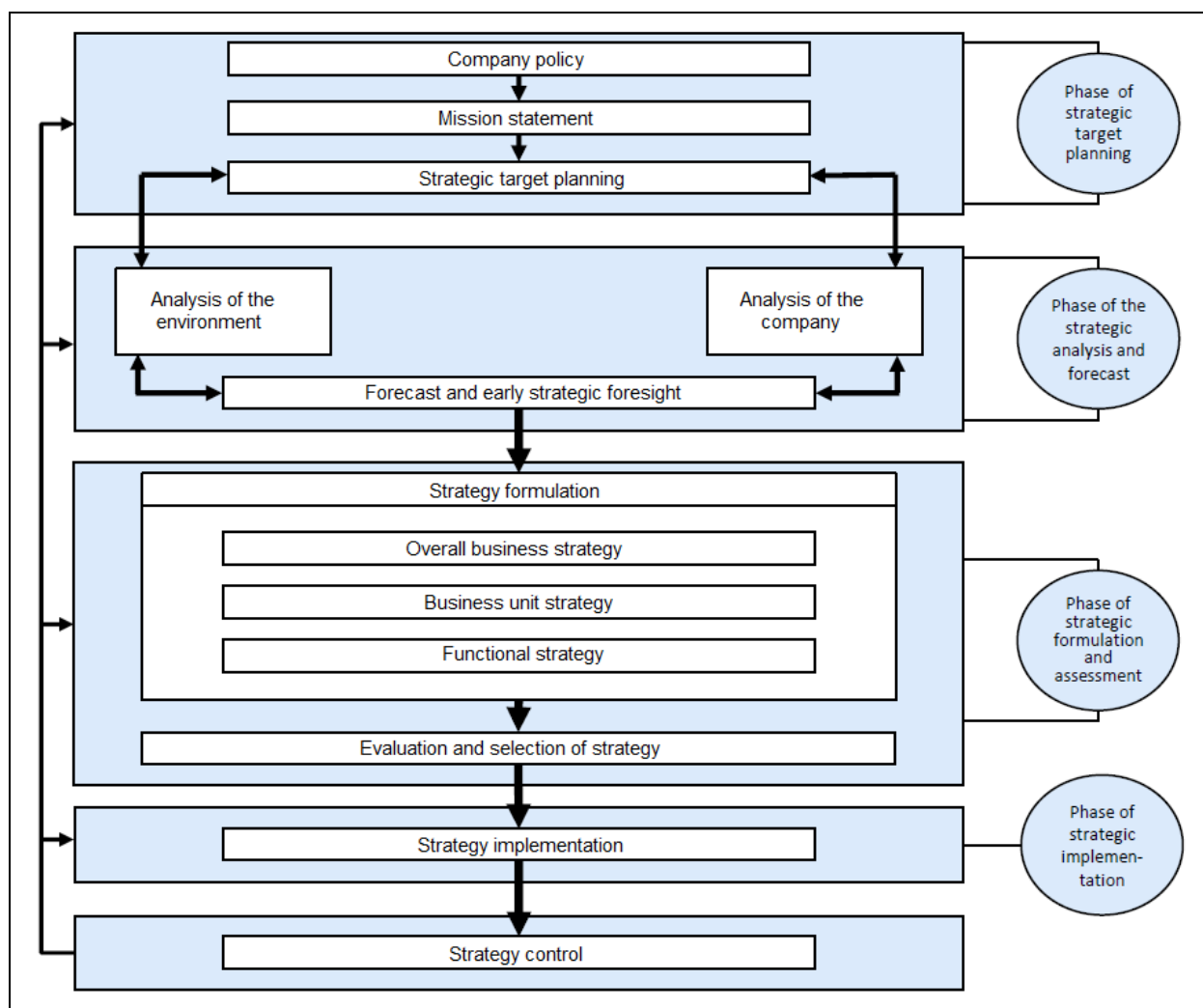


Figure 26: Strategic management process model<sup>269</sup>

<sup>266</sup> Theories on topics such as market-based view, resource-based view or knowledge-based view will not be discussed in this work. For information on this, see WELGE, M.; AL-LAHAM, A. (2012) p.79; p.87.

<sup>267</sup> cf. WELGE, M.; AL-LAHAM, A. (2012) p.23.

<sup>268</sup> cf. Ibid pp.185.

<sup>269</sup> cf. Abb. F-1 in Ibid p.186.

Without going into detail about the individual steps, important for this work is that, although this model was developed for business companies (Business Administration theory), still the elements, phases (strategic target planning, analysis and forecast, formulation and assessment and implementation) as well as the structure are also imaginable for public or non-profit organisations. For this reason this image will serve as basic framework when in the next section, a variety of practical tools and instruments will be presented.<sup>270</sup>

## 2.9.2 Concepts and Instruments of Strategic Management

In the course of finding pragmatic support for strategic management, a great number of tools emerged in business area. Many of these instruments can now be transferred to non-profit organisations, which can take advantage of them when developing an outcome-oriented management system. On this account, a selected number of common instruments will now be mentioned. T. Haddad provides a good summary of instruments, which are useful in the context of NPOs. Table 9 provides a list of them and briefly describes the function as well as the general objective.

Instrument	Objective	Function
<b>Organisational Policy</b> <sup>271</sup>	formulation of basic organisational values	groundwork for concretisation of tasks and activities
<b>Mission Statement</b>	short description of general purpose	internal/ external communication; deduction of objectives; future-oriented
<b>Stakeholder Analysis</b>	identification, classification and description of most important stakeholders	basis for stakeholder management
<b>SWOT-Analysis</b>	transparency and awareness of organisational strengths, weaknesses, opportunities and threats	groundwork for strategic planning & decision-making
<b>Key-/Core Products</b>	definition of core-products	identifying most important 'customers' and expectations; specifying quality and product features
<b>Portfolio Concept</b>	development of partial strategies for certain products/ services	demonstrating difficult circumstances (breakdown of complexities)

Table 9: Instruments of strategic management<sup>272</sup>

<sup>270</sup> cf. WELGE, M.; AL-LAHAM, A. (2012) pp.191 for a detailed description of the individual instruments.

<sup>271</sup> This instrument refers to what is in German-speaking environment designated as 'Leitbild'.

<sup>272</sup> cf. Abb. II 1.1 in HADDAD, T. (2003) p.14.

Instrument	Objective	Function
<b>Strategy Evaluation</b>	selection of best strategy	balancing quantitative and qualitative criteria with respect to feasibility, consistency and potential risks
<b>Business Plan</b>	comprehensive planning for successful management	basis for communication with external stakeholders, intensive confrontation with all facets relevant for realisation
<b>Balanced Scorecard</b> <sup>273</sup>	turning strategy into practice	strategy implementation, communication instrument, fundament for goal-oriented planning

Table 9 (continued): Instruments of Strategic Management<sup>274</sup>

## 2.10 Quality Management

Quality management (QM) as discipline, which nowadays is standard for most business enterprises, has also been well received by public and non-profit organisations. Chapter 2.5.2 has proven that not only simple quality management concepts have been developed, but also sophisticated ones can already be found, at least in literature.

Approaches that are used in public or non-profit sector are mostly modified versions of the original business conception. Based on this, the procedure of the following investigation will discuss original concepts, analyse where modifications are necessary and finally make a statement about which aspects can be transferred to NPOs.

### 2.10.1 Quality Management Interpretations and Reasons

From the current situation at the non-profit area, quite a number of arguments can be deduced, which nowadays lead to NPOs that familiarise with quality management conceptions.

One of the most significant reasons is the increased *competition for customers and resources*. The client today has various possibilities to choose from, which in turn means higher requirements for service providers (like NPOs). On the other hand, the shortage of resources (financial, personnel, etc.) forces NPOs to justify for all actions undertaken.<sup>275</sup>

Managers in this case first have to react to this condition, and secondly make understandable that the overall goal is to best fulfil the mission and to be as 'attractive' as possible for the client. Once, these targets have been clarified, it is time to *professionalise* the entire organisational work routine.<sup>276</sup>

With this in mind, one way of looking at QM is by considering it as a set of *management tasks*. Those tasks now aim at the achievement of the required quality standard, and try to

<sup>273</sup> A detailed examination of the Balanced Scorecard follows in chapter 4.2.2.

<sup>274</sup> cf. Abb. II 1.1 in HADDAD, T. (2003) p.14.

<sup>275</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.532.

<sup>276</sup> cf. HORAK, C.; SPECKBACHER, G. (2013) pp.179.

make sure that this quality level is kept constant or even (continuously) improved. A traditional categorisation scheme of this theoretical conception can be seen in Figure 27.<sup>277</sup>

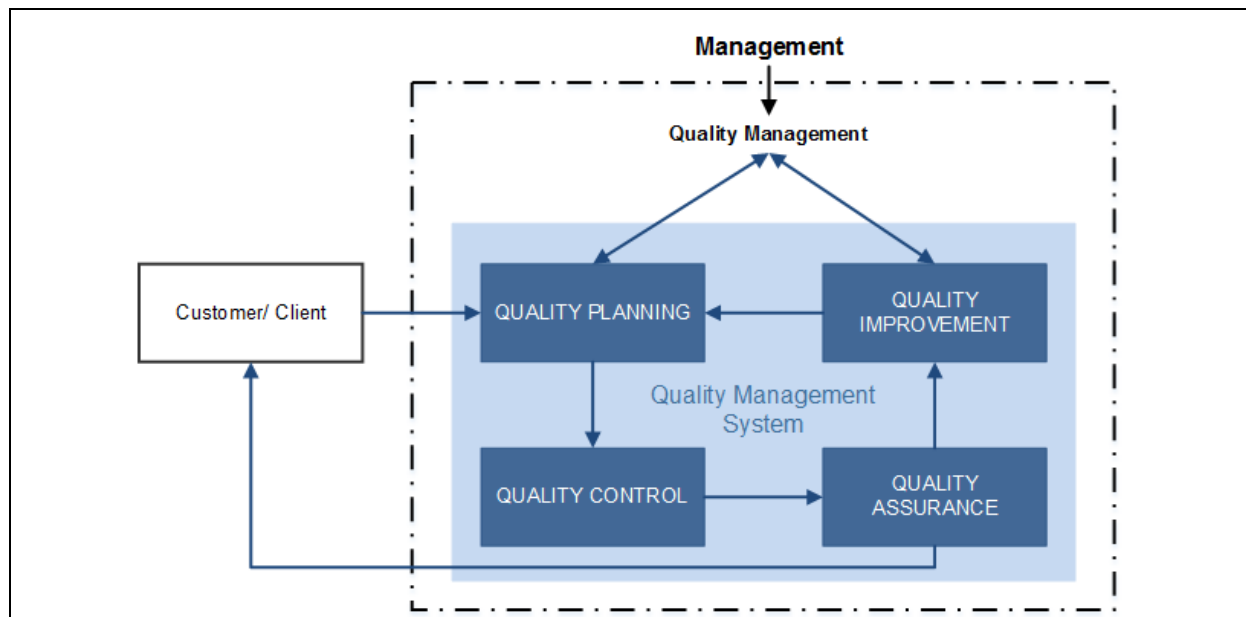


Figure 27: Traditional quality management tasks<sup>278</sup>

During the first phase, regarding *quality planning*, goals and criteria are normally specified, and an action plan is developed. The client's expectations are transferred into a concrete plan for the production process or for service provision. It is apparent that the actions at this stage affect various organisational departments, like marketing, production planning, process planning and many more. The next step, quality control, basically means measuring indicators and comparing them to previously defined target values. Occurring deviations at best should be balanced immediately. If the third activity, quality assurance, works according to plan, clients trust in provided services or produced goods and the quality efforts paid off. Stakeholders inside and outside the organisation must have the feeling that the product or service can meet the demand at all times. In the final stage, quality improvement, a comprehensive quality culture is developed. It needs to be emphasised that continuous quality improvement<sup>279</sup> is indispensable.<sup>280</sup>

Generally speaking, it can be noticed that the use of the categorisation scheme '*planning, control, assurance and improvement*' is a very common process-oriented approach. In this or in similar form, it can be found in many quality management conceptions like in the ISO models. However it must be said, that this categorisation system implies a strong emphasis on issues at the *operative level*.<sup>281</sup>

<sup>277</sup> cf. STOCKMANN, R. (2008) pp.23; based on original scheme of SEGHEZZI, H. (1994) pp.17.

<sup>278</sup> cf. Fig.2.1 in STOCKMANN, R. (2008) p.25.

<sup>279</sup> Quality management theories regarding 'continuous improvement' (CIP) or 'Kontinuierlicher Verbesserungsprozess' (KVP) will not be discussed in this work. For a detailed description, reference is made to current related literature on quality management.

<sup>280</sup> cf. STOCKMANN, R. (2008) pp.23.

<sup>281</sup> cf. SEGHEZZI, H.; FAHRNI, F.; HERRMANN, F. (2007) pp.136.

Besides quality management, viewed as process, other interpretations often relate to specific sub-fields of management like *strategic management or management control*. QM in this case shows no clear 'borders' to other management aspects, and has many parallels to topics like for instance in controlling<sup>282</sup>.

In connection to this second understanding, QM not necessarily has to be seen as a management task. In fact, it can for instance be considered as support for strategy implementation (controlling system). Once a strategy is put in place, quality management (much like controlling) for instance could support managers to keep track of the level of quality and thereby consequently give information about the achievements (met expectations).<sup>283</sup>

Quality management, serving as control instrument in many times is incorporated into a so-called *quality management system (QMS)*. Regarding this lastly-mentioned element, many *business concepts* exist in literature and practice.<sup>284</sup>

Two of the most popular ones will be presented and afterwards discussed in terms of their applicability to non-profit organisations.

## 2.10.2 ISO Quality Management System

A standard approach in the business sector is to implement a quality management system according to the 'International Organization for Standardization – ISO'<sup>285</sup>. In their collection of standards (ISO 9000-9004), they provide a basic framework for QMS, yet, their recommendations represent just a *set of minimum requirements*. The central assumption is that if an organisation is properly planned, standardised and transparent, the result will be the highest possible quality. Nevertheless, the model does not make any statements about what certain quality levels have to look like.<sup>286</sup>

The core of their concept consists of several specific process elements as can be seen in Figure 28. The idea of *continuous improvement* is introduced and located at the centre of the model. It furthermore involves an initial *identification of all necessary processes* inside and outside the organisation, carried out in the form of *evaluations*. The lastly-mentioned activity enables the control of the quality in the first place.<sup>287</sup>

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<sup>282</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.534.

<sup>283</sup> cf. HORAK, C.; SPECKBACHER, G. (2013) p.180.

<sup>284</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.534.

<sup>285</sup> ISO 9000 describes the fundamentals of the approach and the used terminology. ISO 9001 defines the requirements of the general system and the individual process elements. ISO 9004 concentrates on the efficiency and effectiveness of the system. For a comprehensive description of standards see [www.iso.org](http://www.iso.org) (01 May 2015).

<sup>286</sup> cf. STOCKMANN, R. (2008) pp.25.

<sup>287</sup> cf. STOCKMANN, R. (2008) pp.26 and cf. ÖNORM EN ISO 9001(2008) pp.9; The last one provides the original (and more detailed) description of requirements regarding individual process elements.

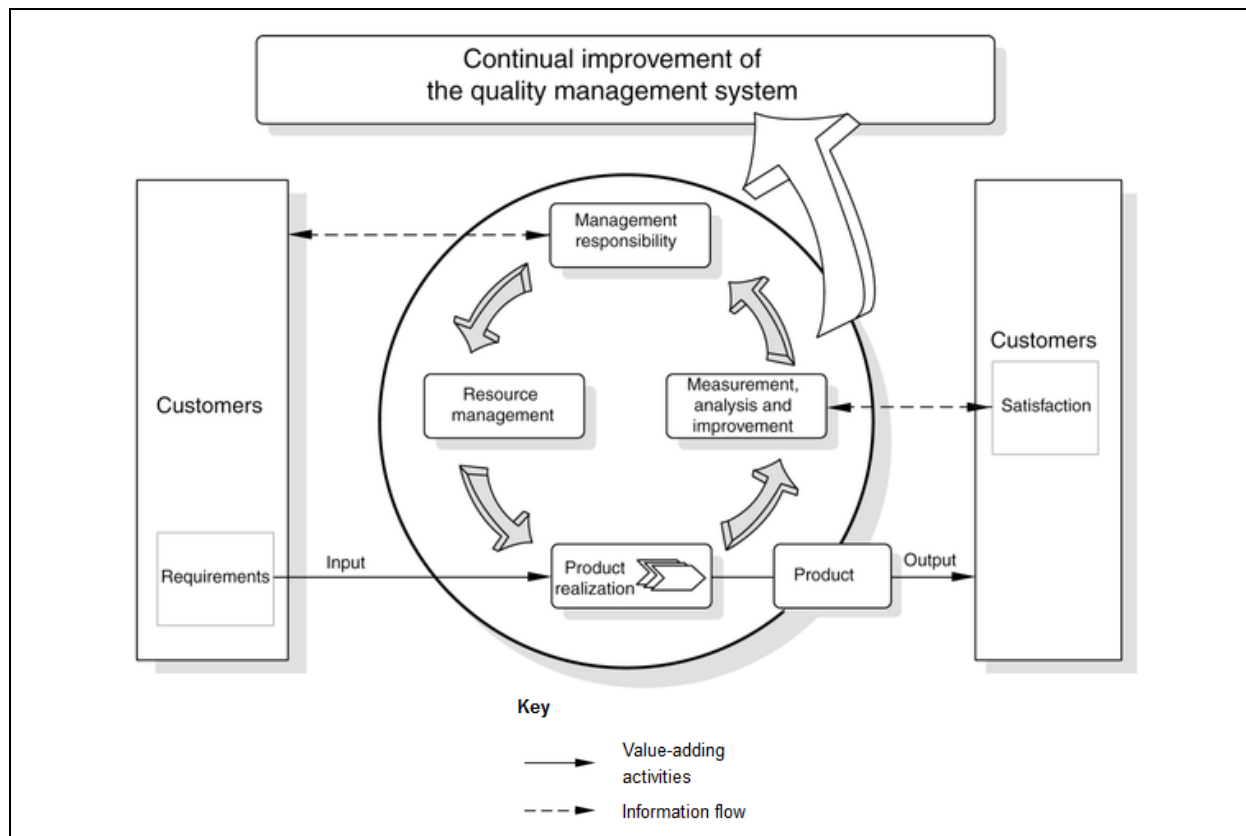


Figure 28: ISO (process-based) quality management model<sup>288</sup>

The central control-loop is located right between customer requirements and customer satisfaction. The first task of it is management responsibility. The management in this context has to fix quality goals as well as an overall policy that reflects customer requirements. He or she has to make sure that everyone commits to the policy and that it is kept at an optimum, at all times. The term resource management refers to the task of providing all necessary resources for the organisation. Additional aspects, which have to be considered at this stage are financial concerns, personnel- (e.g. necessary skills) matters, infrastructural issues and last but not least the working environment. Once everything has been organised, the implementation can start. The customer requirements are turned into reality. Comprehensive monitoring of production or service provision is recommended, so that the customer afterwards is satisfied with the result. The last phase is referred to as measurement, analysis and improvement. This stage deals with all aspects that aim at improving the quality of the next 'loop', like the identification of weak points or unwanted results. In this connection, it is particularly important to assess the customer satisfaction in order to find out if everything went according to plan.<sup>289</sup>

When the model has been implemented successfully, an *official certification institution* (through an audit) *confirms that organisation manages quality according to ISO standards.*<sup>290</sup>

<sup>288</sup> Fig. 1 in ÖNORM EN ISO 9000 (2005) p.13

<sup>289</sup> cf. STOCKMANN, R. (2008) pp.26 and cf. ÖNORM EN ISO 9001(2008) pp.9; The last one provides the original (and more detailed) description of requirements regarding individual process elements.

<sup>290</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.550.



Experts constitute that although the ISO approach is a good first step for NPOs towards quality consciousness, the preferable option should be Total Quality Management.

### 2.10.3 TQM, EFQM and Further Advancements

Whenever NPOs try to implement an all-encompassing quality concept, they have to deal with a great number of complexities. Support in these terms can be provided by the Total Quality Management model (TQM).<sup>291</sup>

TQM is to be understood as the *most comprehensive concept*, which puts central attention to the commitment of all *employees involved*, as well as to *continuous improvement*. It tries to consider everything that has an influence on both, quality assurance and quality control. The entire theory builds up on a *corporate philosophy*, which can be described as follows.<sup>292</sup>

- All stakeholders are considered in an adequate manner, but the priority is on the target group.
- Promote and use the employee's knowledge base as best as possible. Work on individual- and organisational learning.
- Implement continuous improvement, and try to focus not only on small steps, but also work on bigger, radical actions.
- Everyone is responsible for the right quality, individually as well as within teams.
- Work in processes.

The above-shown characteristics can be found in all variations of TQM, no matter where in which field they are implemented. Relevant features of a specific organisation (e.g. special strengths, weaknesses) have to be considered as well.<sup>293</sup>

From all involved persons, especially *leaders have to show outstanding skills*. They have to make sure that an appropriate structure takes into account all dimensions, such as quality, time, quantity and costs. The fact is that, whereas 'hard' facts are guaranteed by procedures, standards, etc., 'soft' facts (corporate culture, quality consciousness) are internalised by the employees.<sup>294</sup>

Inspired by TQM, numerous models exist that try to put the concept into practice. Some of them, like the *European Foundation for Quality Management (EFQM)-model*<sup>295</sup>, have been so successful that they are nowadays even considered as general management model.<sup>296</sup>

The EFQM model basically works on *the principle of self-assessment*. Organisations use it as an instrument to develop a quality management system (with corresponding indicators) in order to reach *excellence*. Excellent organisations according to EFQM "achieve and sustain outstanding levels of performance that meet or exceed the expectations of all their

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<sup>291</sup> cf. MATUL, C.; SCHARITZER, D. (2007) pp.534.

<sup>292</sup> cf. SEGHEZZI, H.; FAHRNI, F.; HERRMANN, F. (2007) pp.271.

<sup>293</sup> cf. Ibid p.272.

<sup>294</sup> cf. Ibid p.273.

<sup>295</sup> European Foundation for Quality Management (EFQM) [www.efqm.org](http://www.efqm.org)

<sup>296</sup> cf. SEGHEZZI, H.; FAHRNI, F.; HERRMANN, F. (2007) p.273.

*stakeholders*<sup>297</sup>. From this description, it can be deduced that the concept basically aims at advancement towards *stakeholders* and *actual achieved results*.<sup>298</sup>

The model consists of two major elements (enablers and results) and nine criteria, which can be divided into several sub-criteria. Figure 29 provides a graphical representation of the model:

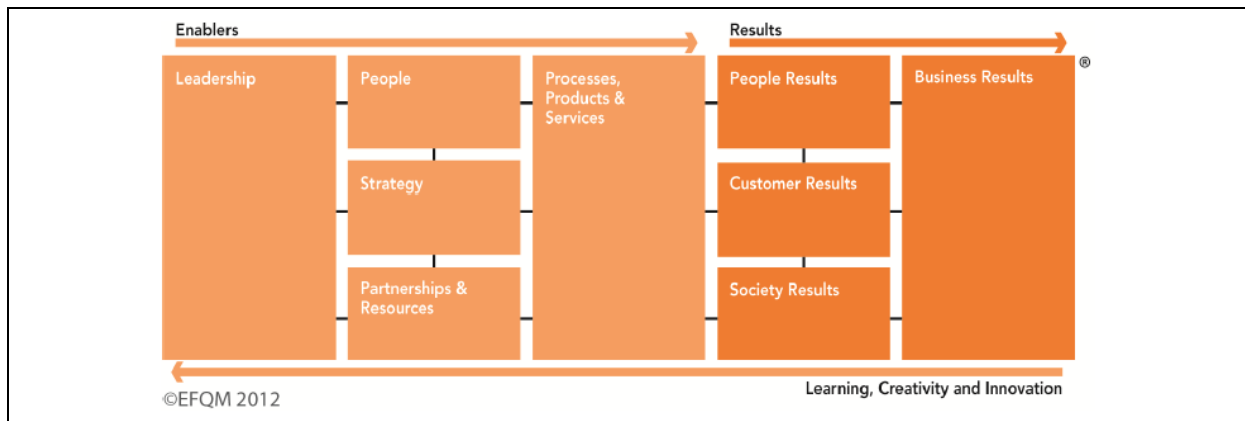


Figure 29: EFQM quality management model<sup>299</sup>

The term 'enabler' is used to refer to all essential prerequisites. 'Results' on the other hand should view the achievements from different perspectives. For each category indicators are developed, so that a total picture in the end is possible via self-assessment. The basic framework for the assessment is the RADAR Logic, as can be seen in the following Figure 30. RADAR is synonymous for Results, Approach, Deployment, Assessment and Review and represents the crucial stages of the assessment.<sup>300</sup>

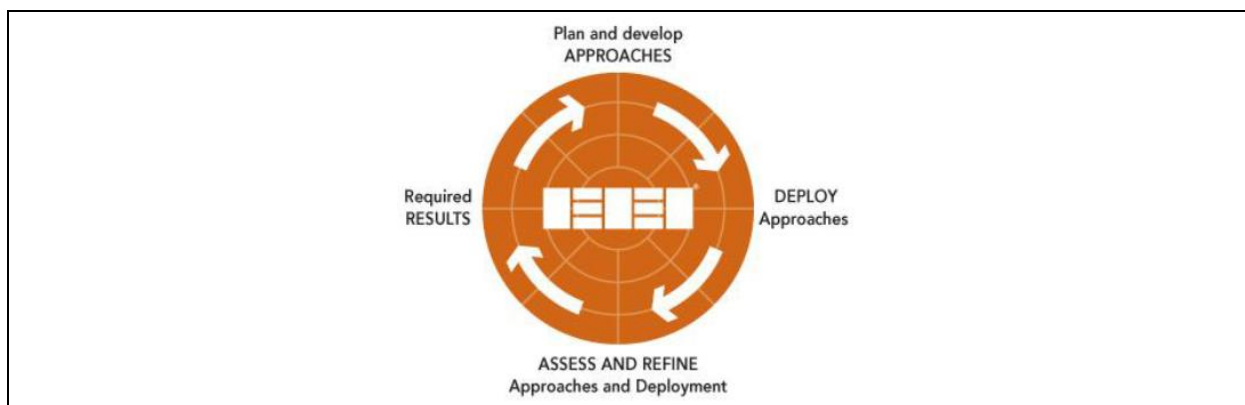


Figure 30: EFQM RADAR assessment logic<sup>301</sup>

EFQM provides training or consultative services as well as publications, wherein they specifically describe how to proceed during the assessment. An organisation can either apply the total model, or just relevant sub-elements of it. In any case, the assessment is followed by an analysis (according to a fixed scoring system), which is conducted by special

<sup>297</sup> <http://www.efqm.org> (23 April 2015).

<sup>298</sup> cf. Ibid and cf. MATUL, C.; SCHARITZER, D. (2007) p.547.

<sup>299</sup> Figure at <http://www.efqm.org> (23 April 2015).

<sup>300</sup> cf. Ibid and cf. MATUL, C.; SCHARITZER, D. (2007) p.547.

<sup>301</sup> Figure at <http://www.efqm.org> (23 April 2015).

assessors. In the end, the achieved score should demonstrate in how far 'excellence' has already been achieved. In addition, an official quality awarding system serves as an incentive to reach outstanding quality. The organisations with the highest score receive the EFQM award.<sup>302</sup>

Business enterprises are especially interested in the structured procedure of the EFQM concept. The described pattern often serves as first practical approach for assessment initiatives. The accompanied benefits thereby make it attractive for any organisation (profit or non-profit).<sup>303</sup>

In *business management*, many further theoretical and practical conceptions for QM exist. Besides other quality award systems (e.g. Malcolm Baldrige National Quality Award), many methodologies refer to the idea of TQM and refine it or even develop it further. Some notable approaches/ advancements, which are not further elaborated on, in the course of this thesis, for instance are:<sup>304</sup>

- Six Sigma and Lean Management,
- KAIZEN-concept,
- Taguchi-philosophy,
- Process Management,
- ...

#### 2.10.4 Applicability of Concepts and Instruments

Looking at the opinion of experts from theory and practice, it can be found that *great disagreement* still exists in terms of the question: *Should non-profit organisations make use of quality management approaches like ISO, TQM, etc.?* Furthermore, it seems also unsure which concepts best meets the special conditions of NPOs.

Based on chapter 2.6, where it was found that *major modifications/adaptions of concepts are in many cases necessary*, the author shares the opinion that the transferability of *total concepts* seems problematic. In view of the general complexity (time-, cost-, personnel-consuming) and based on the fact that those ideas are mostly customised for business enterprises, it does not seem as if these concepts satisfy the requirements of non-profits.<sup>305</sup>

The differences, outlined in chapter 2.4, apparently represent some major challenges for current approaches. Repeatedly said, the key problems in these terms are:

- complex, non-profit oriented goal system
- lack of customer concept
- often no traditional supply-demand relationship
- multitude of stakeholders and financing sources
- strong service orientation

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<sup>302</sup> cf. <http://www.efqm.org> (23 April 2015) and cf. MATUL, C.; SCHARITZER, D. (2007) p.547.

<sup>303</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.547.

<sup>304</sup> cf. BRUHN, M. (2013) pp.47 for further QM conceptions.

<sup>305</sup> cf. STOCKMANN, R. (2008) pp.54.

It could be argued that the problems regarding non-profit oriented goals could be corrected by a modified version of the ISO or EFQM concepts. Still, it is questionable if these adaptations would represent the *best 'answer' for NPOs special condition, or if they were more like a compromise solution.*<sup>306</sup>

Against this critical standpoint, however, it must be mentioned that a substantial number of positive reports can be found in the field of QM<sup>307</sup>.

In any case, it is noticeable that certain *special instruments* are accepted and frequently used by non-profits. There is almost no doubt, that some tools are great support for their specific matters. In the following, the most popular ones will be briefly discussed, because those descriptions will serve as groundwork for the empirical part.

#### 2.10.4.1 Benchmarking

In simple terms, benchmarking basically means comparing measurements. This approach is used in many different occasions.

In the framework of quality management (especially in relation to TQM), benchmarking is often used for *planning purposes*. With the help of inter-organisational comparisons, certain areas like production, administration, or marketing can be confronted with 'fictional competition'. The comparison of result figures as well as many other aspects should lead to an improvement of the individual performance.<sup>308</sup>

A different view on benchmarking for instance is, when it is considered as *learning tool*. Methods and improvements should be deduced from others that might also help their own organisation to become more successful.<sup>309</sup>

In general, benchmarking is mostly used for the operative controlling of business enterprises (e.g. cost-comparison). However, the basic idea of measuring and comparing results understandably is also *imaginable for outcome-oriented NPO-specific goals.*<sup>310</sup>

Apart from result comparison, benchmarks can also be related to different *points in time* as well as to *plan and actual values*. Observing values over the time for instance allows identifying trends. Comparing actual numbers with planned targets on the other hand again refers to organisational planning purposes. In the last example, deviations can be detected and based on that, correction can be planned.<sup>311</sup>

#### 2.10.4.2 Balanced Scorecard (BSC)

In 1992, D. Norton and R. Kaplan developed an instrument, which was originally intended as support for *performance measurement* and as basic fundament for quality improvement. Over the years, it has established itself in practice and was adopted by thousands of profit-, non-profit- and public organisations. Given this success, the instrument soon was extended and further developed. It started to be used as *strategy map and for strategic target setting*.

<sup>306</sup> cf. STOCKMANN, R. (2008) pp.54.

<sup>307</sup> cf. for instance BRUHN, M. (2013) for positive experience reports of QM approaches.

<sup>308</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.551.

<sup>309</sup> cf. SEGHEZZI, H.; FAHRNI, F.; HERRMANN, F. (2007) p.325.

<sup>310</sup> cf. MATUL, C.; SCHARITZER, D. (2007) p.551.

<sup>311</sup> cf. BONO, M.L. (2006) pp.256.

After that, further advancements followed and a *complete strategy management system was introduced*.<sup>312</sup>

From its evolution it can be recognised that the BSC *can be assigned to Quality Management and Performance Management* in the same way as to *Strategic Management*. As further discussions regarding classification do not serve the purpose of this thesis, it will not be further elaborated in this work.

The BSC, in its initial *business-oriented design*, identified financial parameters as main success criteria. In order to do justice to the rest of the shareholders, three additional perspectives were added, as shown in Figure 31.<sup>313</sup>

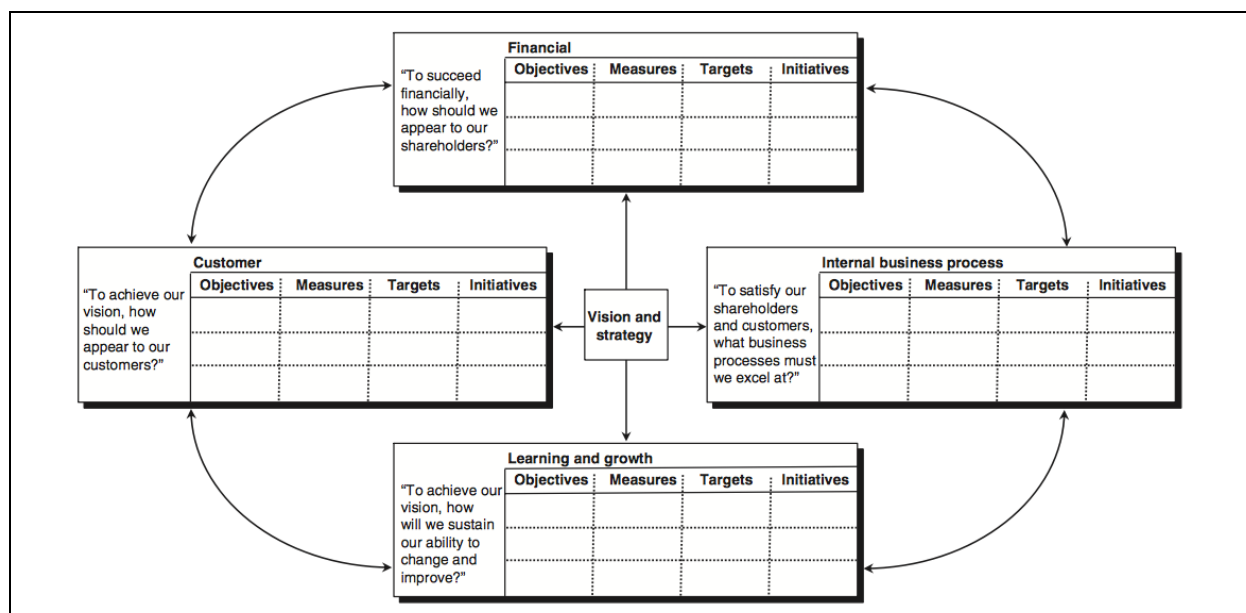


Figure 31: Original structure of the Balanced Scorecard<sup>314</sup>

The implementation of non-financial measurements for 'customer', 'internal business processes' and 'learning and growth' should emphasise that a business enterprise is guided by comprehensive, long-term shareholder values.<sup>315</sup>

Coming back to the non-profit sector, it is obvious that financial metrics such as decisive success indicators are not suitable for the intentions of NPOs<sup>316</sup>. On this account, the BSC will be further analysed in chapter 2.11.4.2 about the BSC in connection to New Public Management, and in chapter 4.2.2 about the BSC as conception for management control of NPOs.

<sup>312</sup> cf. KAPLAN, R. (2009) p.1253.

<sup>313</sup> cf. Ibid pp.1253.

<sup>314</sup> Fig. 1 in Ibid p.1254.

<sup>315</sup> cf. Ibid pp.1253.

<sup>316</sup> cf. Ibid pp.1262.

## 2.11 New Public Management

In this section, an insight will be given into the concept of New Public Management (NPM). Due to the fact that this matter deals with public management issues, subsequent considerations understandably take place in *public sector*. The goal is to clarify the basic prerequisites for subsequent investigations in this area (cf. chapter 3).

In the beginning, the fundamentals of the most significant public reformation will be examined, and the new role and function of politics and administration will be discussed. After this, the NPM model will be presented, and a special focus will be put on the aspect of *outcome orientation*. At the end, points of criticism will be shown, and it finally will be pointed out where NPM touches or even adopts management aspects from other fields.

### 2.11.1 NPM Concept

In the past decades of the Western cultural environment, the elementary functions of the state have changed. Based on the existence of a constitutional state ('Rechtsstaat') and on the fundamental democratic principle ('Demokratieprinip/-grundgedanke'), a third reason for legitimation emerged. State activities today are only considered as productive, if certain social outcomes have been achieved. In other words, it can be said that *outcome orientation has become indispensable*.<sup>317</sup>

The latest reform movement, which picked up this issue, is called *New Public Management* (NPM). It basically proposes a new form of public management that internalises all upcoming modernisations. The difference in comparison to previous reforms is that it introduces an *institutional view* on the administrative units as well as on all cooperation partners. With this way of looking at things, *new forms of steering* should be made possible.<sup>318</sup>

Leading researchers like K. Schedler and I. Proeller describe NPM as follows:

*"New Public Management is the generic term for an "overall movement" that has a globally standardised terminology and pursues administrative reforms based on an institutional view. A main characteristic of NPM reforms is the way they move political control from input-orientation to output-orientation."*<sup>319</sup>

The last control aspect will be put aside for the moment, due to the fact that this will be the topic of section 2.11.2.4. Regarding the first part of the statement, it can be recognised that although the term 'New Public Management' is accepted internationally, it cannot be considered as one uniform concept. Rather, it is an international pattern of reforms, defined by different thoughts and concerns.<sup>320</sup>

The various terms, used for the reform, also reflect the vast number of 'interpretations'. Whereas in Germany, the expression '*Neues Steuerungsmodell*' (new control model) is used, Austria and Switzerland refer to it as '*Wirkungsorientierte Verwaltungsführung*' (outcome-oriented public management). The names already indicate that the focus of these

<sup>317</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.7.

<sup>318</sup> cf. Ibid p5.

<sup>319</sup> Ibid p.5.

<sup>320</sup> cf. Ibid pp.33.

national examples is always on partial characteristics of NPM. On the whole, the pattern consists of several elements that are subject to constant change.<sup>321</sup>

In 1980/1990, when public reformation was the central issue, NPM was established theoretically as the standard reform model. C. Hood in 1991 provided a generally accepted description of the basic principles<sup>322</sup>. According to him, the main elements are:<sup>323</sup>

- 1) *a professional management*, which is characterised by institutional control that is active, visible and on a discretionary basis.
- 2) *standards and measures for performance* that allow goal definition and indication of success, at best in quantitative form.
- 3) *a focus on output control*, so that not only resources can be linked to the measured performance, but also rewards. The lastly-mentioned idea has the ambition to revolutionise traditional bureaucratic personnel management (see corresponding point '*management, inspired by the private sector*')
- 4) *disaggregation and decentralisation* of the public sector units. Organisational units have to become independent, but still should be located around certain products. A cooperative environment between those units should be promoted.
- 5) *enforced competition in public sector*. The cooperation needs to be based on contract procedures and tendering.
- 6) *management, inspired by private sector*. The 'military' structures need to be replaced by a more flexible (personnel) management (e.g. hiring, reward systems, public relation techniques)
- 7) *stricter discipline in the use of resources*. This issue not only refers to the employees, but also to management decisions (e.g. cost compliance, labour decisions, etc.)

The characterisation of NPM not only varies among different researchers (in different scientific fields), but also changes over time. The version of Hood, nevertheless, gives a good impression of the main arguments. As current comparative example, the model of F. Schwarenthorner of the Integrated Consulting Group<sup>324</sup> will be presented in the Figure 32.

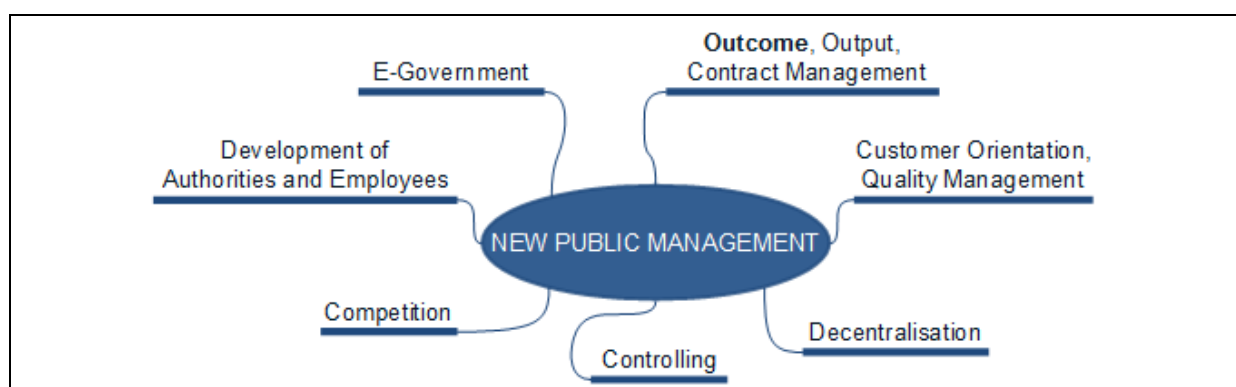


Figure 32: ICG model of New Public Management (F. Schwarenthorner)<sup>325</sup>

<sup>321</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) p5.

<sup>322</sup> cf. Ibid pp.28.

<sup>323</sup> cf. HOOD, C. (1991) pp.4 and cf. SCHEDLER, K.; PROELLER, I. (2010) pp.28.

<sup>324</sup> 'Integrated Consulting Group - ICG' [www.integratedconsulting.at](http://www.integratedconsulting.at)

<sup>325</sup> cf. Abb. 2.3 in SCHWARENTHORER (n.d.) p.3.

The Austrian office of the Integrated Consulting Group (ICG) is a leading consultancy for public management and is one major partner of the Austrian administration when it comes to modernisation and reformation efforts. What can be deduced from their model is that it for most parts corresponds to the original reflections of C. Hood (from 1991). They additionally refer to 'E-government' in order to do justice to the development in terms of communication technology<sup>326</sup>.

Summing up the investigation, it can be stated that New Public Management has followed the seven cornerstones (outlined by Hood) until today, in some way or another.

### 2.11.1.1 Role and Function of Politics and Administration in NPM

In business management theory, it has become custom to think and structure management tasks in three levels, normative, strategic and operative<sup>327</sup>. This way of thinking has proved practical and is therefore also attractive for the public sector. However, the situation in lastly-mentioned field is significantly different from profit-sector, what can already be seen by the involved parties. The decision power between government ('Regierung') and parliament is assured by constitutional law, and due to this clearly specified. The authority to make laws and to put them into practice is at the responsibility of the parliament and the administrative units. Those two major partners now have to fulfil different functions. While parliaments and similar political bodies usually determine '*what to fulfil*' (*strategy goals*), the administration constitutes '*how to achieve it*'. However, what frequently turns this collaboration into a conflict area, is the fact that two completely different partners (and with them mind-sets) face each other at this intersection field.<sup>328</sup> Figure 33 graphically displays this circumstance.

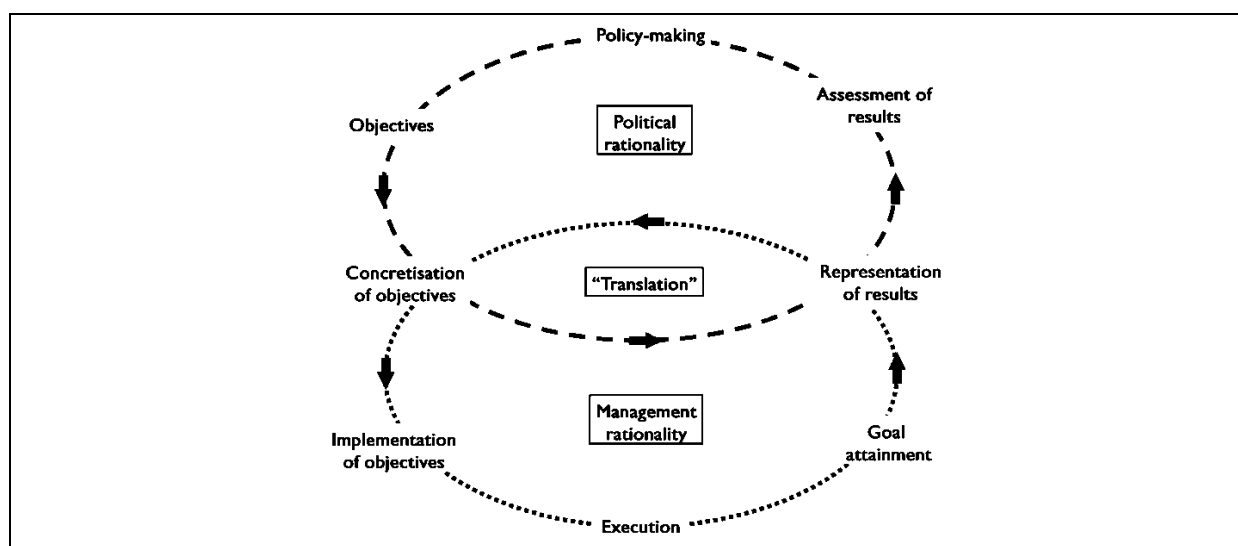


Figure 33: Decision-making of politic bodies and administration in NPM<sup>329</sup>

The figure demonstrates the two guiding rationalities and the fact that they in reality often do not have the same 'direction'. The worst case in these terms would be, if what appears to be

<sup>326</sup> cf. SCHWARENTHORER (n.d.) p.4.

<sup>327</sup> cf. BLEICHER, K. (2011) p.87.

<sup>328</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.51.

<sup>329</sup> Fig. 3.1 in Ibid p.52.



rational for one side means exactly the opposite for the other side. Classical management aspects are usually led by facts and figures, whereas political decisions are often the result of a long negotiation process.<sup>330</sup>

It turns out that for a qualified public management, it in the first step needs an appropriate balance of political and management considerations. When the best compromise is found, it is on a *translational element*, to link the efforts of one cycle with the process of the other one. In the end, both partners must be aligned towards one common goal.<sup>331</sup>

## 2.11.2 NPM Model and its Strategies

The next question, which needs to be clarified, is what the general purpose of the reformation is. The next paragraph will deal with this in more detail.

With the use of certain strategic principles (inspired by business sector), the new concept has the intention to *improve the general management of public administration as well as the process performance (efficiency and effectiveness)*. It furthermore can be seen, that the following reorientations are inherent in all national versions of NPM.<sup>332</sup>

### 2.11.2.1 Customer Orientation

The first strategic orientation is dedicated to the customers of public services. The essence of this is to *reach individual legitimation*, which basically means that the interests of the person receiving the good/ service are taken into account. What again is important here is to find the right balance. The consumption of one single 'customer' for instance must not be at the expense of all others. It is therefore necessary to find this *reasonable balance* between the individual (customer interests) and the remaining parties (interests of all other stakeholders).<sup>333</sup>

Furthermore, the definition 'customer' has its origins at the business sector, and due to this relates to the condition in this area. However, if the attempt is made to transfer this concept to any other field (non-profit or public), imprecision frequently is the consequence<sup>334</sup>. The reasons for this problem are the same as for NPOs (public goods, multi-dimensional relationship, etc.).

In the same manner as for non-profits, it is crucial to define the target person/ group right at the beginning. It is indispensable to have a clear impression of the person/ group, who/ which expects benefiting from the product/ service.<sup>335</sup>

### 2.11.2.2 Competition Orientation

The next reorientation aims at introducing competition to the public area. The plan is to *stimulate efficiency and effectiveness via market mechanisms*, which means that products/

<sup>330</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.51.

<sup>331</sup> cf. Ibid pp.51.

<sup>332</sup> cf. Ibid p.53.

<sup>333</sup> cf. Ibid p.56.

<sup>334</sup> cf. STOCKMANN, R. (2008) p.57.

<sup>335</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.51.

services will not go into the hands of the profit enterprises. Rather, a *competitive environment* should be promoted. The implementation of market-like conditions is possible with concepts like output comparison, contracting out, tendering, and many others. All these approaches are usually summarised under the term 'market mechanism'.<sup>336</sup>

In chapter 2.4.2.3 about different forms of competition, three types were presented (fictional, market and market like-competition). This scheme also applies to the public sector, as it in fact was originally developed from competition between public and private organisations.

### 2.11.2.3 Quality Orientation

The third strategic alignment refers to quality aspects. The main idea of this is to put greater emphasis on quality consciousness and on quality management systems. A radical change of both, the organisational structure and the production/ service process should increase efficiency and effectiveness. In the administrative sector, quality for long time meant correct fulfilment of tasks. New Public Management wants to develop and improve public quality thinking, and introduces the question: *What will be the end result for the customer?* (cf. also subsequent chapter 2.11.2.4).<sup>337</sup>

In the same way as for NPOs, public organisations also have to change to a multi-dimensional image of quality. Based on the original concept of D. Garvin<sup>338</sup> for private businesses, M. Oppen developed a model, which today is common for public institutions. This one provides the following dimensions:<sup>339</sup>

- output-related quality,  
meaning every aspect, which can be assigned to the output dimension (product, service, etc.)
- customer-related quality,  
includes every achieved change at the customer (customer satisfaction, etc.)
- process-related quality,  
refers to the quality of the process itself (failures, efficiency, etc.)
- political quality,  
provides information about how politics assess the output

To conclude, a holistic view on quality pays attention to efficiency, effectiveness, and to reasonableness of the produced good or service provided. The concepts of New Public Management and Quality Management follow very similar tendencies. The major difference however, is that NPM focuses on *results in order to solve socio-economic problems*, whereas QM concentrates on *customer results*.<sup>340</sup>

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<sup>336</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) p.150.

<sup>337</sup> cf. Ibid.

<sup>338</sup> for the original concept see GARVIN, D. (1984) pp.25.

<sup>339</sup> cf. OPPEN, M. (1995) pp.43 and cf. SCHEDLER, K.; PROELLER, I. (2010) p.62.

<sup>340</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.62.

### 2.11.2.4 Output- and Outcome Orientation

Output and outcome orientation, as the last strategic objective, corresponds to the central topic of this study, and due to this will be investigated in more detail.

What in public sector had been standard for the longest time was a so-called *input orientation*. All necessary resources (financial and personnel) were forwarded to the institutions, which in turn performed certain actions. By the amount distributed resources, it was navigated that fields requiring more efforts accordingly get more attention, while others receive less. A major weak point of this idea was that this way of proceeding did not show any *direct connection to the actual achieved outcomes*. Basically, it was assumed that the activities were executed effectively. In contrast to this, reality proved that this way of control did not always lead to efficient and effective work. Instead, an issue called '*December fever*' emerged. When institutions had not used their entire budget at the end of the year, because for example they had worked more efficiently than expected, they were given fewer funds for the next period. In order to avoid cut-down, administrations started to excessively spend their rest-budget in December for issues, which were actually not needed at that certain moment. This example was just one of the downsides of input orientation, which finally led to further developments towards outcome orientation.<sup>341</sup>

The difficulties, going along with outcome orientation (problems with the cause/effect relation, long-time nature of outcome, etc.), already revealed that an implementation of outcome control is a considerably complex issue, also for public institutions. For this reason, many organisations understandably take the '*middle step*', which means that they *measure and concentrate on outputs*, which are easier to 'handle' and align them towards outcome objectives. Outcome control still needs *further enhancement* in order to be universally accepted. Yet, before this can happen, new approaches for managing financials and performance have to be present (e.g. double-entry bookkeeping).<sup>342</sup>

Figure 34 shows a graphical comparison of the old and the new system:

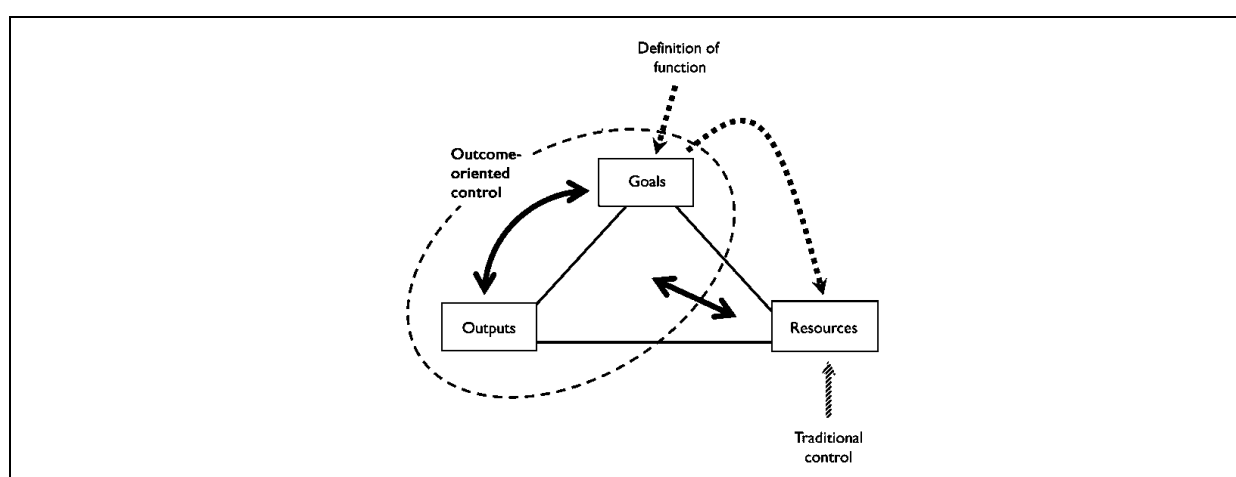


Figure 34: Input- vs. output-oriented control in NPM<sup>343</sup>

<sup>341</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) p.57.

<sup>342</sup> cf. Ibid pp.58.

<sup>343</sup> Fig. 6.1 in Ibid p.102.

Every administrative process starts with a specific sphere of responsibility, which usually is the result of a political process. These functions are distributed among different units together with the therefore required *resources*<sup>344</sup>. The novelty regarding public control is that every state activity today *can be attributed to certain output goals and thereby at the same time to concrete outcome objectives*. The previous connection based on assumptions (input control) is replaced by tangible information about the results. The last one finally allows *putting the required input in relation to the achieved output and outcomes*. With this, public authorities are given an instrument, which enables them to *'manage'* output and outcome (have a direct influence on them).<sup>345</sup>

The subsequent section 2.11.4.1 will show how public organisations use outcome orientation as alternative for classical business management control.

### 2.11.3 Criticism

As might already have been assumed for such a radical reformation program, NPM is not always considered as positive change<sup>346</sup>. In reality, criticism is voiced from various sides and discussions take place on national as well as on international level.

Due to the fact that it would go too far to discuss all issues in detail, the idea of this section in the first place is to put the emphasis on a national level (Austria). After that, some cross-national concerns will be highlighted, and in the final paragraph some general points of critique will be shown that are in fact independent from nation and reform program.

In Austria, the Federal Budget Law Reform ('Haushaltsrechtsreform') of 2013, and the subsequent implementation brought up much criticism. One relevant aspect, which for instance was picked up by C. Brandtner, M. Kinschner and T. Polzer, dealt with the effects of output and outcome orientation on the national power balance as well as on the quality of democracy. In their recent publication, these experts draw the provocative picture that Austria someday might end up as 'Austria, Inc.'<sup>347</sup>

The key issue they furthermore address is that outcome orientation operates on the thin line between democracy and technocracy, or in other words, two final scenarios are imaginable. The positive and also intended thought is that the involvement of society can be increased with greater focus on the 'customer' (democratic principle). On the opposite side, it might also be the case that technocracy overweighs, which consequently would have a negative effect on the national power balance.<sup>348</sup>

C. Brandtner, M. Kinschner and T. Polzer came to the conclusion that the reality understandably is not as dramatic as pictured in the last situation<sup>349</sup>. Nevertheless, the

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<sup>344</sup> In business management theory, *resources* are frequently referred to as *input*.

<sup>345</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.101.

<sup>346</sup> cf. Ibid p.221.

<sup>347</sup> cf. BRANDTNER, C.; KINSCHNER, M., POLZER, T. (2013) p.208.

<sup>348</sup> cf. Ibid p.224.

<sup>349</sup> cf. Ibid.

*influence of NPM on the power relation between politics and administration still represents a current point of criticism.*

On the broader international context, numerous discussions can be found which deal with different features of NPM. K. Schedler and I. Proeller have listed seven fields of debate, which give a good overview of some aspects, which are frequently designated as 'weaknesses' by theoreticians and practitioners. Those issues are:<sup>350</sup>

1) changes affecting staff

According to critics, organisational restructuring and decentralisation will lead to serious drawbacks for the personnel. Some experts for example argue that the reduced number of organisational units together with contracting-out inevitably will have negative influence on employment and career development<sup>351</sup>. Nevertheless, it has to be stated that so far changes have not been as dramatic as expected.

2) no exact definition of 'New Public Management'

Great disagreement exists upon how NPM should be classified. The used terminologies range from tool to toolbox up to 'political philosophy'. In any terms, this issue bears the risk of an improper use.

3) NPM weakens the state

The central statement hereby is that an efficient state has to keep its power (skills, competencies) centralised in order to adapt to changes as fast as possible.

4) NPM as universal approach

The 'broad' definition of NPM, on an international level, leads to great confusion. A 'narrower' more exact understanding would solve this problem, but is only realistic for smaller organisational units (e.g. cities, states)

5) Influence on power (of politicians)

Critics say that NPM concentrates too much on management and too little on political concerns. In addition, it is argued that the outcome-oriented system would be too complex for political bodies. As a consequence, they delegate responsibilities to administration.

6) Problems of excessive technocracy

Researchers as for instance R. Gregory (who specialised on NPM in New Zealand) claim that it would put reality into 'boxes' like output or outcome. In this way, complex/ dynamic but also important elements are frequently left aside.<sup>352</sup>

7) *Outcome orientation* and measurement

According to the opinion of some experts, outcome orientation still seems to be a vision rather than a practical solution. In the international landscape, many difficulties of the approach have not been overcome yet.<sup>353</sup>

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<sup>350</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.226 for all seven points.

<sup>351</sup> cf. BROWN, K. (2004) p.307.

<sup>352</sup> cf. GREGORY, R. (2000) pp.120.

<sup>353</sup> cf. PROELLER, I. (2006) p.167.

So far, it could be demonstrated that New Public Management today is seen from many different (and not always affirmative) standpoints.

In this last part, it will be shown that similarities can be found between critical points of NPM and those of completely different federal reform programmes. J. Siegel for instance analysed administrative reformations in the USA between 1945 and 2000. Even though these actions did neither have the same content as NPM, nor were they executed at the same time or at the same place, still parallels in terms of the expressed criticism can be drawn.<sup>354</sup>

What is interesting in connection with the criticism of NPM is that the following problems generally appeared:<sup>355</sup>

- The relation between the result and the therefore required efforts were unsatisfying
- The introduced management instruments were bypassed, misused, or simply not used at all.
- Unintentional results represented possible risks for the organisations' ability to perform (they might even work against their objectives).
- The reform is unable to implement an effective incentive system.
- The program does not provide enough data in order to make a statement if it is sufficient or not.

The illustration of these typical shortcomings should create awareness for the fact that problems occur at almost every reformation programme, independent from the content or outer circumstances. *Criticism as the logical consequence on that condition seems to be unavoidable.*

## **2.11.4 Connection to Business Management**

In this sub-chapter, connections between NPM and business management will be presented, which will be relevant for the subsequent empirical investigation of the public sector (cf. chapter 3)

### **2.11.4.1 Management Control**

Public administration generally deals with a broad spectrum of different matters. The multitude of the different control processes consequently can only be brought down to one model, if it is limited to a very basic framework. Following this, the model of K. Schedler can be used to understand the general control logic on a universally accepted level. Nevertheless, it has to be mentioned that this description is neither totally exact in its chronological sequence (e.g. stages in practice will mix, overlap, happen simultaneously), nor does it consider important external or environmental influences. In spite of these drawbacks, the model provides a good representation of commonalities to business management control.<sup>356</sup>

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<sup>354</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.302.

<sup>355</sup> cf. SIEGEL, J. (2006) pp.212.

<sup>356</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.103.

In Figure 35 the NPM control process is shown:

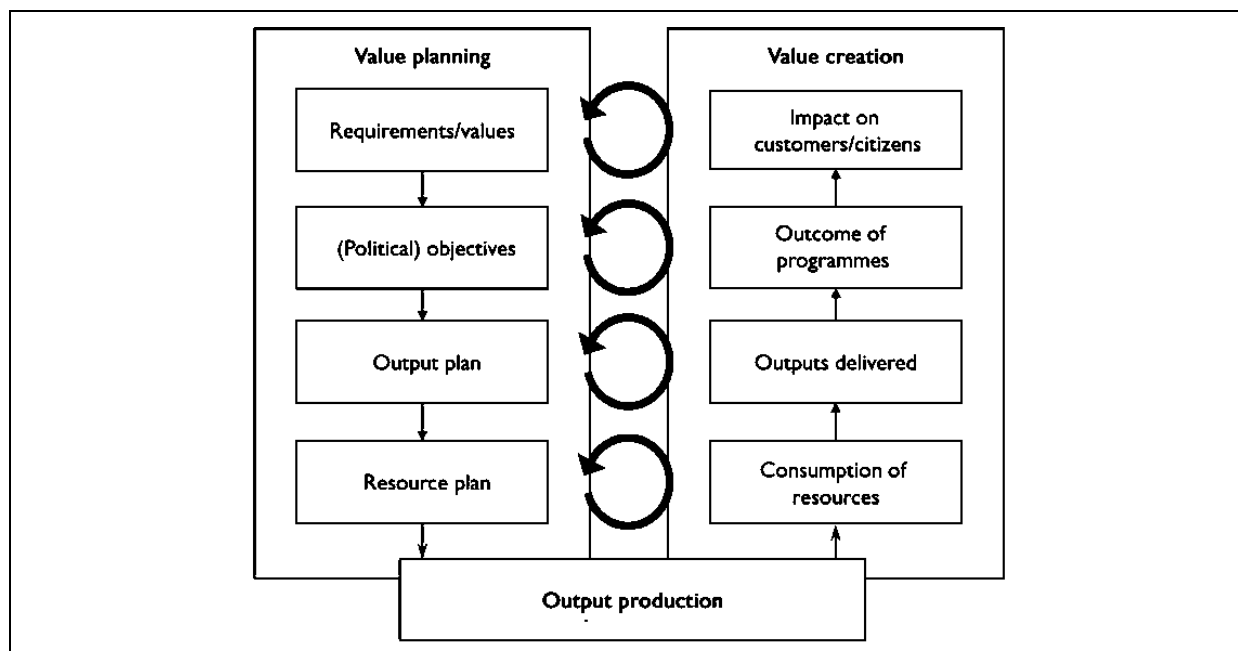


Figure 35: Basic control process in NPM<sup>357</sup>

In order to get a better understanding of the process, the individual elements have to be explained.<sup>358</sup>

- **Requirement/values**  
Considering social needs and desires mostly is the issue of political businesses. Nevertheless, also more concrete requirements (in relation to public products or services) can be the case. The basic *attitude of the recipient is again important* at the end of the process, when it is found out how the 'customer' values the product/service. As an example, a decreasing unemployment rate also lowers the general interest in actions for social security (or the other way round).
- **(Political) objectives**  
New Public Management implies that political and administrative bodies have to formulate *outcome and output goals*. Both dimensions have to be considered in order to allow statements about efficiency and effectiveness. In this connection, it is incredibly important to *work precisely*, because subsequent steps are heavily dependent on the specifications of this stage (e.g. deriving performance indicators). Furthermore, target setting does not only imply listing objectives, but a prioritisation is also essential. With this, it is ensured that the individual tasks get the right attention at the right time.
- **Output plan**  
Output orientation calls for a change of politicians' attitudes. 'Thinking in resources' used to be reasonable with regard to political and administrative responsibility. The allocation of public money is permanently under critical inspection by society, which

<sup>357</sup> Fig. 6.2 in SCHEDLER, K.; PROELLER, I. (2010) p.103; based on MÄDER, H.; SCHEDLER, K. (1994) p.58.

<sup>358</sup> cf. Ibid pp.104.

has its very own opinion upon the distribution of funds. Therefore it was rational to pay attention to the input-side. In opposition to this, an output-focus signals a new way of proceeding. 'Functions' of the administration are no longer seen as fulfilled by 'activities', which require 'resources'. Rather, the *'output' now is determinant for the performance of the 'functions'*. In this new scenario, the management performs control via clearly defined products or services. For public management, it has become standard to *summarise smaller outputs into groups* that show the same intention. This simplifies budget calculations and reporting. Later, in the empirical part, it will be possible to see how different countries proceed in these planning matters.

- Resource plan  
The new way of proceeding represents a greater challenge for 'public managers'. They now have *more planning responsibility*, which means that they are free to decide on where to allocate resources. On this account, the resource plan also becomes more important as support for decision-making.
- Output production  
The physical production or service provision is now at *the responsibility of the single offices*. They decide what the entire process will look like. Nevertheless, insights have to be given, when higher instances see a need for intervention or optimisation. If the right type of data is not available, surveys have to be commissioned.
- Value creation/ Value measurement  
Deduced from the previous step (production), the actual value of the production can finally be compared with the target value. The concept hereby consists of several levels, which normally correspond to the structure of the logic model. The bottom level starts with *resources*. Cost calculation usually provides information about financial aspects. The next dimension is the *output*, which is mostly measured quantitatively. Afterwards, groups of outputs are summarised, aligned to a common *outcome* and compared to the defined (political) objectives. The last category, the *impacts*, differs from the context of this work. Impact in this case refers to the outcome, which is experienced by the recipient. Impact, defined like in this model, makes sense, if outcome and impact show different tendencies. As an example, if snow clearance in winter cannot do its work because of serious snowfall, this has negative influence on the outcome. However, if the recipients perhaps accept the delay, this has not such a tremendous influence on the impact ('customers' accept delay).

In conclusion, the abstraction of the management control process of NPM reveals the underlying framework. This basically shows many similarities to conventional business management control. The comparison of 'planning/actual value' is one typical business feature, just like the use of the levels resource-output-outcome-impact.<sup>359</sup>

The following Figure 36 highlights these similarities.

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<sup>359</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.134.



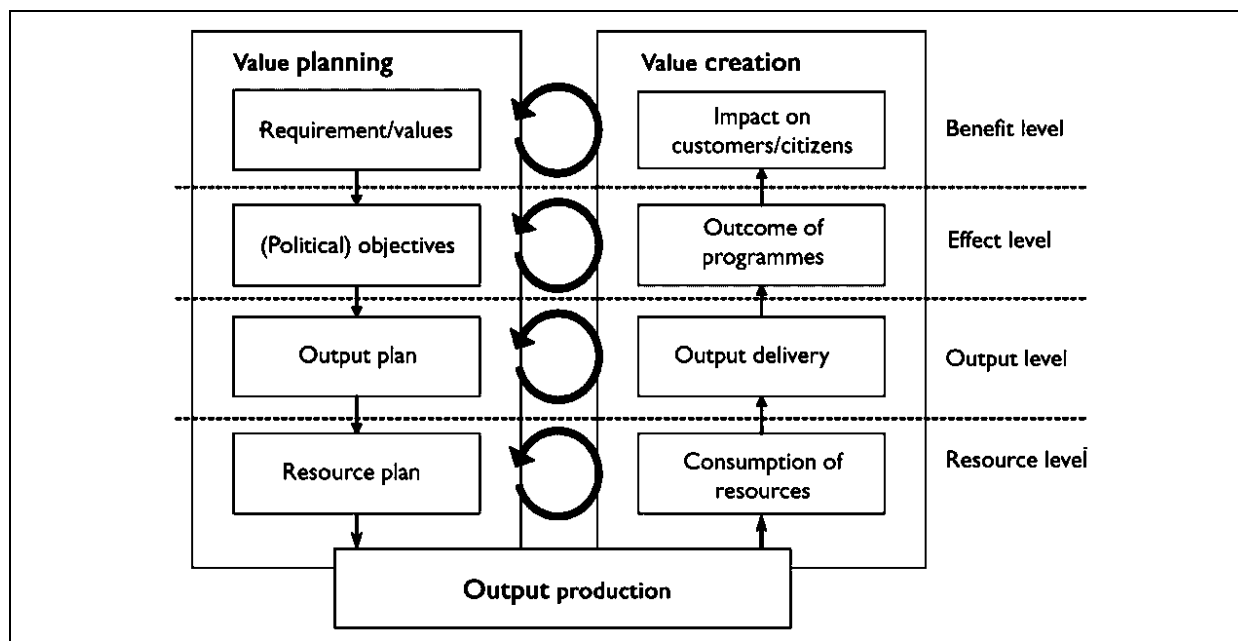


Figure 36: The process in NPM as management control process<sup>360</sup>

Besides this management control approach, which has the intention to equip public managers with more decision-making competency, the second large initiative in this direction is the *provision of one-line budget* (*'Globalbudget'*). Institutions in this way receive funds in the form of a total net amount, which is fixed by the already discussed performance agreements. This procedure replaces the original approach (allocating funds to different types of expenditure (*'Aufwandarten'*)).<sup>361</sup>

To conclude, both reformation issues (management control and one-line budget) try to bring forward an issue, that is best described with one of the most famous slogans of New Public Management, namely the (urgent) call to *'let the managers manage'*.<sup>362</sup>

#### 2.11.4.2 Quality management Models

If quality management and NPM are compared according to their contribution to quality/performance improvement, it can be recognised that they address two different areas of an organisation. Resulting from this, it can also be said that they are *completing each other* to a certain extent. While NPM primarily focuses on the *relationship/cooperation between the different institutions*, QM concentrates on potential *improvements within the state institution*. The last one usually takes a closer look on processes and activities on the inside, and tries to identify 'wasted' quality potential. Another common ground of both disciplines is that they put great emphasis on the *result of the respective organisation*. Quality management thereby refers to what has been achieved for the *'customer'*. NPM has a broader perspective on the accomplishments, and addresses itself to larger *socio-economic concerns*.<sup>363</sup>

<sup>360</sup> Fig. 7.2 in SCHEDLER, K.; PROELLER, I. (2010) p.135.

<sup>361</sup> cf. Ibid p.129.

<sup>362</sup> cf. Ibid p.127.

<sup>363</sup> cf. Ibid p.63.

In the public sector, quality management approaches can be used to set up an indicator-based (management control) system. Worth mentioning here are the already discussed models like ISO or EFQM. However, it needs to be noted that these conceptions were originally designed for business enterprises, thus certain adjustments are necessary. As an example of an instrument, which is implemented in public institutions, the Balanced Scorecard by Kaplan and Norton can be picked up again.<sup>364</sup>

- Balanced Scorecard for Public Organisations

The main task of the BSC is to provide support for strategic target setting. The managers of public organisations thereby first need to decide upon appropriate goals for the different perspectives, and in the next step develop corresponding indicators. The amount of indicators must not exceed a certain reasonable level, so that the manager is not overloaded by information.<sup>365</sup>

One of the most important steps, which have to be performed in advance, is to adapt the instrument to the requirements of public institutions. *Financial input, output, and outcome as success indicators have to be added to the financial perspective, and replace it as centre of attention.* Further adjustments are necessary for the 'shareholder' perspective. For public institutions, the major cooperating partner is not the market, but (*political*) *principals*. The result of these modifications finally can be seen in Figure 37.<sup>366</sup>

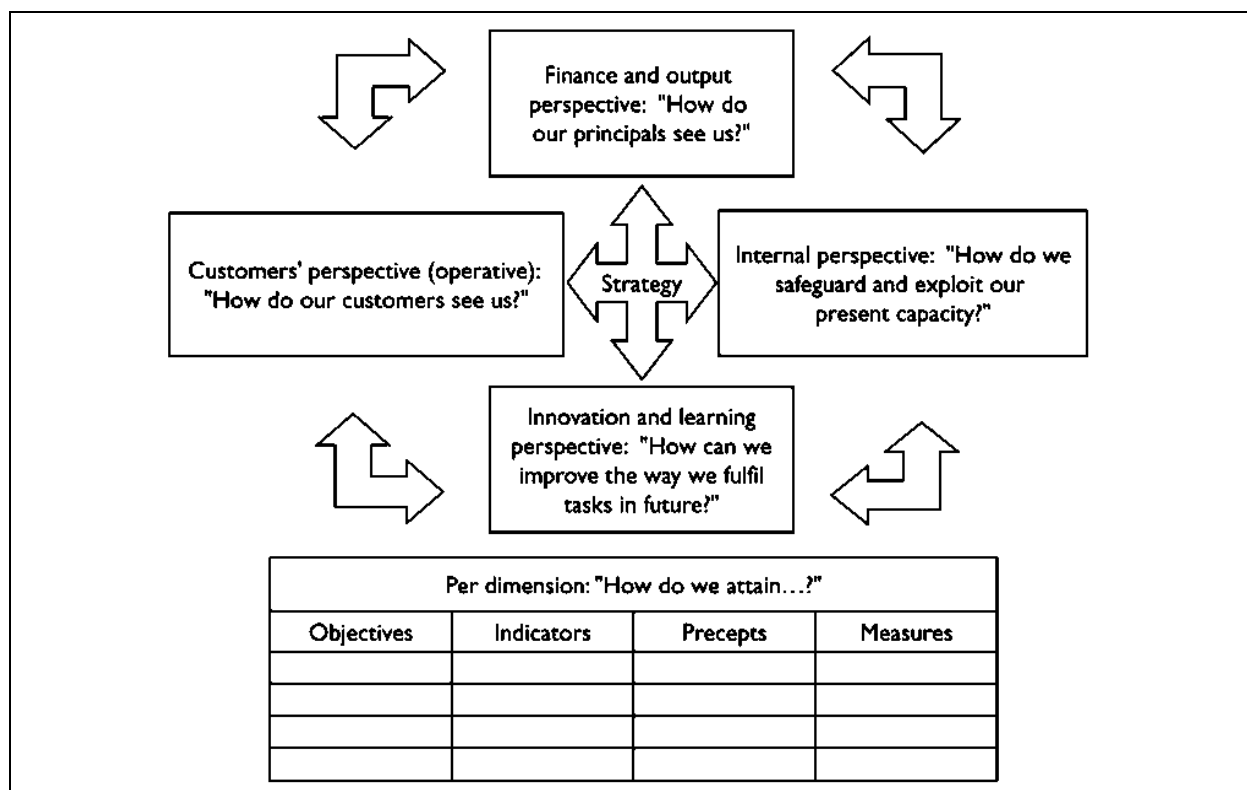


Figure 37: Balanced Scorecard for public sector<sup>367</sup>

<sup>364</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) pp.141.

<sup>365</sup> cf. Ibid.

<sup>366</sup> cf. Ibid p.143.

<sup>367</sup> Fig. 7.5 in Ibid p.142; based on original illustration of KAPLAN, R.; NORTON, D. (1996a) p.76.

### 2.11.4.3 Management by Objectives

*Management by Objectives (MbO)*, a term which was first picked up by Peter Drucker<sup>368</sup> (in 1954), refers to the plan that *all involved parties in an organisation should be aligned towards common strategic objectives*. The fundamental goals in this term are gradually operationalised and separated into sub-goals for different divisions and for individual employees. The defined targets are consequently used for organisational aspects, like personnel management.<sup>369</sup>

MbO nowadays is often used as a basic *framework for an entire political structure*. Figure 38 shows what this may look like:

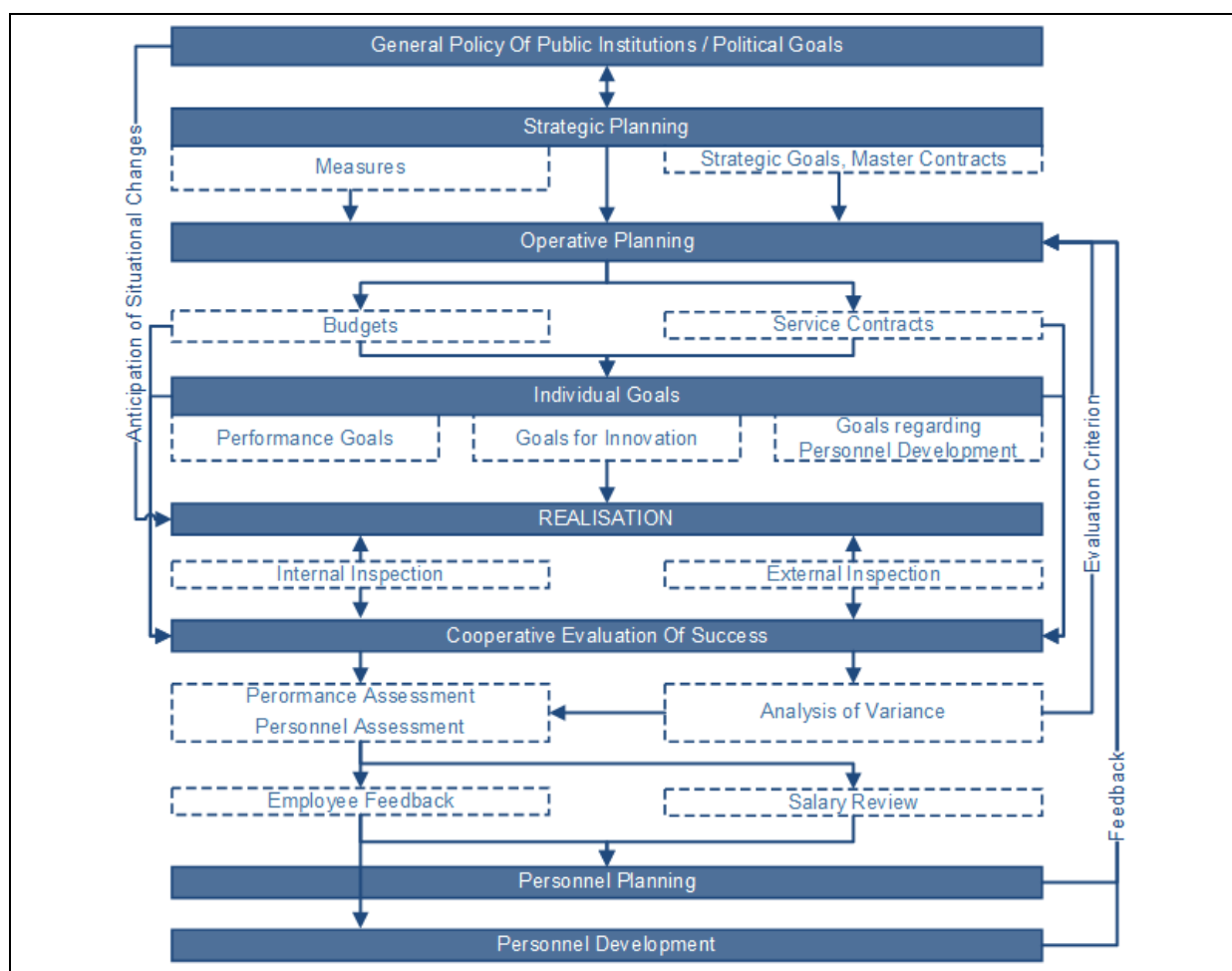


Figure 38: Management by Objectives as pattern for political target setting<sup>370</sup>

Starting from the top level of political goals, public management first shows all classical planning phases (strategic-operative-individual/personnel). Whereas measures and strategic objectives are defined at the strategy level, operative planning deals with concrete performance agreements and budgets. At the personnel level, individual goals are specified in relation to performance, innovation and personal development. The final step is the actual realisation, which is followed by an assessment of the result. A distinction hereby can be

<sup>368</sup> cf. DRUCKER, P. (1966) pp.119 for the original description of the concept.

<sup>369</sup> cf. Ibid and cf. THOM, N.; ALFES, K. (2008) p.359.

<sup>370</sup> cf. Abb.2 in THOM, N.; ALFES, K. (2008) p.360.

made according to the organisational unit, which performs the inspection. The institution itself for instance can assess the result, or otherwise third parties like audit offices ('Rechnungshöfe') can be commissioned. Independent from which variant is chosen, the assessment process in any way needs to be cooperative, because the results of this understandably have an influence on the performance- and the personnel assessment (e.g. employee feedback, salary review). The last activity again is linked with personnel planning and development.<sup>371</sup>

## 2.12 Data Collection

In the course of this work, an empirical investigation was carried out, which had the ambition to collect information from a certain inspected field (see chapter 5). For this purpose, the author had to make use of certain qualitative research methods (expert interviews). In order to clarify the theoretical background, this section will briefly address the field of qualitative research, illustrate the spectrum of data collection methods, and have a closer look on expert interviews (used approach).

### 2.12.1 Qualitative vs. Quantitative Research

To begin with, it has to be mentioned that there are numerous differences between quantitative and qualitative research. Most noticeable at first is that, while qualitative data usually are verbalised, quantitative data on the other side are mostly described numerically. However, these two disciplines cannot only be distinguished in terms of the type of data, they also *refer to different methods*, address *dissimilar matters*, and imply a different *scientific understanding*. In many cases, these two fields are even considered as incompatible opposites and are described with dichotomous terms.<sup>372</sup>

Without going into detail about the differences of quantitative and qualitative research, a characterisation by opposed terms has to be seen critical, due to the fact that those categories often imply specific judgements. For an extensive discussion on the significant characteristics, reference here is made to the publication of J. Bortz and N. Döring<sup>373</sup>.

The fundamental difference is best described by a simple example. If for instance the objective is to find out how satisfied patients have been with their hospital stay, one can either make use of a standardised survey (scale from 'not satisfying' until 'perfectly satisfied'), or otherwise ask them in an informal interview. The result in the first case would be clear numerical data (comparable values, ranking from best to worst is possible, etc.). In contrast, the latter option gives the patient the opportunity to answer more freely, give a more individual expression and allows adding certain reasons or background information. It can be recognised that quantitative data on the one hand provide a clear and understandable image

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<sup>371</sup> cf. THOM, N.; ALFES, K. (2008) p.359.

<sup>372</sup> cf. BORTZ, J.; DÖRING, N. (2006) p.296.

<sup>373</sup> cf. Ibid pp.298.

of the circumstances. Qualitative material on the other hand shows a broader, more comprehensive picture, with more background details.<sup>374</sup>

Both research forms in the end are characterised by distinct advantages and disadvantages. Open surveys for instance take more time than standardised questioning, so that a smaller sample size usually is the case. As a result, those surveys understandably are less representative. Furthermore, critically ill persons for instance are not always in the condition to take part in a long-lasting interview. In contrast, quantitative methods are exclusively limited to a specific issue, and for example concentrate on the question HOW satisfied they are. There accordingly is no information available, which indicates WHY some persons are unsatisfied.<sup>375</sup>

In sum, many aspects have to be taken into account and the decision has to fall on one of those two research practices. For more detailed information on qualitative and quantitative research, there is a large variety of expert literature available<sup>376</sup>. The next section now will take a closer look on different quantitative and qualitative collection methods.

## 2.12.2 Data Collection Methods

Expert literature provides many different approaches to classify the variety of data collection methods. Although there are some schemes, which are more detailed and extensive, however the version of J. Bortz and N. Döring will be shown, because this one provides a good overview of the landscape of quantitative methods. According to them, the following basic methods can be used:<sup>377</sup>

- counting
- testing
- scoring/ rating
- questioning (written questionnaire or oral interview)
- observing (daily life or systematic observation)
- physiological measurement

The decision on one specific method primarily depends on the investigated subject, but in many cases different methods are combined. The above-shown quantitative methods normally try to provide results that are as precise as possible. The quantification and operationalisation of the information clearly is at the centre of attention.<sup>378</sup>

As is the case with the quantitative area, the general view on the qualitative methods can also be presented very differently. J. Bortz and N. Döring show different classification

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<sup>374</sup> cf. BORTZ, J.; DÖRING, N. (2006) pp.296.

<sup>375</sup> cf. Ibid pp.297.

<sup>376</sup> cf. for instance BORTZ, J.; DÖRING, N. (2006) for more information regarding quantitative and qualitative research.

<sup>377</sup> cf. BORTZ, J.; DÖRING, N. (2006) pp.138.

<sup>378</sup> cf. Ibid.

schemes, and describe that most of them provide a reasonable logic<sup>379</sup>. J. Bortz and N. Döring identify the following methods as the most important ones.<sup>380</sup>

- *qualitative interviews (non-standardised and partially standardised)*
- qualitative observation
- nonreactive research

The following section will deal with qualitative interviews, because this method will be used in the course of this thesis.

### 2.12.3 Qualitative Interviews

Depending on the classification criteria, the field of qualitative interviews also offers different approaches. Typical categorising characteristics refer to the interview guidance, by defining either the degree of standardisation (open answers vs. scale) or the level of structuring (strictly guided by predefined questions vs. much space to explain). The plurality of variants, which arises from this, is well summarised by G. Mey and K. Mruck with the following three main groups:<sup>381</sup>

- *expert interviews*
- narrative interviews
- discursive-dialogical interviews

In the following, expert interviews as the used approach will be examined in more detail.

#### 2.12.3.1 Expert Interviews

Expert interviews (as one specific qualitative research method) can be brought into connection with many further sub-types of interviews.

On one side, expert interviews are a special form of *actor-specific interviews*, because they address a special field of persons, called experts<sup>382</sup>.

On the other side they are very often designated as one particular type of *guided interview* ('Leitfadeninterview'). In contrast to narrative interviews, which concentrate on one particular event or person, guided interviews deal with concrete statements about specific subjects or matters.<sup>383</sup>

Without going into detail about further types of interviews, it has to be mentioned that categorisations like the above-mentioned ones have their merit, because they relate to features of expert interviews.

However what is more important is that expert interviews *clearly focus on the function of the expert* (in his or her sphere of influence) and not on the person itself. During the interview,

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<sup>379</sup> cf. BORTZ, J.; DÖRING, N. (2006) pp.307 for an overview of different systems of categorisation.

<sup>380</sup> cf. Ibid.

<sup>381</sup> cf. MEY, G.; MRUCK, K. (2011) p.260.

<sup>382</sup> cf. Ibid p.264.

<sup>383</sup> cf. FLICK, U. (1998) p.109; p.114.

the expert refers to one specific aspect of reality and he or she is thereby considered as representative for a certain inspected group or area.<sup>384</sup>

The answer to the question: 'Who can be described as expert' is very diverse, due to the fact that a broad range of application is conceivable. According to M. Meuser and U. Nagel, the definition mainly depends on the research interest, but the expert at least should be part of the investigated area in some way. In more concrete terms, an expert is a person who:<sup>385</sup>

- has responsibility for the design, the implementation or the control of the solution for a specific matter
- has privileged access to information about a group of people or about certain decision-making processes.

### 2.12.3.1.1 Interview Guideline

The interview guideline has a particular role to fulfil in the course of expert interviews. It at first has to indicate that the interviewer is a competent dialogue partner and has certain expertise on the topic. Secondly, the guideline has *to limit the interviewee to his or her function as an expert on the subject of interest*.<sup>386</sup>

The interviewed person has to be given the possibility to speak freely and open, as prescribed in qualitative research. At the same time it has to be avoided that the discussion leaves the subject and goes into a direction which is not relevant for the context of the investigation.<sup>387</sup>

After the interview, the guideline can furthermore serve as check-list, in order to make sure if all interesting topics/ questions have been covered<sup>388</sup>.

J. Gläser and G. Laudel recommend that an interview guideline should consist of about 8-15 questions, should be *maximum 2 pages* long and the *questions should be formulated*, rather than being just key-words<sup>389</sup>.

This description provides a good reference point for the design of the guideline, which is why it was also considered for the course of this thesis.

### 2.12.3.1.2 Interview Procedure

Apart from developing an interview guideline, there are further preliminary steps, which need to be taken. The preparation activities represent the first of many steps of the entire interview procedure. When the content preparation (interview guideline) is finished, the next step is to determine *who* is being interviewed, and *when and where* the interviews will take place. The interviewees need to be asked for an appointment, and if they are willing to participate, they have to be particularly informed about subject and content of the research.<sup>390</sup>

Finally, when the interview is going to take place, it needs an appropriate introduction into the discussion. The interviewee has to be familiarised with the situation, and issues like the

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<sup>384</sup> cf. MEUSER, M.; NAGEL, U. (1991) p.444 and cf. FLICK, U. (1998) p.109.

<sup>385</sup> cf. MEUSER, M.; NAGEL, U. (1991) pp.442.

<sup>386</sup> cf. MEUSER, M.; NAGEL, U. (1991) pp.448 and cf. FLICK, U. (1998) p.109.

<sup>387</sup> cf. MAYER, H. (2013) pp.37.

<sup>388</sup> cf. MEY, G.; MRUCK, K. (2011) p.278.

<sup>389</sup> cf. GLÄSER, J.; LAUDEL, G. (2010) p.144.

<sup>390</sup> cf. BORTZ, J.; DÖRING, N. (2006) pp.310.

recording of the conversation (e.g. audio-recording) need to be clarified in advance. During the interview, the guideline should 'steer' the discussion. Detailed follow-up questions should be asked if necessary and the interview partner should be able to give open answers. The interviewed person should not be unsettled by delicate questions or emotional comments, and the entire dialogue needs to stay within the fixed time frame.<sup>391</sup>

At the end of the interview, the recording will be stopped. Usually, informal talks follow at this point, which can contain additional relevant information about the conversational situation. In a last step, contact data and informational material can be exchanged. The interview participant finally is informed about how the results are forwarded to him or her.<sup>392</sup>

Immediately after the interview, it is recommended to take notes about further useful aspects like organisational matters (e.g. time and place, etc.)

## 2.13 Data Preparation

Once the relevant information has been collected, the next step is to document what has been found.

The general rule in these terms is to think of what is necessary for the analysis. The objective thereby is not to record as much information as possible, because more information than needed is to be avoided just like too little information. Important to consider is that if the interview is not properly documented, the material is lost and cannot be recovered. For this reason interviews are normally recorded via audio tape. However, before this is done, the interview participant of course has to be asked for permission. If the person does not allow recording the interview via audio tape, everything has to be documented in written form as well as possible.<sup>393</sup>

In general, there are different techniques to scientifically document data. P. Mayring distinguishes between the following possibilities:<sup>394</sup>

- literal transcription
- annotated transcription
- summarised record/ documentation
- selective record/ documentation

In the next section, the summarised and the selective record will be briefly discussed, as these methods are used in the context of this thesis. For further information on other techniques, reference is made to current related literature.<sup>395</sup>

Both, the summarised and the selective recording have the intention to reduce a large amount of information already in the first place. One way of doing this is to already summarise the content of the audio tape.<sup>396</sup>

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<sup>391</sup> cf. BORTZ, J.; DÖRING, N. (2006) p.311.

<sup>392</sup> cf. Ibid.

<sup>393</sup> cf. BOGNER, A.; LITTIG, B.; MENZ, W. (2014) pp.39.

<sup>394</sup> cf. MAYRING, P. (2002) pp.88.

<sup>395</sup> cf. Ibid for a detailed description of data recording techniques.

<sup>396</sup> cf. Ibid p.94.



Significant for both methods is to work according to a systematic manner, and to have a clear structure how to proceed. For this purpose, the procedure of the qualitative content analysis<sup>397</sup> ('zusammenfassende Inhaltsanalyse') can be used. The basic idea of the lastly-mentioned approach is to start at a lower level of abstraction/ generality, which afterwards is gradually raised. The amount of data thereby will be reduced at the same time.<sup>398</sup>

To conclude, it can be said that a summarised documentation makes sense, if the central interest is on the content of the material, and a large amount of data has to be managed. If lots of additional but irrelevant material has been gathered, selective recording can be an adequate technique. For lastly-mentioned alternative, however, it is important to define clear selection criteria in order to make visible on which basis the selection has been done.<sup>399</sup>

## 2.14 Data Analysis

In this section, it will be explained how the collected and documented data finally can be evaluated under a scientific context.

The general ambition at this stage is to identify the common points that go beyond the individual situation. In the end, the outcome should be statements about representative matters, shared knowledge or obtained information about facts, structures, or interpretations of the reality.<sup>400</sup>

For qualitative data, qualitative as well as quantitative analysis can be used. Qualitative analysis allows *interpreting the results at the inspected field* and especially *in a social context*. The actors of the concerned area thereby are mostly at the centre of attention.<sup>401</sup>

This work concentrates on qualitative techniques due to the fact that these forms of investigation correspond to the purpose of the subsequent qualitative research (obtaining information regarding experiences and development status). In the next paragraph, a qualitative analysis method will be presented, which is specially designed for expert interviews.

In the course of this work, the concept of C. Mühlfeld will be used<sup>402</sup>. Besides other, more extensive models, this one can be considered as pragmatic approach, which still provides a feasible plan on how to proceed during the analysis process<sup>403</sup>.

The focus is on information that is uncovered and comparatively simple to identify. The basic idea is not to interpret every detail as exactly as possible, but to explore the relevant aspects or problem areas.<sup>404</sup>

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<sup>397</sup> cf. MAYRING, P. (2010) pp.67 for detailed descriptions regarding qualitative content analysis.

<sup>398</sup> cf. MAYRING, P. (2002) p.94.

<sup>399</sup> cf. Ibid p.97.

<sup>400</sup> cf. MEUSER, M.; NAGEL, U. (1991) pp.452.

<sup>401</sup> cf. BORTZ, J.; DÖRING, N. (2006) pp.328.

<sup>402</sup> cf. MÜHLFELD, C.; ET AL. (1981) pp.335.

<sup>403</sup> cf. LAMNEK, S. (2010) pp.186 and cf. MAYER, H. (2013) p.48.

<sup>404</sup> cf. MÜHLFELD, C.; ET AL. (1981) pp.335 and cf. LAMNEK, S. (2010) pp.187.

C. Mühlfeld furthermore adds to his conception that it will most likely be necessary to go through the material more than once. The step from an individual analysis to the overall analysis for instance will require several sequences.<sup>405</sup>

The entire process of C. Mühlfeld consists of six steps, which have to be performed in order to get to the essence of the collected material. The first task (first reading) is to mark those text passages that immediately can be recognised as answers to the questions of the guideline. In the second sequence (second reading) the individual text passages will be arranged according to a categorisation scheme, which has to be defined in advance and in connection with the theoretical background. During this second phase, the priority still is on the specific information. What follows is the third phase, which tries to establish an inner logic between the individual arguments (third reading). For this purpose, the single passages have to be brought together in a certain way. This involves assessing single aspects, and choosing the most appropriate one. When the internal logic is clear, a resulting text will be written down. Specific parts of it might require another refinement. In the fifth stage, those texts now will be interpreted, and the final summary will be written down. Exemplary quotations can support the compiled information. At the end (fourth reading), the result of the analysis should be compared to the original interviews in order to check if the content still matches the initial description. The findings later on can additionally be turned into a presentation, in order to communicate what has been found.<sup>406</sup>

In chapter 5.1.3 it will be outlined how the material analysis was performed in the course of this work. This section furthermore will describe how reference was made to the approach of Mühlfeld.

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<sup>405</sup> cf. MÜHLFELD, C.; ET AL. (1981) p.336.

<sup>406</sup> cf. Ibid pp.336 and cf. MAYER, H. (2013) pp.48.

### 3 Outcome Orientation in Public Sector

#### 3.1 Performance Management in Austrian Public Administration (,Wirkungsorientierte Verwaltungsführung/ -steuerung‘)

The Federal Budget Law Reform of 2013 meant some major changes for the management of public administrative bodies in Austria. *Outcome-orientation*, based on a comprehensive *management cycle* was introduced on the federal level of administration. Changes, however, can be experienced at all levels, from bottom level to the top ministry.<sup>407</sup>

The new approach, called ‘*Wirkungsorientierte Steuerung*’, tries to eliminate former weaknesses, like the December fever, which was a result of the resource focus. By addressing social matters directly with intended outcomes, the effectiveness will be put in the centre of attention.<sup>408</sup>

Due to the fact that the implementation of the reform program represents a complex issue for many institutions, the *Federal Performance Management Office* was put in place. This department cooperates with all involved stakeholders (political and administrative units) and deals with issues that are decisive for the successful implementation. Their primary functions are:<sup>409</sup>

- support of the ministries (‘Ressorts’) through the entire implementation phase. This is done by providing training, practical manuals (‘Handbücher’) and consulting services.
- introduction of measurements to set up a standard for goals and indicators. With this, the parliament (‘Nationalrat’) can focus completely on the content of performance reports and does not have to waste time on interpretational issues.
- collection of the reports from ministries. The information in the afterwards is prepared in this way that it fits the informational needs of the political bodies.

Another important aspect in terms of outcome orientation is that federal administration basically distinguishes between *two main fields of application*.<sup>410</sup>

- 1) Performance management for administration (‘*Wirkungsorientierte Verwaltungsführung*’)
- 2) Regulatory Impact Assessment (‘*Wirkungsorientierte Folgenabschätzung*’)

The second one can be considered as the application of outcome orientation on the internal evaluation. Decisions from politics (policy-making) can be analysed and discussed in relation to the fixed (outcome-oriented) goals and measures. Even though these two fields have a certain connection to each other, the major emphasis of this chapter is on the first field.<sup>411</sup>

In the course of investigating the new management control cycle, the first thing is to *understand how outcome orientation is turned into practice by public administration*.

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<sup>407</sup> cf. BKA (2011a) p.9.

<sup>408</sup> cf. Ibid p.11.

<sup>409</sup> cf. BKA (2012a) p.5.

<sup>410</sup> cf. BKA (2011a) p.11.

<sup>411</sup> cf. Ibid.

Secondly, *knowledge (concepts, instruments, procedures) should be gained, which is also helpful for non-profit organisations*. Based on this aspiration, this work will deal with the new system for public management control, but before this, some essential structures need to be clarified. In order to better understand how public control works, the next section will briefly explain budget, organisational and target structure of the 'new' public sector.

### 3.1.1 Budget-, Organisational- and Target Structure

As mentioned before, the Federal Performance Management Office published three manuals ('Wirkungsorientierte Steuerung', 'Ressortinternes Wirkungscontrolling', 'Entwicklung von Zielen und Indikatoren') that serve as a basis for the practical implementation of outcome orientation<sup>412</sup>. The first two guidelines already point out in the beginning that the new control concept can be seen from different perspectives depending on different levels administration. Whereas concerns of the federal level are discussed in the guideline 'Wirkungsorientierte Steuerung', the ministry-specific responsibilities (and all levels below that) are part of the manual, called 'Ressortinternes Wirkungscontrolling'. The manuals furthermore signal that the functions of the federal level differ from those of the ministry level. Nevertheless both positions must work towards common goals in order to achieve the intended outcome. This issue will be shown in detail in the subsequent section 3.1.2.<sup>413</sup>

In 2013, the OECD carried out a study, wherein the OECD countries were analysed in terms of their *connection between performance results and budgeting* (cf. section 3.4). In the report, three general types of performance budgeting systems were identified, and Austria was assigned to what was called 'performance-informed budgeting'. This definition basically meant that there is just an *indirect (and no direct) connection between performance information (output, outcome) and resource allocation*.<sup>414</sup>

Within this indirect approach, the applied target structure is related to a budget structure, which is also new. This connection allows putting the defined objectives in contrast to the planned resources.<sup>415</sup>

Regarding target and organisational structure, there is no prescribed standard on how to link those two elements, however it can be said that the relation very much depends on the size of the ministry. The following Figure 39 will show this circumstance.<sup>416</sup>

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<sup>412</sup> cf. BKA (2012a) p.5.

<sup>413</sup> cf. Ibid p.9.

<sup>414</sup> cf. chapter 3.4 for a detailed description of the OECD research.

<sup>415</sup> cf. BKA (2011a) p.15.

<sup>416</sup> cf. Ibid p.40.

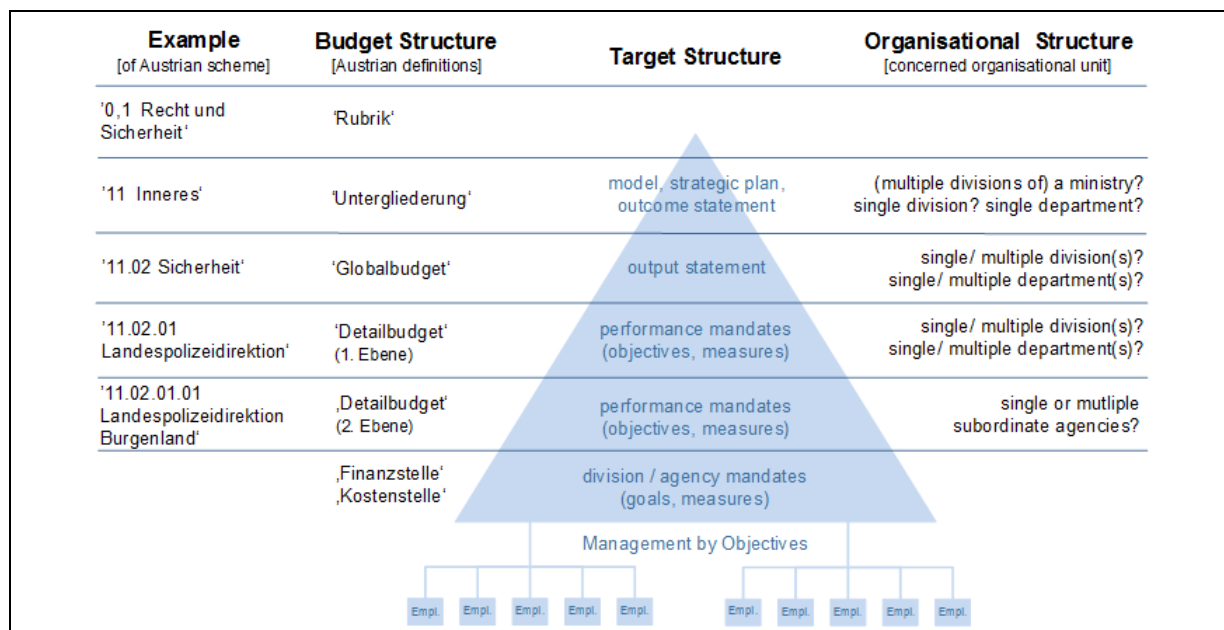


Figure 39: Budget-, organisational- and target- structure<sup>417</sup>

The first budget category is known as 'Untergliederung'. At this level, an *organisational model* ('Leitbild'), a *strategic plan and the outcome statement (objectives)* are located. The organisation model normally describes the core areas of the division in two or three sentences. The strategic plan gives information about the overall direction of the ministry or the supreme state organ and includes a maximum of five outcome goals plus corresponding indicators. Resulting from this strategy, the course should be defined for the next four years.<sup>418</sup>

The second category, one-line budget ('Globalbudget'), shall comply with the *output statement ('Maßnahmen')*. This report provides information about priorities and measures, which are necessary for the achievement of the outcome goals. Important to understand in these terms is that the output is considered as the central (annual) control element of the respective administrative body (depends on the size of the ministry). In order to stay within a reasonable scope, the number again is limited to five measures per one-line budget.<sup>419</sup>

If the one-line budget is subdivided once more, individual detailed budgets ('Detailbudgets') can be inspected. The organisational unit, which is assigned to the specific funds, in return has to deal with the associated *performance mandate ('Ressourcen-, Ziel- und Leistungsplan')*. In this report, the performance is put into concrete terms. Details about the operative plan are fixed for the following four years.<sup>420</sup>

In the majority of cases, it is useful not to end at the performance mandates, but also define targets beneath this level. For single departments and even for individual employees, the

<sup>417</sup> cf. Abb. 5 in BKA (2011a) p.41; cf. Abb. 5 in BKA (2015a) p.21; cf. Abb. 5 in BKA (2015b) p.1 for the example regarding the Austrian scheme.

<sup>418</sup> cf. BKA (2011a) p.16.

<sup>419</sup> cf. BKA (2011a) p.16 and cf. BKA (2012b) p.4.

<sup>420</sup> cf. Ibid.

further target setting makes sense. On a general perspective, every involved person and organisational unit should know its specific contribution to the overall objective.<sup>421</sup>

### 3.1.2 Performance Management Cycle(s)

Now, when the internal relationship of budgets, targets and organisational units has been shown, the actual implementation of outcome orientation can be examined. The process that was set up for Austria's administration consists of several phases, which have followed. As mentioned before, it has to be distinguished between different levels. The important stages from a federal perspective (e.g. performance management office, political bodies) differ from the phases of the organisational cycle (e.g. single ministries and all involved subordinates). Figure 40 starts with the federal or budget-structure perspective.<sup>422</sup>

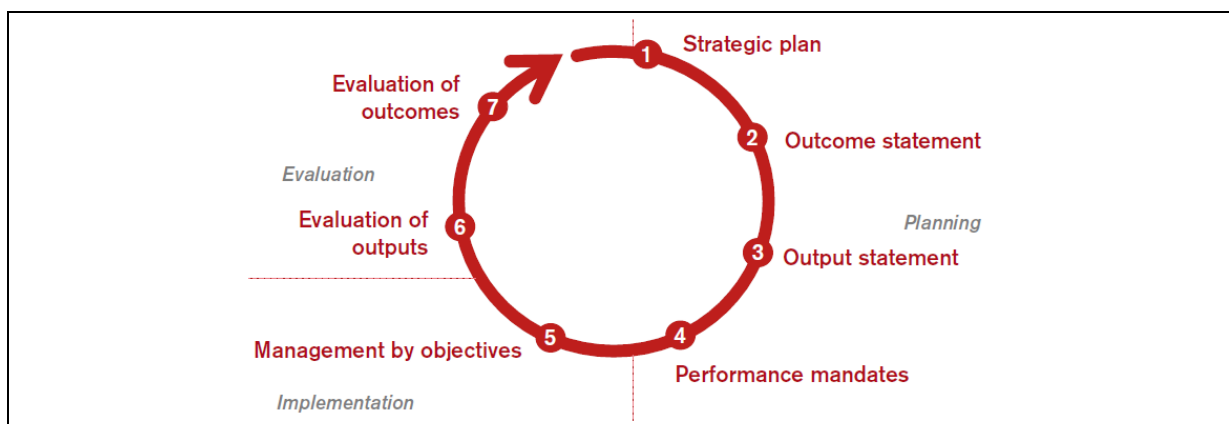


Figure 40: Performance management cycle from budget-structure perspective<sup>423</sup>

What both cycles have in common are the three main areas, *planning*, *implementation* and *evaluation*. For ministries or supreme state organs, planning basically is applying the target and the budget structure on different levels. Referring to this, the steps (1) till (4) reflect different target statements, which have already been discussed in the previous chapter. Due to the fact that planning actions is simply not enough, the implementation phase (5) is the logical consequence. At this point, the Austrian system is inspired by the conception of Management by Objectives. This approach will be analysed in detail in section 3.1.3.5.<sup>424</sup>

The last task is to evaluate what has been achieved. Substantial deviations of the output (6) need to be detected as soon as possible so that counteractions can be initiated at an early stage. The outcome evaluation (7) finally completes the picture. Only if both aspects experience proper consideration, statements can be made about efficiency and effectiveness. The results of the annual evaluation enter the strategic plan of the following period. In this way, the performance cycle becomes closed, and a new process can start from the beginning.<sup>425</sup>

<sup>421</sup> cf. BKA (2011a) p.41.

<sup>422</sup> cf. BKA (2012a) p.9.

<sup>423</sup> Fig in BKA (2012b) p.4.

<sup>424</sup> cf. BKA (2012a) p.9.

<sup>425</sup> cf. BKA (2011a) p.18 and cf. BKA (2012b) p.4.

Apart from the organisational viewpoint, the second possibility of looking at the implementation is pictured in Figure 41.

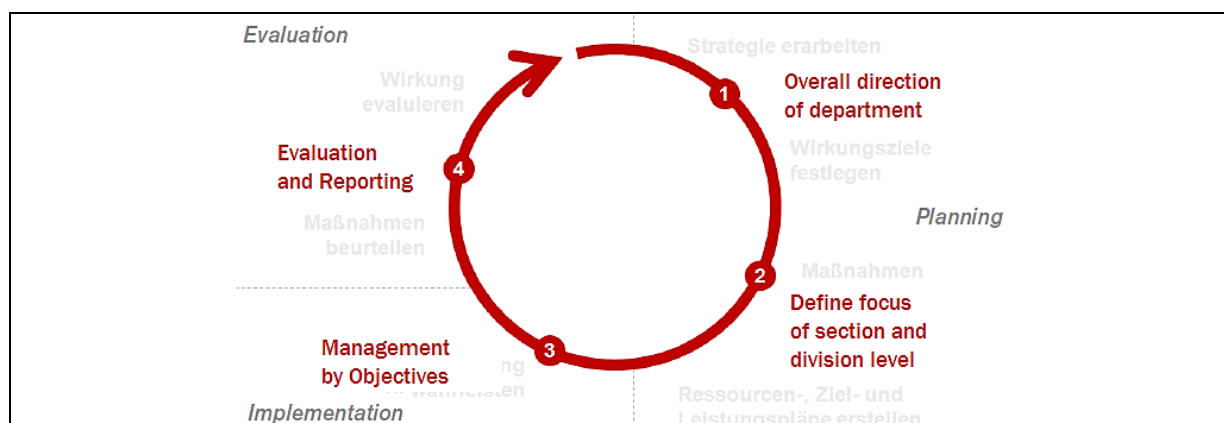


Figure 41: Performance management cycle from organisational perspective<sup>426</sup>

The main categories again are planning, implementation and evaluation. In this case, however, planning refers to the *overall direction of a ministry* (1). From this general direction, a strategic plan is deduced and connected to the so-called “Bundesvoranschlag” (document at the level of one-line budget). When the top-level of the ministry has clarified the general course of action, the *focus of the subordinates* (2) has to be determined next. In the third stage, management by objectives (3), the *employee’s individual goals are defined and* the planned activities finally are realised. The last phase, *evaluation* (4), is dedicated to the *results of the subdivisions*. Standardised reports thereby represent an additional information source for the superordinate units at the federal level (e.g. performance management office).<sup>427</sup>

### 3.1.3 Analysis of Transferability of Concepts, Instruments and Methodologies

Although the outlined conception is specially designed for public administration, certain approaches nevertheless provide ideas that are interesting and valuable for non-profit organisations. The aim of this section is to show and explain some of the most promising practical solutions that the author could identify during the empirical study of related literature.

#### 3.1.3.1 Logical Model of Austrian Public Administration

With the introduction of the new outcome-oriented management system in Austria, all administrative units had to change to a universally valid logical model or cause-effect chain.

<sup>426</sup> cf. Abb. 2 in BKA (2012a) p.11.

<sup>427</sup> cf. Ibid pp.10.

This conception and its accompanied elements (dimensions) serve as a basis for all further considerations regarding outcome orientation. Figure 42 shows the model and provides an illustrative example.<sup>428</sup>

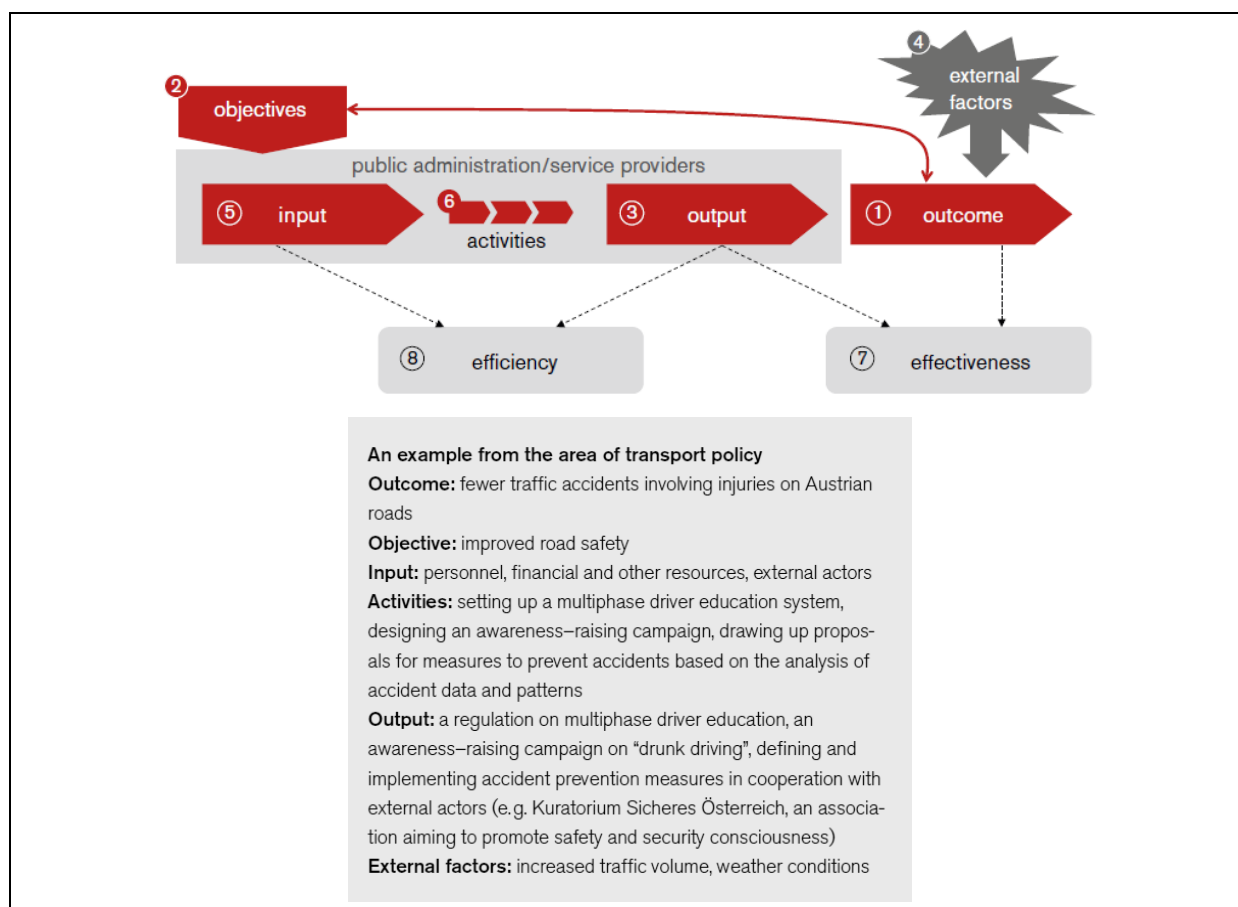


Figure 42: Logical Model of Austrian public administration<sup>429</sup>

Based on the above-shown model, all administrative activities should be aligned towards specific *outcomes* (1) from the very beginning on. The *objectives* (2), which aim at the achievement of those outcomes, are the next dimension that needs to be defined. Once, this is done, an *output* (3) has to be determined, that best meets the outcome objectives. The main shortcoming of all cause-effect chain is that in many practical cases, no reliable causal relationship can be verified. As a consequence, relevant *external factors* (4) must be considered too, as they perhaps have material influence. When all objectives are specified, the last task, before the product/ service final can be produced/ provided, is to clarify the necessary *input* (5). In this term, every facet (personnel-, financial-, physical-, other resources) has to be considered, so that finally the *activities* (6) can be initiated.<sup>430</sup>

<sup>428</sup> cf. BKA (2011a) pp.11 and cf. BKA (2012b) pp.2.

<sup>429</sup> Fig in BKA (2012b) pp.2.

<sup>430</sup> cf. BKA (2011a) pp.11 and cf. BKA (2012b) pp.2.



When the Austrian cause-effect chain is inspected in terms of possible transferability to non-profit organisations, arguments for and against it can be found. Aspects from both sides are shown in the following:

- *Assets:*
  - + The dimensions of the model are *independent from the field of application*. The findings from section 2.5.1 have supported this argument, by showing that such cause-effect chains are also used in the non-profit area.
  - + By considering the output and outcome of administrative activities, both quality dimensions (*efficiency and the effectiveness*) are taken into account. Needless to say that an important further quality issue is to be economical.
  - + It can be recognised that the number of dimensions was *reduced to the very fundamentals*. The outcome parameter was not broken down further, so that the associated efforts are kept at a minimum. This argument also meets the conditions of non-profit organisations (little available resources.)
  - + The comparatively simple model still offers further possibilities for modification (e.g. adding elements). For NPOs, it may for instance be important to differentiate between subjective and objective outcomes, or to distinguish between short-term, medium-term and long-term outcomes. It is up to the respective organisation, to adapt the model to its very own conditions.
  - + Different *graphical representations* can be used, that would work on the basis of this cause-effect chain. Some possible forms have already been shown in chapter 2.8.4.
- *Drawbacks:* The cause-effect chain was already discussed in the section about performance management (cf. chapter 2.8.4). The therein-described deficits of the approach can be considered as general deficits. Repeatedly saying, the main problems are:
  - the fact that it *needs advanced knowledge and experience* to see which connections are relevant and plausible<sup>431</sup>. This is most likely the biggest source of criticism. Under real conditions, it is considerably complex to say, how for instance an achieved outcome was connected to the output of one specific NPO. Most of the time, side effects or contributions from other organisations cannot be simply ignored or subtracted, like in theory.
  - that it *requires outstanding methodological expertise* to prove the assumption with empirical techniques.<sup>432</sup>

### 3.1.3.2 Strategy Elaboration Scheme

The performance management cycle (from an organisational perspective) revealed that the first step for every organisation is to clarify the overall direction. The Austrian conception

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<sup>431</sup> cf. BONO, M.L. (2010a) pp.80.

<sup>432</sup> cf. Ibid.

provides help at this stage by describing how a strategy (and the accompanied strategy report) can be developed for a certain time period, like four years.<sup>433</sup>

In order to see how this can be done practically, a real example (of a concrete ministry) will be shown, but first a general description of the procedure has to be given. Figure 43 displays the basic framework:

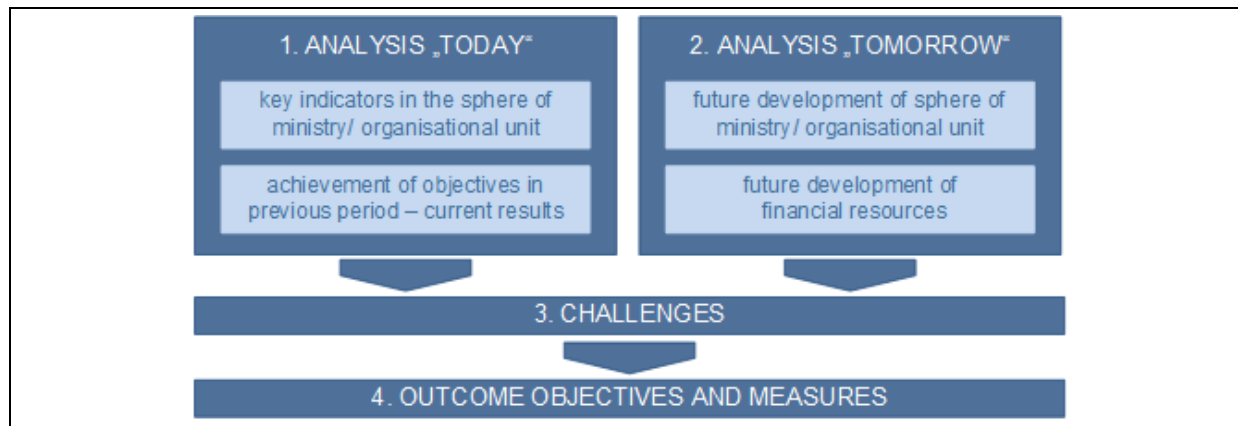


Figure 43: Methodology to develop a strategy for Austrian ministries<sup>434</sup>

The graphic shows the four main steps of *a strategy meeting at the management level*<sup>435</sup>.

The analysis of today (1) basically means that 10-20 indicators should be identified, which best represent the current situation. They understandably should correspond to the indicators of the outcome evaluation, and of course need to be clarified at some time before the meeting. With this information basis, the members of the meeting can focus specifically on discussing the results. Simultaneously to this first step, another task is to start an analysis of tomorrow (2). At this point, 5-10 influencing factors of the organisational environment have to be collected that are most critical and decisive. Once they have been fixed, a realistic forecast is required, to get an idea of what the future will look like. When both preparatory process-steps have been performed, the third stage finally is to combine the findings of 'today' and 'tomorrow'. The 5-10 biggest challenges need to be formulated, for instance in the form of: "What can we do, in order to...". It is also advisable to think about a prioritisation/ ranking of the results, to focus on the most important ones. When the first three steps have been carried out properly, the fourth one should be simple. Outcome objectives, which correspond to the stated challenges, need to be fixed, together with maximum 5-10 measures that reflect those goals as well as possible. It again is significantly important to stay within this limited number of initiatives. If one measure is inappropriate for a certain level, it can for instance still be considered at a lower position (e.g. departments).<sup>436</sup>

The following example of the *Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management* should reveal that this procedure is not only a theoretical

<sup>433</sup> cf. BKA (2012a) p.20.

<sup>434</sup> cf. Abb. 4 in Ibid p.17.

<sup>435</sup> cf. Ibid p.17.

<sup>436</sup> cf. Ibid pp.17.

conception, but can be put into practice<sup>437</sup>. The concerned ministry holds a so-called *strategy dialogue* on an annual basis, wherein they refer to the above-mentioned methodology. For their very own development process, they furthermore have defined three different phases, which have to be followed.<sup>438</sup>

### 1) Analysis

In this phase, every aspect of analysis has to be considered from a current standpoint (e.g. influencing factors, challenges, outcome indicators and measures). Figure 44 shows the report for these activities:

1. Wirkungskennzahlen				2. Maßnahmen		
Grafische Darstellung der Entwicklung der Kennzahlen in den vergangenen 5-10 Jahren:				Maßnahme	Beurteilung der Maßnahmenereichung	Beurteilung der erzielten Wirkung
1. ...				....	....	....
2. ...				...	...	...
3. ...						
3. Umfeldentwicklung				4. Herausforderungen BMLFUW		
Einflussfaktor	Erwartete Entwicklung in den kommenden 5 Jahren	Auswirkung auf Globalbudget / Wirkungsbereich	Auswirkung auf das BMLFUW	Was müssen wir tun, um ...		
...	...	...	...	1.		
...	...	...	...	2.		
...	...	...	...	3.		

Figure 44: Result-structure of analysis phase (original Austrian document)<sup>439</sup>

### 2) Strategy Development

Based on the results of the analysis, the outcome targets will be defined and estimations will be made about the aspired progress. In connection to these specifications, further aspects need to be clarified like responsibilities or milestones. Figure 45 demonstrates the format of the decisions at this planning phase:

1. Wirkungsziele		2. Angestrebte Kennzahlenentwicklung					
...		Kennzahl	2012	2013	2014	2015	2016
...		...	X%	X%	X%	X%	X%
...		...	X%	X%	X%	X%	X%
...		....					
3. Konkrete mittelfristige Wirkung und Maßnahmen 2012							
Konkrete mittelfristig angestrebte Wirkung	Strategische Maßnahmen BMLFUW	Wirkungskennzahlen / Meilensteine	Verantwortlich	Auswirkung Ministerthemen	Bezug Nachhaltigkeit		

Figure 45: Result-structure of strategy development phase (original Austrian document)<sup>440</sup>

<sup>437</sup> 'Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft - BMLFUW' [www.bmlfuw.gov.at/](http://www.bmlfuw.gov.at/)

<sup>438</sup> cf. BKA (2012a) pp.23.

<sup>439</sup> cf. Abb. 6 in Ibid p.24; example based on implementation of BMLFUW.

<sup>440</sup> cf. Abb. 7 in Ibid p.25; example based on implementation of BMLFUW.

### 3) Implications of Strategy on Organisation

In this last step, the relation between the defined strategy and the organisation is discussed. Besides this, data is collected to determine the necessary resources (personnel and budget) for the upcoming period.

Coming back to non-profit organisations, two possibilities now seem possible according to the author. A first option is to *adopt the entire systematic of the BMLFUW*. There used templates (and defined phases) represent a good framework and at the same time consider all relevant aspects. In addition, the table-format is simple to realise and does not require any further skills, knowledge or IT-systems.

If, however, the conception does not meet the specific demands of an NPO (e.g. a more sophisticated strategy is demanded), a second option would be *to relate to the basic framework for the strategy session*. Based on this first approach, a procedure can be developed.

#### 3.1.3.3 Process for Development of Target and Indicator systems

In section 3.1.1 the sophisticated target structure has been shown. All therein involved target statements have in common that the goals and measures in the end have to be customised for the respective organisation. There is *no across-the-board solution*, but a variety of design possibilities exists for a general concept. Indicators can fulfil different functions (e.g.: motivation, communication, coordination), the values can be either absolute (e.g. total number of burglaries) or relative (x burglaries per y inhabitants), and many further decisions have to be made<sup>441</sup>.

What is important, and where some support can be provided, is at the *development of a fixed procedure*. The Performance Management Office published a manual, wherein three standardised processes are described. The explanations refer to the elaboration of objectives, indicators and measures. Due to the fact that these procedures could also serve as guideline for non-profit organisations guideline not only for public institutions, they are shown and briefly described in Figure 46, Figure 47 and Figure 48.



Figure 46: Target determination<sup>442</sup>

Specific tasks during these phases could be to:<sup>443</sup>

- 1) define role model, strategy, mission, etc.
- 2) determine and define main areas of emphasis
- 3) focus on outcome in the sphere of influence
- 4) align persons towards concrete goals
- 5) [link to subsequent process, called 'development of indicator-system']

<sup>441</sup> cf. BKA (2011b) pp.11.

<sup>442</sup> cf. Abb. 7 in Ibid p.21; process according to Austrian reform concept.

<sup>443</sup> cf. Ibid pp.21.



Figure 47: Development of indicator-system<sup>444</sup>

In the individual phases it for instance will be necessary to:<sup>445</sup>

- 1) identify relevant content which can be evaluated
- 2) collect appropriate and measurable indicators
- 3) critically reflect the characteristics of the indicators (Do they meet the quality criteria?)
- 4) decide for indicators which best meet quality criteria
- 5) describe details about issues like data source, calculation method, etc.



Figure 48: Development of measures<sup>446</sup>

Finally, the development of proper measures implies to:<sup>447</sup>

- 1) collect the most promising ideas
- 2) evaluate and decide for the best solution (cost vs. benefit)
- 3) allocate persons to specific goals
- 4) define indicators for the control of measures

From these processes it can be recognised that the Austrian concept does only provide a *rough guideline* on how to proceed at these matters. The concrete realisation again is at the response of every individual organisation, in order to meet the specific demands.

### 3.1.3.4 Checklist for Development of Target and Indicator Systems

Formulating objectives, measures, and indicators occasionally can be a complex issue for public and non-profit organisations. In order to perform these tasks in an appropriate manner, it is imperative to have a standardised and constant quality of the statements. This precondition is so material, because imprecision, ambiguity, misunderstanding; all those *problems can be prevented by appropriate formulation criteria*.

For this purpose, the Austrian public reformation concept introduced so-called *checklists*, which provide certain quality standards that must be fulfilled by every goal, measure or indicator. The recommendations of these checklists are (mostly) independent from the area of application. On that score, NPOs can also make use of them. The developed standards provide great support for the set-up of an outcome-oriented control system. Table 10 and Table 11 provide detailed information about the rules, which should be followed by NPOs and public institutions in the course of target-, measure-, or indicator formulation.

<sup>444</sup> cf. Abb. 8 in BKA (2011b) p.22; process according to Austrian reform concept.

<sup>445</sup> cf. Ibid pp.22.

<sup>446</sup> cf. Abb. 11 in Ibid p.29; process according to Austrian reform concept.

<sup>447</sup> cf. Ibid p.29.

Criteria for Formulation of Targets and Measures	
Quality Criteria	Key Questions
'Relevanz' ( <b>relevance</b> )	Do the goals/ measures represent the <b>essential</b> areas of responsibility? Are the goals/ measures primarily <b>influenced</b> by the respective ministry/ supreme state organ?
'Inhaltliche Konsistenz' ( <b>content-related consistency</b> )	Are the objectives/ measures <b>aligned</b> to the overarching objective, and in a logical <b>relationship</b> to it?
'Verständlichkeit' ( <b>comprehensibility</b> )	Are the objectives/ measures formulated in a way that they <b>can be understood</b> by the general public?
'Nachvollziehbarkeit' ( <b>traceability</b> )	Can the content of the goal/ measure be <b>deduced</b> from the specifications of the financier (political side)?
'Überprüfbarkeit' ( <b>controllability</b> )	Can the goals/ measures be evaluated or measured by 1-5 indicators?
'Umsetzung' ( <b>implementation</b> )	Are the employees, <b>responsible</b> for the implementation, also <b>involved</b> in the development process? Is it clear who is <b>responsible</b> for the implementation?
'Gleichstellung von Frauen und Männern' ( <b>gender equality</b> )	Do the targets respect gender equality? Do certain goals/ measures aim specifically for gender equality?

Table 10: Checklist for formulation of targets and measures<sup>448</sup>

Criteria for Formulation of Indicators	
C-L-E-V-E-R	Key Questions
<b>C</b> – 'Charakteristisch' ( <b>characteristic</b> )	Does the indicator reflect <b>relevant aspects</b> of the goal/measure? Is the indicator <b>clearly understandable</b> for all target groups?
<b>L</b> – 'Leistbar' ( <b>affordable</b> )	Does the <b>benefit justify the efforts</b> , associated with the development of the indicator? Do <b>tried and tested</b> indicators exist, which can be used?
<b>E</b> – 'Eingeordnet' ( <b>classified</b> )	Is the indicator used in the organisational <b>control process</b> (e.g. strategy meeting)? Is this <b>control mechanism</b> used in different levels?
<b>V</b> – 'Vergleichbar' ( <b>comparable</b> )	Is a <b>target state</b> defined for every indicator? Was the <b>actual state</b> determined in order to allow comparisons and statements about the level of ambition? Are data available <b>on time</b> / on a regular basis (e.g. annually)?
<b>E</b> – 'Ergiebig' ( <b>productive</b> )	Does the indicator reflect the aspired <b>outcome</b> ? Do the indicators demonstrate <b>different perspectives</b> ? Can the indicator cause an <b>unintended</b> behaviour/ reaction?

Table 11: Checklist for formulation of indicators<sup>449</sup><sup>448</sup> cf. Tab. 4 in BKA (2011b) p.54; criteria according to Austrian reform concept.<sup>449</sup> cf. Tab. 5 in Ibid p.55; criteria according to Austrian reform concept.

Criteria for Formulation of Indicators	
C-L-E-V-E-R	Key Questions
<b>R – ‘reliabel’ (reliable)</b>	Does a repetition of the measurement lead to the <b>same result</b> ? Is the data source <b>reliable</b> ? (e.g. OECD, Statistik Austria) Is the measurement result manipulable? (e.g. subjective matters) Are information about <b>calculation method, data source</b> available?
+ ‘Gleichstellung von Frauen und Männern’ ( <b>gender equality</b> )	
+ ‘Akzeptanz’ ( <b>acceptance</b> )	Are the indicators <b>accepted and supported</b> by the management board? Can the indicator be <b>influenced</b> by the organisational unit, responsible for the objectives?

Table 11 (continued): Checklist for formulation of indicators<sup>450</sup>

Apart from the acronym ‘CLEVER’, several other word compositions exist (e.g. SMART) that will not be further elaborated on, because they basically follow the same goal (ensure that an appropriate quality level is in place for the formulation process).

### 3.1.3.5 Management by Objectives

The investigation of the Austrian performance management cycle (cf. chapter 3.1.2), already made clear that Management by Objectives is a central element for the *implementation of outcome orientation* in public organisations. Furthermore, the fundamentals of the conception (gradual operationalisation of objectives) were discussed in section 2.11.4.3.

Apart from this phase, the evaluation of outputs (step (6) at Figure 40) is also influenced by an aspect of MbO, namely *self-control* and *self-regulation*. The employee or subunit, responsible for the implementation, is at the same time in charge of the result evaluation. The direct superior is only the second instance, who usually checks if everything works according to the task.<sup>451</sup>

In terms of concrete concepts and instruments for MbO, two possibilities again appear to be reasonable. The first option again is a basic framework for MbO. Secondly, a concrete implementation in a ministry will be analysed.

According to the manuals of the Austrian approach, MbO generally requires three steps:<sup>452</sup>

#### 1) Agreement on targets

The target agreement needs to be an interactive combination of top-down and bottom-up processes<sup>453</sup>. The employee reflects his or her particular contribution to the fundamental objectives, and the manager establishes suitable goals for the concerned employee. Both parties discuss how the goal can be achieved best.

<sup>450</sup> cf. Tab. 5 in BKA (2011b) p.55; criteria according to Austrian reform concept.

<sup>451</sup> cf. BKA (2011a) p.42.

<sup>452</sup> cf. BKA (2012a) pp.42.

<sup>453</sup> cf. BKA (2011a) p.41.



## 2) Implementation

Each employee is responsible for a certain extent of the implementation. The level of autonomy thereby depends on issues like experience, knowledge and many other factors.

## 3) Evaluation

The achievement of the targets is the main topic of this last stage. Discussions on the employee's actual contribution need to take place under the consideration of the relative environment and the total performance. The result of this dialogue should have an influence on future decisions concerning autonomy, responsibilities, etc.

After this very theoretical framework, a case example now will be investigated, in order to get an insight into a real implementation.

The Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection<sup>454</sup> works on the basis of a very advanced target agreement process. Based on comprehensive staff appraisals ('MitarbeiterInnengespräch') they follow the general idea of MbO, as presented just now. According to their customised procedure, the discussion between employers and employees needs to follow the elements, shown in subsequent Figure 49.<sup>455</sup>



Figure 49: Staff appraisal process<sup>456</sup>

BMASK starts by looking back (1) at the tasks and goals of the previous period (e.g. year). The written record of the last interview thereby helps to remember what has been fixed. Afterwards, the objectives for the following year (2) are jointly developed, and milestones are defined to keep track of the achievement. The third task is to discuss the expectations on cooperation and leadership (3), and to decide if improvements need to be initiated. In the last step, the professional development (4) is the central topic. The employee at this stage can bring certain subjects of interest (e.g. desired perspectives, measures) and talk about those ideas together with the superior.<sup>457</sup>

Concerning the transferability to non-profit organisations, it again seems appropriate to either just follow the basic framework or develop a customised conception and thereby relate to the procedure of the case example.

As a last part for MbO, the benefits and drawbacks are highlighted. The following aspects should serve as support during discussions about a potential implementation, because it is important to not only consider the advantages, but also think of possible deficiencies. On this account, the most significant aspects are:<sup>458</sup>

<sup>454</sup> 'Bundesministerium für Arbeit, Soziales und Konsumentenschutz - BMASK' [www.sozialministerium.at/site/](http://www.sozialministerium.at/site/)

<sup>455</sup> cf. BKA (2012a) p.38; p.46.

<sup>456</sup> cf. Abb. 15 in BKA (2012a) p.47; process based on case example of BMASK.

<sup>457</sup> cf. Ibid pp.46.

<sup>458</sup> cf. ALBERT G. (2008) pp.175 and cf. Abb.82 in JUNG H. (2011) p.502.



- *Assets:*
  - + relieves management board from work load
  - + promotes motivation and sense of responsibility
  - + employees identify with corporate goals
  - + higher objectivity for employee assessment for instance allows performance-based remuneration
- *Drawbacks:*
  - Goals and measures at some levels difficult/ impossible to measure (e.g. management/ executive level)
  - planning and goal setting is (very) time-consuming and cost-intensive (e.g. MbO)
  - risk of excessive pressure on employees ('pressure to perform')
  - neglecting qualitative aspects because of fixation on measurable factors
  - not suitable for all employees (e.g. certain sense of duty)

### 3.1.3.6 Reporting System

If an outcome oriented management control system has been implemented successfully, one of the last important aspects is to have a reporting system in place, which allows communicating what has been achieved. The Austrian concept once more provides a *basic guidance* for this issue. The recommendations of it are:<sup>459</sup>

- *Content of report:*
  - The question "Who receives/ uses the report?" needs to be raised at the very beginning
  - The follow-up question shall be "Which information does the person or group need in order to take the right decisions?"
  - A report should not involve all performed activities. The focus clearly needs to be on the achieved targets or on reasons why they were not achieved.
  - A report shall include data about the initial planning state.
  - In sum, the content has to be limited to *absolutely necessary information*.
- *Report form:*
  - Reports should show a simple structure (e.g. table form), which at best contains elements like:
    - planned goals (output, outcome, impact, etc.)
    - intended measures
    - target-actual comparison (table-form)
    - further relevant issues
  - A customised IT-system in some cases can be too much. Such a system makes sense when numerous subordinate units/bodies have to be coordinated and aligned towards common objectives.
  - Show the content *as simple as possible*.

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<sup>459</sup> cf. BKA (2012a) pp.50.

The basic rules, described above, again can help non-profit organisations to develop a customised report structure. It is reasonable to follow these thoughts, in order to have an appropriate report structure as well as the right content. If further assistance is required, NPOs can furthermore relate to already existing report patterns like shown in Appendix 1. Nevertheless, those templates need to be modified to match the special circumstances of non-profit organisations.

Another more advanced approach for reporting is a so-called '*management cock-pit*'. This basically is a holistic system, which summarises all information that perhaps is relevant for the management board. Typical matters in these terms are:<sup>460</sup>

- resource usage (e.g. budgets)
- personnel information (e.g. persons on sick leave, employee skills, satisfaction)
- process cost information (cost accounting)
- output goals and indicators
- outcome goals and indicators
- information regarding reform projects

All aspects (except the last one) apply also to the activities of non-profit organisations. However, it needs to be considered that with an increasing amount of information, an IT system again also makes more sense.

### **3.1.3.7 Performance Statement as Operational Planning Tool (‘Ressourcen-, Ziel-, und Leistungsplan’)**

The key-instrument for medium-term planning in the Austrian administrative sector is the so-called performance statement (‘Ressourcen-, Ziel-, und Leistungsplan – RZL’). This tool provides information about goals (e.g. output-, outcome-, efficiency-, quality goals), measures and personnel as well as financial resources. The statement has no standardised structure, because the idea is that it should be customised by every organisational unit, in order to meet the special circumstances.<sup>461</sup>

As support for the customisation of the performance statement, templates have been provided by the BKA. Appendix 2 shows such exemplary templates. The structure of them is again defined by a combination of top-down requirements and bottom-up necessities. Moreover, important in terms of the content is the fact that it exclusively contains operative key-priorities.<sup>462</sup>

Referring to the non-profit sector once more, it is conceivable that if those state reports are modified, they can represent a good first approach for non-profit organisations. The basic framework of these templates generally is independent of the field of application. However, it must be noticed that much information still has to be added, in order to do justice to the special conditions of NPOs (e.g. stakeholder perspective). To conclude, the Austrian

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<sup>460</sup> cf. BKA (2012a) p.51.

<sup>461</sup> cf. Ibid p.32.

<sup>462</sup> cf. BKA (2011a) p.37.

performance statement is a good starting point for NPOs that aim at making their own effort in these terms.

## 3.2 New Control Model for German Public Administration (‘Neues Steuerungsmodell’)

This section will briefly describe how NPM was implemented in the German administrative sector. After showing the main elements of its application, it will be examined how outcome orientation is embedded in it, and how this aspect is carried out.

### 3.2.1 Elements of NSM

With the appearance of New Public Management in the 1990s, Germany, just as many other countries, started to develop its very *own version of the international movement*. As the name already indicates, the emphasis was put on the introduction of a new control model. The matching German term, used to summarise all efforts regarding this issue, is “Neues Steuerungsmodell - NSM”.<sup>463</sup>

In 1993, the first impulse for change came from the municipal joint office for administrative management (‘Kommunale Gemeinschaftsstelle für Verwaltungsmanagement - KGSt’<sup>464</sup>). NSM basically picked up the basic ideas of NPM and developed them further towards a new control system.<sup>465</sup>

A good *representation of all NSM initiatives* is provided by J. Bogumil. He furthermore summarised individual practical elements and linked them with the basic principles of NPM, as can be seen in Table 12.

Internal Dimension		External Dimension
Relationship Politics - Administration	Replacement of Classic Bureaucracy Model	
<i>separation of politics and administration</i> (‘WHAT’ and ‘HOW’) <ul style="list-style-type: none"> <li>• political contracts</li> <li>• political controlling</li> <li>• output-based budgeting (‘Produktbudget’)</li> </ul>	<i>procedural innovation</i> <ul style="list-style-type: none"> <li>• decentralised responsibility for (specialist) fields and resources</li> <li>• <b>control of defined outputs</b></li> <li>• contract management</li> <li>• business instruments               <ul style="list-style-type: none"> <li>○ budgeting</li> <li>○ controlling</li> <li>○ cost accounting</li> </ul> </li> </ul>	<i>customer orientation</i> <ul style="list-style-type: none"> <li>• quality management</li> <li>• one-stop agencies</li> </ul>

Table 12: Key elements of NSM (‘Neues Steuerungsmodell’)<sup>466</sup>

<sup>463</sup> cf. SCHEDLER, K.; PROELLER, I. (2010) p.5; cf. chapter 2.11.1.

<sup>464</sup> ‘Kommunale Gemeinschaftsstelle für Verwaltungsmanagement’ (KGSt) [www.kgst.de/](http://www.kgst.de/)

<sup>465</sup> cf. HIRSCH, B.; ET AL. (2009) p.14.

<sup>466</sup> cf. Abb.2 in BOGUMIL, J.; ET AL. (2007) p.31; cf. Abb.4 in BOGUMIL, J.; KUHLMANN, S. (2004) p.53 for the original description.

Internal Dimension		External Dimension
Relationship Politics - Administration	Replacement of Classic Bureaucracy Model	
	<p><i>organisational innovation</i></p> <ul style="list-style-type: none"> <li>• corporate structure</li> <li>• central control system</li> <li>• cross-sectional units positioned as service centres (‘Querschnittsämter als Service-Stellen’)</li> </ul>	<p><i>competition</i></p> <ul style="list-style-type: none"> <li>• marketisation</li> <li>• privatisation</li> <li>• benchmarking</li> </ul>
	<p><i>personnel innovation</i></p> <ul style="list-style-type: none"> <li>• cooperation and group-work elements</li> <li>• incentive systems</li> <li>• modern personnel management</li> <li>• management knowledge</li> <li>• holistic working context</li> </ul>	

Table 12 (continued): Key elements of NSM (‘Neues Steuerungsmodell’)<sup>467</sup>

At the beginning of the advancement attention was mainly paid to the internal dimension. In the course of time, the reform idea extended to a more holistic approach. *External dimensions were added* by introducing competitive elements, like benchmarking or marketisation. Furthermore the recipient started to be considered as ‘customer’, who requires higher attention.<sup>468</sup>

The internal subjects on the other hand still display the initial plan of a new *municipal* control mechanism. Concrete elements of it are organisational restructuring, the use of business instruments, contract management, but above all decentralisation and *control via output definitions*.<sup>469</sup>

The last matter indicates that the output from that time on was used as basis for decision-making (organisational control). A focus on the output should be stressed in order to reach *output- instead of input control*.<sup>470</sup>

‘Output definition’ in this case is used synonymously for the German expression ‘Produktdefinition’. An output (‘Produkt’) in this context is the smallest possible strategic unit which is specially designed for one specific target group and can provide benefit without needing any further outputs.<sup>471</sup>

In relation to different levels of the entire reform program (NSM), product definition can be assigned to *operative issues*. It furthermore should be emphasised that the instrument shows some significant connections to the *strategic level*, especially to the management control cycle.<sup>472</sup>

<sup>467</sup> cf. Abb.2 in BOGUMIL, J.; ET AL. (2007) p.31; cf. Abb.4 in BOGUMIL, J.; KUHLMANN, S. (2004) p.53 for the original description.

<sup>468</sup> cf. BOGUMIL, J.; ET AL. (2007) p.28.

<sup>469</sup> cf. BANNER, G. (1991) pp.8 for the original description of NSM.

<sup>470</sup> cf. KGST (1994) quoted in KEGELMANN, J. (2007) p.84.

<sup>471</sup> cf. BRÜHLMEIER, D.; ET AL. (1998) pp.301 and cf. SCHEDLER, K.; PROELLER, I. (2010) p.115.

<sup>472</sup> cf. HEINZ, R. (2000) p.5 and cf. KEGELMANN, J. (2007) p.84.

In the subsequent paragraph, it will be shown how outcome orientation is embedded in strategic management.

### 3.2.2 Outcome Orientation in KGSt Strategic Management Approach

Based on the groundwork of R. Heinz<sup>473</sup> in the year 2000, the KGSt, from this time on, focused on a *strategic management approach*, which follows the basic principles of NSM. The office for administrative public management published five reports, wherein they describe the conception in more detail.<sup>474</sup>

The core of the strategic concept is represented by a customised *management cycle*, which is linked to the previously mentioned element of output-definition. Figure 50 shows the basic system of the management cycle.

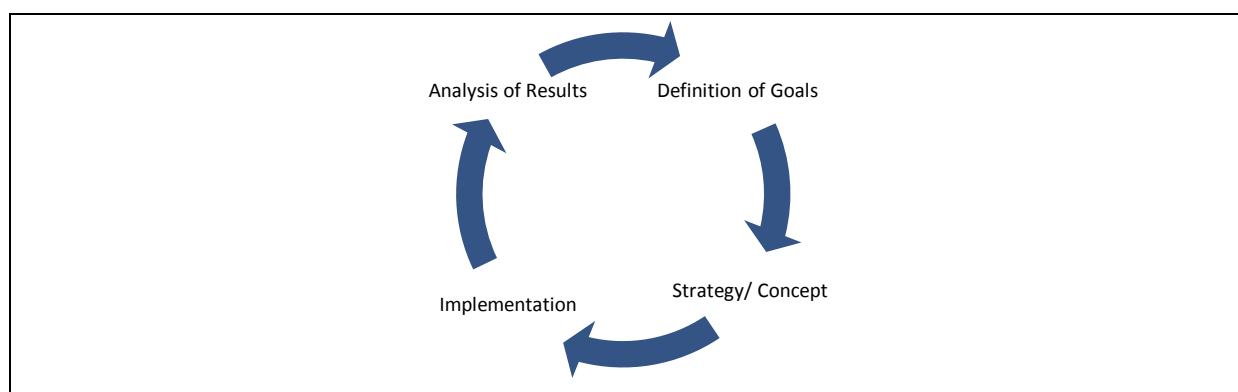


Figure 50: Management cycle in NSM (acc. to KGSt concept)<sup>475</sup>

As typical for management cycles, this one also starts with the development of a goal system ('Zielentwicklung'). Secondly, a strategy to achieve those goals is defined ('Konzept zur Zielerreichung') and afterwards the plan is put into practice ('Programme, Produkte, Projekte'). In the last phase, the results will be analysed ('Analyse der Zielerreichung'). This logical process is now *applied on all three organisational levels* (normative – strategic – operative), and combined to a total strategic concept.<sup>476</sup>

Whereas the key objectives usually are determined on a normative level, the crucial *strategic level deals with four major types of targets*. As the subsequent Figure 51 will show, the four target dimensions are dedicated to outcome ('Wirkung'), output ('Programme/Produkte'), throughput ('Prozesse & Strukturen') and input ('Ressourcen').<sup>477</sup>

The first-one of these four elements can be considered as the 'heart' of outcome orientation. The leading question hereby is: "What do we want to achieve?" ('Was wollen wir erreichen?'). Although even German municipalities frequently neglect the outcome dimension

<sup>473</sup> for detailed information regarding strategic (municipal) management in Germany see HEINZ, R. (2000).

<sup>474</sup> cf. SCHEDLER, K.; SIEGEL, J. (2005) p.31.

<sup>475</sup> cf. KGST (2000) quoted from Abb.8 in KEGELMANN, J. (2007) p.88.

<sup>476</sup> cf. KGST (2000) quoted in KEGELMANN, J. (2007) pp.87.

<sup>477</sup> cf. KEGELMANN, J. (2007) p.88.

(due to the already mentioned problems), still the approach emphasises the importance of this consideration. The tasks, which need to be followed according to the concept, are.<sup>478</sup>

- determine if the thematic field is strategically relevant (e.g. field, trend analysis)
- identify opportunities and risks (e.g. environmental, market analysis)
- set priorities for action (evaluate importance/ significance)
- define strategic objectives

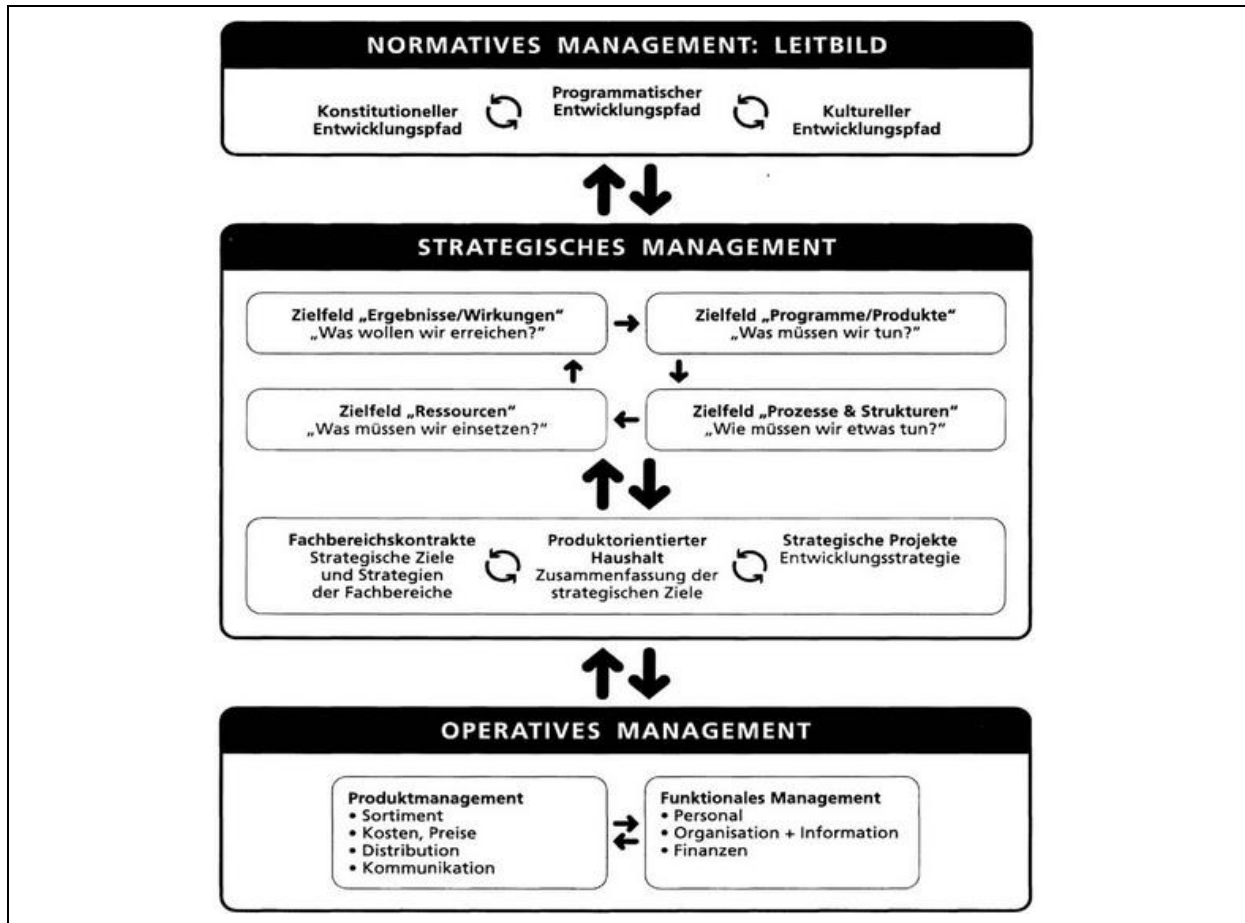


Figure 51: Four target areas of the KGSt concept<sup>479</sup>

For further practical groundwork of outcome-oriented management in Germany, reference here is made to the publications of the KGSt. They on the one hand provide more precise information regarding outcome issues (Which target group should be referred to? Does the target group have alternatives to choose from?) and on the other hand demonstrate some exemplary institutions that have successfully implemented the approach. In addition, they refer to some important German legal requirements (e.g. code of social law II - 'Sozialgesetzbuch II'), because official statements like that already start to formulate objectives, based on outcome considerations.<sup>480</sup>

<sup>478</sup> cf. HEINZ, R. (2000) pp.99 and cf. SCHEDLER, K.; SIEGEL, J. (2005) p.33.

<sup>479</sup> cf. Abb. 7.1 in HEINZ, R. (2000) p.180; original German representation.

<sup>480</sup> cf. <https://www.kgst.de/> (08 May 2015); for further information, reference is made to this publication.

### 3.3 Outcome-Oriented Public Management in Switzerland (‘Wirkungsorientierte Verwaltungsführung – WOV’)

In 1993, E. Buschor introduced the term ‘Wirkungsorientierte Verwaltungsführung – WOV’ in Switzerland, in order to emphasise that it is time to focus on *a new system of outcome-oriented public management*<sup>481</sup>. The process of rethinking public management consequently brought some major changes. Training, education and university research incorporated advanced management know-how into public administration. Using performance agreements and one-line budgets as control instruments became natural for many organisations. Taken as a whole, the quality management of many public organisations could be improved significantly.<sup>482</sup>

Today, aspects of outcome-oriented management are applied on all levels of the Swiss public sector.

On the federal level, two initiatives were implemented. The first one is called the *MPM program*, which is an abbreviation for ‘*management by performance mandate and global budget*’ (‘Führen mit Leistungsauftrag und Globalbudget – FLAG’). This program provides a very mature and all-encompassing model, which was specifically developed for public management control. Secondly, outcome orientation *was implemented in the Federal Constitution*. Measures, commissioned by the Confederation (‘Eidgenossenschaft/ Bund’), are always assessed according to their effectiveness (outcome). Generally speaking, all federal aspects are analysed in terms of their potential outcomes (e.g. new accounting model, etc.). On the state or cantonal level, a new outcome-oriented *management model* replaced the traditional system. It can be recognised that the cantons currently are at different development stages. Some have already implemented the new model (quite successfully) in most parts of their sphere (e.g. Aargau, Bern, and Zurich), others are still in the trial phase or have not even started yet. Finally, on the municipal level, it can be found that about 7% of all communities use outcome-oriented management for all of their matters, and approximately 30% have at least adopted some elements of it.<sup>483</sup>

For the following detailed investigation, it appears to be reasonable to focus on a public level, which deals with smaller, clearly delineated units. In the light of the subsequent examinations, this level offers possibilities to draw comparisons to the organisational perspective of non-profit organisations.

#### 3.3.1 Elements of WOV

The Swiss version of NPM contains most of the elements, which could already be identified in Austria and Germany. An adequate *summary of those elements* can be seen in Figure 52.

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<sup>481</sup> cf. SCHEDLER, K. (2013) p.15 and cf. chapter 2.11.1.

<sup>482</sup> cf. SCHEDLER, K. (2013) p.15.

<sup>483</sup> cf. <http://www.flag.admin.ch> (10 May 2015).

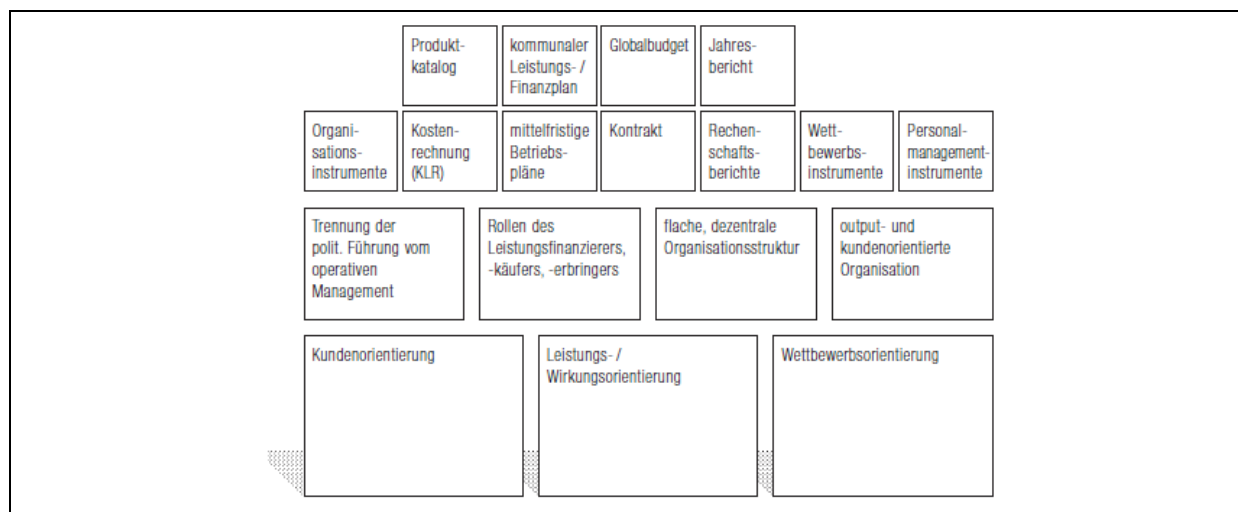


Figure 52: Key elements of WOV<sup>484</sup>

Different approaches were necessary to replace traditional public administration by a new outcome-oriented system. The *lowest level* thereby represents the *fundamental principles*. Like in many other countries, customer orientation and competitive elements are important new aspects.<sup>485</sup>

The *second (middle) level* represents *organisational principles* that are deduced from the basic intentions. The new idea of administration implies horizontal, decentralised structures, new role models (funder, service buyer, service provider), and a clear distinction between political leadership and operative management.<sup>486</sup>

The upper two levels represent instruments, which are used to follow the basic principles. They deal with organisational tasks, information processing and management control. Already discussed tools like one-line budget, contract management, product definition, performance and financial mandates can again be found. Apart from these new approaches, some conventional instruments are still useful and indispensable (e.g. cost accounting, annual reports/ statements, etc.)<sup>487</sup>.

The next section will now concentrate on the partial aspect of outcome orientation, and illustrate what the procedure is like in this matter in the Swiss reform model.

### 3.3.2 Process of Outcome Orientation in WOV

In WOV, outcome orientation normally is implemented in the form of *outcome-oriented target setting*. Institutions receive performance- and outcome objectives that have to be fulfilled with the provided resources. The resources are (in some form) connected with the performance and approved globally.<sup>488</sup>

As might be suspected, this procedure again can be considered as a continuous process, which consists of several stages, like shown in Figure 53.

<sup>484</sup> cf. Figure in KANTON ZÜRICH (2003) p.16; original Swiss representation.

<sup>485</sup> cf. Ibid pp.6.

<sup>486</sup> cf. Ibid pp.8.

<sup>487</sup> cf. Ibid pp.16.

<sup>488</sup> cf. Ibid pp.12.



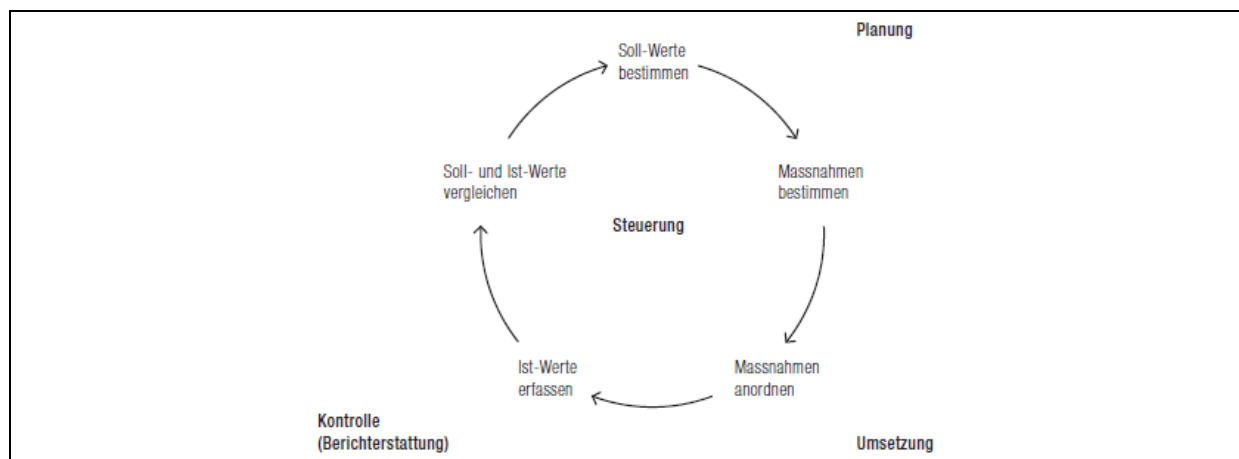


Figure 53: Outcome-oriented management control in WOV (on a municipal level)<sup>489</sup>

On a broader perspective, the main activities are planning, implementation and reporting. This process can now *take place on different hierarchical levels of the municipality*. The top-level decisions (e.g. controlling decisions) are under the response of communal politicians. The next level, organisational control, has to be performed by the management board. The final level deals with inter-organisational decisions (see Figure 54).

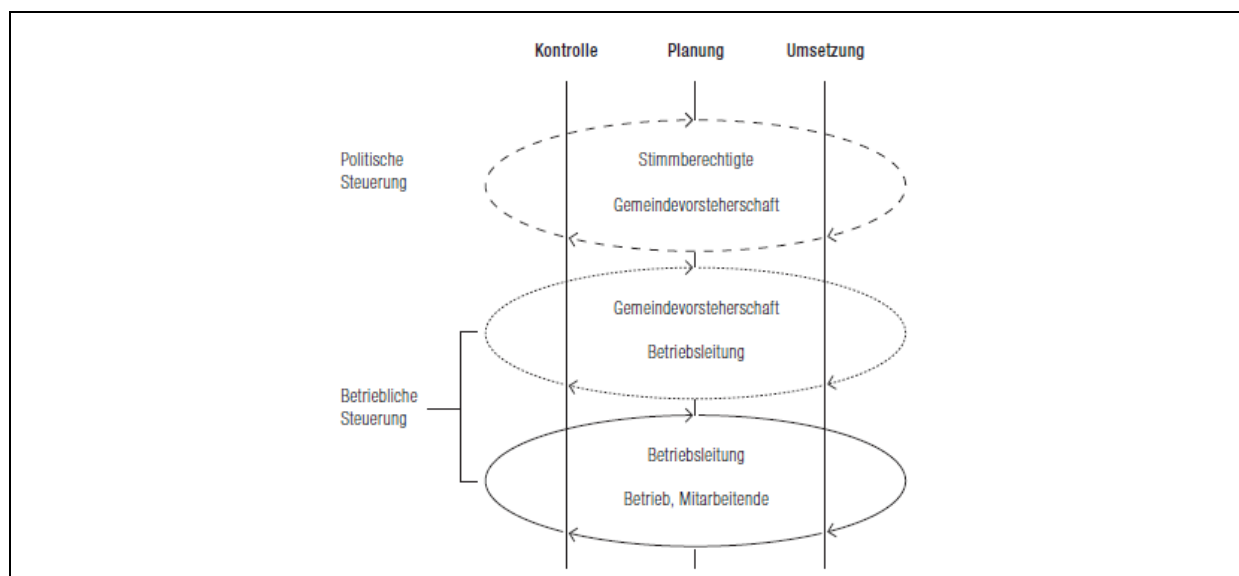


Figure 54: Three levels of municipal control decisions<sup>490</sup>

In order to better understand what planning, implementation and reporting may look like in a concrete field, the communal school organisation in Switzerland will be used as an example. The following depiction (Figure 55) is deduced from publications of the department of education in Zürich and should demonstrate how the new form of management control (cf. Figure 53) can be implemented with certain instruments.<sup>491</sup>

<sup>489</sup> cf. Figure in KANTON ZÜRICH (2003) p.12; original Swiss representation.

<sup>490</sup> cf. Figure in Ibid p.13; original Swiss representation.

<sup>491</sup> cf. BILDUNGSDIREKTION ZÜRICH (2003) p.10.

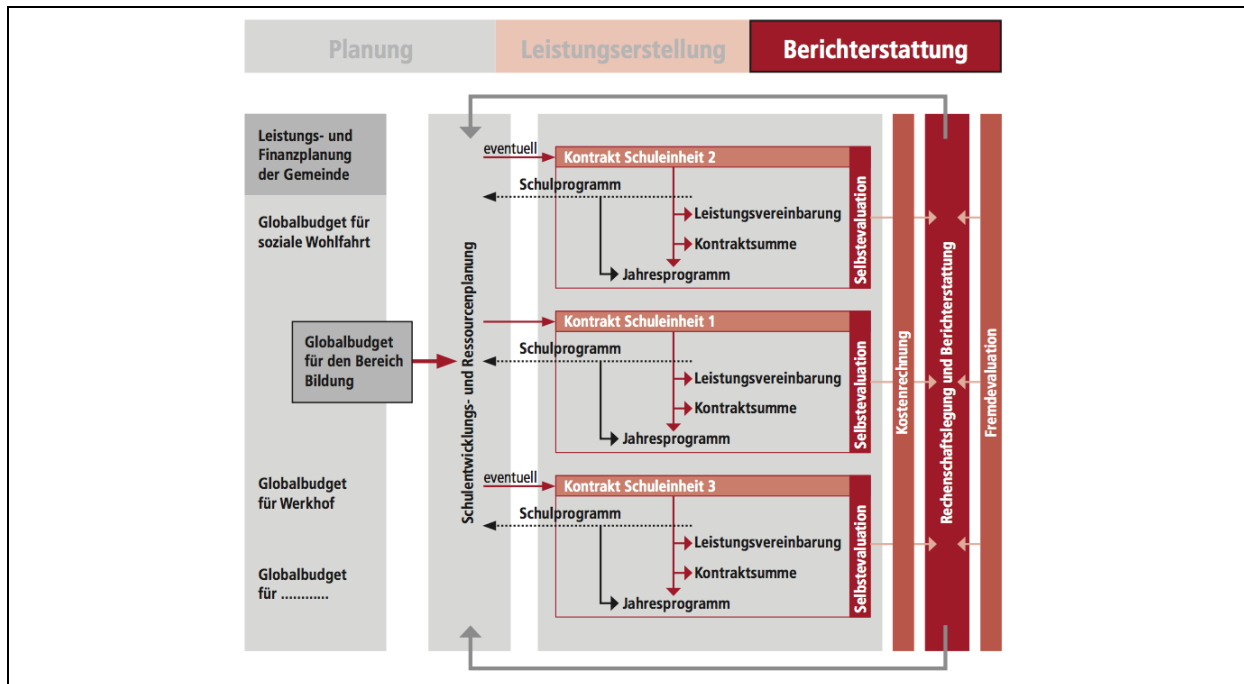


Figure 55: Management control system for the education sector in Zürich<sup>492</sup>

The first phase, planning, is dominated by three elements, the *one-line budget*, *performance and financial plans* ('Leistungs- und Finanzplanung'), and the *school development and resource plan* ('Schulentwicklungs- und Ressourcenplan'). While the last one summarises all necessary resources and formulates a general role model, the performance and financial plan serves as basis for the allocation of the one-line budget. In this, information regarding *output and outcome* are provided, as well as details about financial matters (required funds, future development, etc.). The last planning instrument is the one-line budget. It involves the performance mandate from political side and the total budget made available.<sup>493</sup>

The second phase, implementation, is based on the already mentioned contract procedures. Performance and budget for sub-units (e.g. individual schools) are deduced from the statements in the one-line budget. Similar to the performance and financial plans, the contracts also contain *output (quality, quantity) and outcome objectives, as well as associated indicators*. The contract value ('Kontraktsumme') is the total sum of staff and material costs.<sup>494</sup>

The final stage, reporting, consists of two broad tasks, (internal/ external) evaluation and cost accounting. Internal evaluation normally is part of quality management, and has the ambition to optimise internal activities. External evaluation for instance can be performed by education authorities ('Schulaufsicht'). The basic idea of the external point of view is on the one hand to improve the existing control system (different perception possibly shows potential for improvement) and on the other hand to get a performance assessment done by an independent unit. Cost accounting as the conventional element in the end provides specific

<sup>492</sup> cf. Figure in BILDUNGSDIREKTION ZÜRICH (2003) p.19; original Swiss representation.

<sup>493</sup> cf. Ibid pp.11.

<sup>494</sup> cf. Ibid pp.14.

data about all relevant financial aspects. This information understandably also becomes part of the report.<sup>495</sup>

The short example of an outcome-oriented management control system should indicate how complex the realisation can be in reality, and should give an impression of how municipalities in Switzerland try to handle this issue. The publication of the educational department of Zurich provides more detailed information about their implementation. This thesis will not further elaborate on these matters, but reference is made to these papers and articles<sup>496</sup>.

One very mature model, serving as support for the implementation of outcome-orientation is the *MPM programme*. It was published by the Federal Finance Administration – FFA ('Eidgenössische Finanzverwaltung') and is intended for the organisational/ operative level of public management. It is a concept that concentrates on '*integrated performance and effect control*'. The system picks up the idea of outcome-oriented target setting and provides a complete model based on goals and indicators. The results relate directly to the matters of the manager, who can make decisions on the basis of the provided information (output, outcome, etc.)<sup>497</sup>.

Figure 56 shows the four main components of the model:

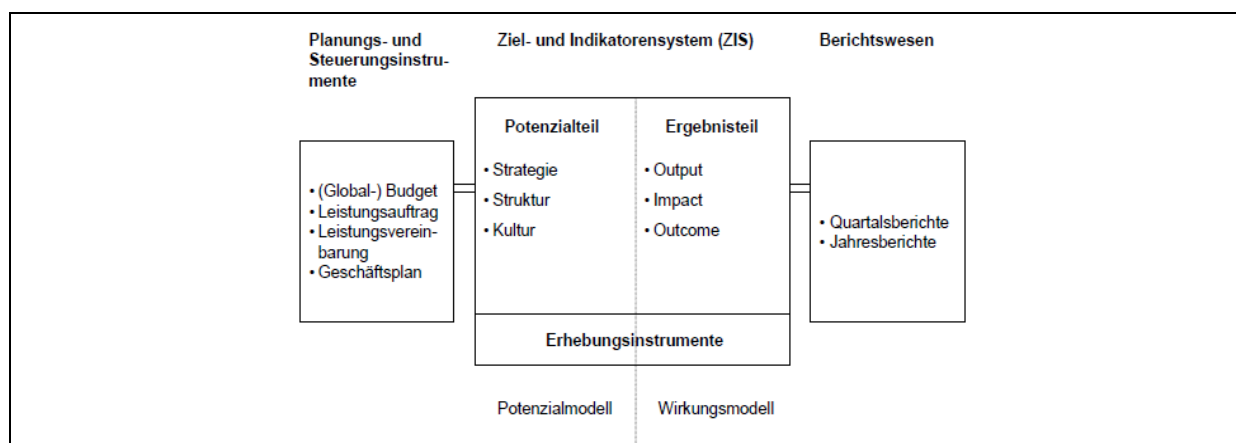


Figure 56: Conceptual framework of MPM concept<sup>498</sup>

The first element refers to *instruments for planning and control* and basically contains the already discussed tools, like one-line budget, performance agreements and organisational plans. The centre of the model is the *navigation chart*, consisting of two parts, which deal with *capability* and *results*. The term 'capability' summarises all aspects that are relevant for the design of the strategy (e.g. strategic orientation), for the value chain (e.g. product innovation) or for important management tasks (e.g. reorganisation). 'Result' contains data regarding output, outcome and impact, and tries to implement a logical model, which can serve as a basis for the development of indicators. The final component is the reporting

<sup>495</sup> cf. BILDUNGSDIREKTION ZÜRICH (2003) pp.17.

<sup>496</sup> cf. BILDUNGSDIREKTION ZÜRICH (2003) and KANTON ZÜRICH (2003) for further information regarding the implementation of outcome orientation in Switzerland.

<sup>497</sup> cf. <http://www.flag.admin.ch> (10 May 2015).

<sup>498</sup> Abb. 2. in HIRSBRUNNER, D.; ET AL (2001) pp.7.

element, which contains systems like quarterly or annual statements, which should ensure that important information is forwarded to those who need it (managers, authorities).<sup>499</sup>

A detailed instruction on how to build up the system of 'integrated performance and effect control' (plus practical examples) is provided by the Federal Finance Administration<sup>500</sup>. For more detailed information, again reference here is made to the publications of the FFA.

### 3.4 Comparative International Discourse

This section will give an overview about the implementation of outcome orientation in public management on an international level.

Before this can be addressed, it needs to be noted that there (again) exists *no internationally standardised term* for these modernisation efforts. The OECD<sup>501</sup> for instance frequently carries out detailed examinations of public reformation trends across the OECD countries. The terms, used by them, are *performance management* and *performance budgeting* to refer to an approach, "*which shifts budgeting, management and accountability away from inputs towards a focus on measurable results*"<sup>502</sup>. Performance in the context of OECD refers to activities, which are carried out, based on defined targets (outcome or output)<sup>503</sup>. Besides the OECD definitions, further frequently used terms for this matter are results-oriented management, outcome-/output-based management or like in this thesis, outcome-oriented management.<sup>504</sup>

Despite these terminological problems, the OECD could still manage to get an impression of the tendency of 'performance budgeting' and 'performance management' on an international level<sup>505</sup>. What could be found is that 'performance management' has reached the majority of the OECD members, but there is no agreement on how to proceed in these terms. Nevertheless, three general categories could be deduced from the broad spectrum of different (national) implementations:<sup>506</sup>

- presentational performance budgeting  
The practices, assigned to this category, involve performance data (output, outcome), yet this information is exclusively used for informational purposes. They are normally presented during decision-making (funds allocation), but have no direct influence.
- performance-informed budgeting  
Performance information has concrete (indirect) influence on resource allocation, but there is no direct link between objectives and resources.
- direct performance budgeting (formula-based budgeting)  
A direct link exists between funding decisions and output-/ outcome information.

<sup>499</sup> cf. HIRSBRUNNER, D.; ET AL. (2001) pp.7.

<sup>500</sup> cf. <http://www.flag.admin.ch> (10 May 2015) and cf. HIRSBRUNNER, D.; ET AL (2001) for further information.

<sup>501</sup> Organisation for Economic Cooperation and Development - OECD [www.oecd-ilibrary.org](http://www.oecd-ilibrary.org)

<sup>502</sup> OECD (2005) p.60.

<sup>503</sup> cf. OECD (2005) p.57; 'Performance' in this section is used as in the context of OECD.

<sup>504</sup> cf. HAMMERSCHMID, G.; GRÜNWARD, A. (2014) p.16.

<sup>505</sup> cf. OECD (2013) for latest publications on public sector performance.

<sup>506</sup> cf. OECD (2013) p.94 and cf. HAMMERSCHMID, G.; GRÜNWARD, A. (2014) p.18.

The study of the OECD revealed that most countries work with one of the first two forms. The third one could only be found at selected fields, like for instance for funding of higher education or hospitals.<sup>507</sup>

### 3.4.1 Analysis of Austrian Reform Concept

As already pointed out in section 3.1.1, *Austria's federal system* can be assigned to the category 'performance-informed budgeting'. Although this form is less challenging than direct performance budgeting, still this way of proceeding goes along with certain disadvantages, as well.<sup>508</sup>

Some of these possible downsides are:<sup>509</sup>

- Decision-makers have the power to ignore or withhold 'unpleasant' information regarding outcomes.
- The enormous amount of information (risk of information overload) is very difficult to handle when there is only little time for budgeting decisions. As a result, decision-makers often restrict themselves to the very essential information, and thereby overlook further relevant aspects (e.g. unintended outcomes that have major influence).
- The required information is often outside of the organisational operations, which means that in many times services are necessary, which have to be done by third parties. A hospital for instance would have to make follow-up visits or surveys, when it wants to find out if the performance worked out well (increased health of 'customers'). Efforts like those are generally associated with significantly high costs.
- The high costs for obtaining outcome information often are the reason why many countries fall back on output data. Furthermore, responsible persons are often tempted to provide a large amount of information instead of the right information.

This list of possible disadvantages has to be kept in mind, when the decision for one of the three forms has to be made<sup>510</sup>. In contrast to the downsides of the Austrian system, the BKA describes the advantages as follows:<sup>511</sup>

- + increased transparency of political goals  
Outcome objectives and goals can be presented and discussed in the National Council ('Nationalrat'). The implementation of both will be assessed annually. Tax payers' money is managed more carefully.
- + instrument to show which services are offered by public administration  
Not only the general public is interested in the work spectrum of administration, but also interest groups, politicians and many further stakeholders have to be informed about the product/ service portfolio.

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<sup>507</sup> cf. OECD (2013) p.94.

<sup>508</sup> cf. HAMMERSCHMID, G.; GRÜNWARD, A. (2014) p.24.

<sup>509</sup> cf. SCHICK, A. (2013) pp.59.

<sup>510</sup> cf. HAMMERSCHMID, G.; GRÜNWARD, A. (2014) p.24.

<sup>511</sup> cf. BKA (2011a) p.15 and cf. BKA (2012b) p.5.

- + better insights for citizens  
The general public can be better informed about targets and measures. They will be able to understand how public administration works, which in turn will strengthen trust between administration and the public sphere.
- + enhancement of outcome orientation  
Outcome- and output results are put at the foreground. Limited resources are forwarded to those areas, which show the highest potential to achieve important outcomes.
- + executives are responsible for results  
The increased transparency enables public managers to take responsibility for their specific area.
- + groundwork for integrated control  
The system, which connects input-, output- and outcome information, serves as fundament for the annual management control process/ cycle. This furthermore allows employees to put their personal contribution in contrast to the total achievement.
- + focus on gender equality works on same conditions for men and women  
Gender equality takes highest priority during planning, implementation and evaluation of public affairs. As a consequence, it can be analysed which influence public work has on both sexes.

After this presentation of the benefits and drawbacks of the Austrian federal system, the next part will evaluate and compare approaches of several OECD-member countries.

### 3.4.2 International Comparison of Outcome Orientation

In the previous sub-chapters it has already come out that performance information can be used for many different purposes. The data can be collected either with evaluation, or with the help of continuous performance measures. Irrespective of the collection procedure, a common trend across most OECD-countries is to use it for *performance budgeting and performance management*.<sup>512</sup>

In 2011, one of the latest studies of the OECD was conducted, which examined performance budgeting. In a survey, senior budget officials were asked to assess the approaches in their own country. The research thereby was limited on the federal level. For comparison purposes, a composite index ('Mischindex') was introduced, which brings down the following information to one value:<sup>513</sup>

- availability and type of the obtained performance information
- processes for result monitoring and reporting
- information whether/ how performance information is used for budgeting and decision-making

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<sup>512</sup> cf. OECD (2005) p.58.

<sup>513</sup> cf. OECD (2013) p.94.

In total, 11 variables (covering different topics) were used and summarised to one index. The score could vary between 0 and 1, whereas 1 indicated the use of a perfectly appropriate method.<sup>514</sup>

In Figure 57 the results of the assessment of different OECD-countries can be seen:

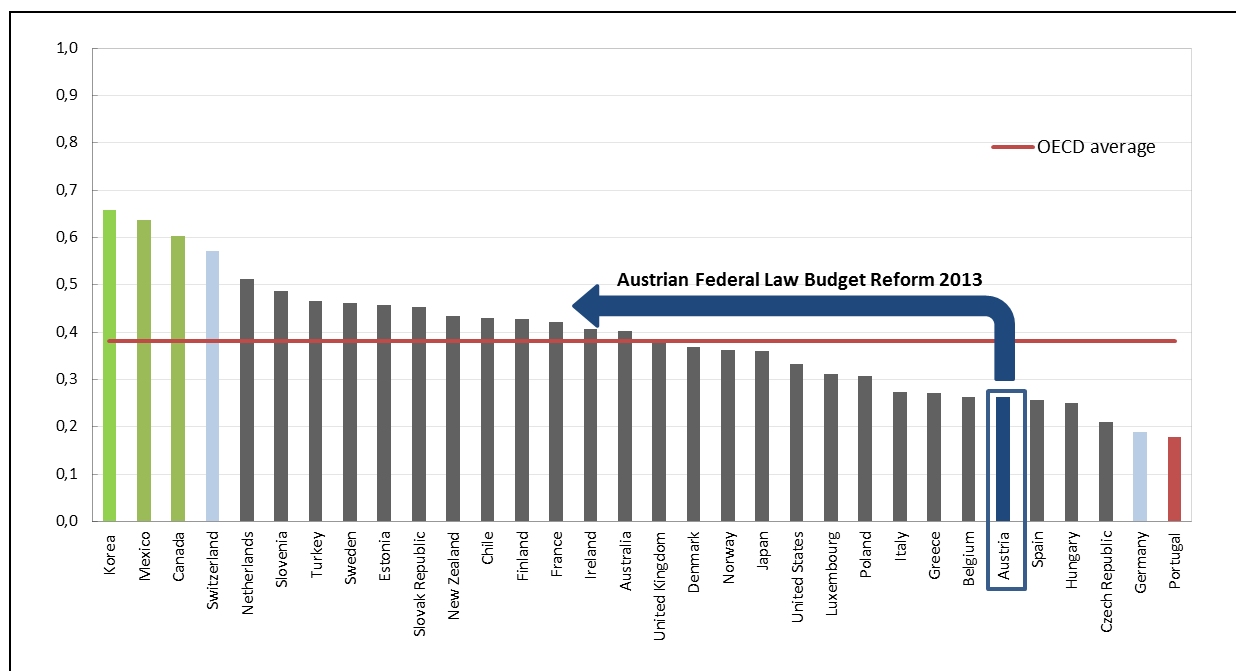


Figure 57: Comparison of OECD-countries regarding federal performance budgeting<sup>515</sup>

The results clearly showed that the *practical application within federal government is mostly decentralised*, which means that central units usually forward budgets to the line ministries, and they work on the basis of performance budgeting. Some countries, however, prefer a more centralised approach. In this case, a sophisticated government-wide framework was developed. This structure then involves extensive plans for the development of performance information, for budgeting, decision-making and concepts for monitoring and reporting. Countries like Korea, Mexico and Canada are for instance leading in international comparison, because they have *advanced and standardised guidelines, (reporting) templates and comprehensive performance ratings*. Furthermore it could be detected that 'not achieving' performance targets had no negative (financial) effect in most countries. Rather, the negative results were reported, communicated and intensively monitored in the next period.<sup>516</sup>

In comparison to many members of the OECD, Austria made a significant step forward in the ranking (Federal Law Budget Reform in 2013). In comparatively short time, it could be managed to catch up with countries with years of experience. The late but very ambitious decision of Austria allowed learning from experiences of others and building up on this practical knowledge.<sup>517</sup>

<sup>514</sup> cf. OECD (2013) p.94; pp.172.

<sup>515</sup> cf. Abb. 6 in HAMMERSCHMID, G.; GRÜNWARD, A. (2014) p.20; original diagram based on Fig. 4.7 in OECD (2013) p.95; data based on OECD Survey on Performance Budgeting in 2011.

<sup>516</sup> cf. OECD (2013) p.94.

<sup>517</sup> cf. HAMMERSCHMID, G.; GRÜNWARD, A. (2014) pp.20 and cf. content of Figure 58.

In further recent investigations of the EU-financed COCOPS project<sup>518</sup>, it could be shown that *Austria finally is aware of the importance of outcome orientation*. In an extensive survey, public managers of 16 countries were asked to assess how important current reform trends were in their policy field. The results demonstrated that Austria and the majority of the 16 OECD-countries consider outcome orientation as one of the key-issues of politics and administration. Figure 58 shows this statement in graphical form.

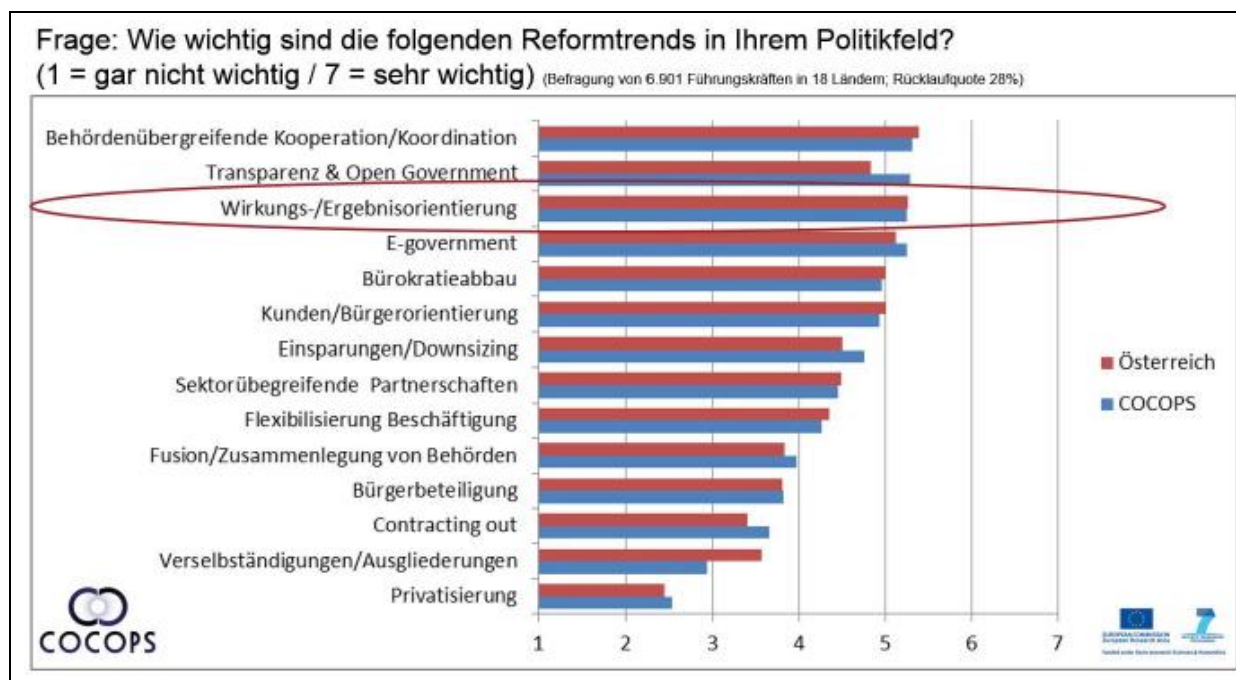


Figure 58: Importance of reform trends in European public administration<sup>519</sup>

### 3.4.3 International Comparison of (Public) Management Control Types

One of the biggest challenges of today's public reform programmes is to *decide which performance information should be chosen for management control (input, output, or outcome) and how different dimensions should be combined*.

The international experience, in this field, revealed that the key is not to replace the traditional system with any new one, but to integrate different control perspectives as well as possible into the existing political and administrative structure. Every dimension has its specific strengths/ weaknesses, and essentially depends on the field of application as well as on the particular context. The subsequent Table 13 compares the characteristics of different possible control forms.<sup>520</sup>

<sup>518</sup> Coordinating for Cohesion in the Public Sector of the Future - COCOPS [www.cocops.eu](http://www.cocops.eu)

<sup>519</sup> Abb. 7 in HAMMERSCHMID, G.; GRÜNWARD, A. (2014) pp.21; data based on [www.cocops.eu](http://www.cocops.eu) (21 May 2015); original German representation.

<sup>520</sup> cf. SEIWALD, J.; ET AL. (2013) p.88.



	Strengths	Weaknesses	Appropriate Context
<b>Input-Oriented Control</b>	<ul style="list-style-type: none"> <li>+ short-term perspective</li> <li>+ easy to implement (minimum efforts)</li> <li>+ emphasises compliance</li> </ul>	<ul style="list-style-type: none"> <li>– no consideration of efficiency</li> <li>– possibly inflexible</li> <li>– little management autonomy</li> </ul>	<ul style="list-style-type: none"> <li>• low level of trust and competence</li> </ul>
<b>Output-Oriented Control</b>	<ul style="list-style-type: none"> <li>+ short-term perspective</li> <li>+ encourages efficiency</li> <li>+ enables control of individual budget sectors</li> <li>+ result-oriented</li> <li>+ good for control tasks (simple to influence)</li> </ul>	<ul style="list-style-type: none"> <li>– measuring problems</li> <li>– can lead to distorted results (quantity at the expense of quality)</li> <li>– information overload</li> <li>– no contribution to reallocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>• high level of trust</li> <li>• well-established areas of responsibility</li> <li>• high level of professionalism</li> </ul>
<b>Outcome-Oriented Control</b>	<ul style="list-style-type: none"> <li>+ long-term perspective</li> <li>+ encourages political development and coordination</li> </ul>	<ul style="list-style-type: none"> <li>– measuring problems</li> <li>– problems with responsibility</li> <li>– control is only possible to a limited degree (external influences)</li> </ul>	above-mentioned aspects, plus: <ul style="list-style-type: none"> <li>• ability to set targets</li> <li>• political commitment</li> </ul>

Table 13: Strengths and weaknesses of different (public) management control systems<sup>521</sup>

The realisation of those different management control types brought up some general challenges and success factors. These aspects are subject of the following paragraph.

### 3.4.4 Findings from International Practice

This last section on outcome-orientation in public sector has the intention to provide information about some general findings. The knowledge should serve as basis for future developments in that field. For this purpose, first some *major challenges* will be discussed, followed by *potential drivers for a successful use of performance information*.

Latest publications provide an appropriate reflection of general challenges associated with this recent reformation of public management. The following matters could be deduced from practical experiences so far:<sup>522</sup>

- Decision-makers show very limited interest in the 'new' performance (outcome) information. As a consequence, reports, which contain this information, are rarely used.
- Profound problems emerge in relation to an appropriate measurement of public performance (multi-dimensional construct).
- Adverse consequences result from strategically dealing with existing systems (unambitious goals, embellishment of data and results, etc.).

<sup>521</sup> cf. Tab.2 in SEIWALD, J.; ET AL. (2013) p.89; original description based on Tab. 1 in BÜHLER, B. (2002) p.274 and Tab. 2.1 in OECD (2005) p.71.

<sup>522</sup> cf. KPMG (2008) and VAN DOOREN, W.; BOUCKAERT, G.; HALLIGAN, J. (2010) quoted in HAMMERSCHMID, G.; GRÜNWARD, A. (2014) p.22.

- Problems frequently appear during the development of integrative systems. Especially the linkage between outcome-oriented management control and planning, budgeting, organisational- and personnel structures appears to be a major difficulty.
- According to practice, a further challenge is the development of appropriate management expertise, in order to deal with the 'new' information in adequate terms.

In contrast to all these challenges, A. Kroll determined the most common drivers for a *successful use of performance information*. In the course of a meta-analysis, he analysed 25 empirical studies and summarised the key-success factors. In the result, the following drivers showed the highest potential:<sup>523</sup>

- maturity of measurement system (range of data, possibility for benchmarking, etc.)
- intensive involvement of external stakeholders
- management support
- provided capacities for performance management (resources, technologies, etc.)
- innovative organisational culture
- strong goal clarity
- further promising factors:
  - use of learning forums/ routines
  - prosocial motivation (willingness to make a change)
  - networking (interaction with stakeholders)
  - general political support
  - fragmented environment (heterogeneous field with competing stakeholders)

Finally, when it comes to the quality of public performance management, international experiences revealed some decisive aspects. Some of the most essential factors are:<sup>524</sup>

- clarity of basic purpose
- ability to limit priorities
- ability to align resources with priorities
- ability to measure progress

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<sup>523</sup> cf. KROLL, A. (2015) p.471; p.474; A. Kroll conducted a comprehensive meta-analysis and summarised the most relevant factors. For exemplary studies, which provide more details about the individual factors, reference is made to the publication of A. Kroll.

<sup>524</sup> cf. INGRAHAM, P.; ET AL. (2003) pp.117.

## 4 Outcome Orientation in Non-Profit Sector

So far, one of the main findings has been the fact that outcome-oriented management touches great variety of different fields. It refers to numerous conventional management disciplines, and picks up specialist knowledge from this subject areas, as well as many concepts and instruments.

In the next sub-chapter (chap. 4.1), an overview of those subjects will be given, which were investigated in the course of this work. This at the same time should point out the connection *between upcoming examinations (chap. 4.2) and theoretical investigations of the previous chapter 2.*

Later, in chapter 4.3, some of the most recent studies on practical experiences regarding outcome-oriented management will be analysed. This second major part can be considered as preparatory work for chapter 5. The knowledge, obtained from this literature study, will be tested and extended with the help of the author's empirical investigation. The last one was conducted in the form of expert interviews.

### 4.1 Overview of Outcome Orientation

In order to give an overall impression, the following Figure 59 provides a comprehensive picture about the most important disciplines and approaches, yet, it has to be noted that it does not include all current aspects. Taking into account that outcome orientation is used as a very generic term, the *representation concentrates on matters within the limits of this work.*

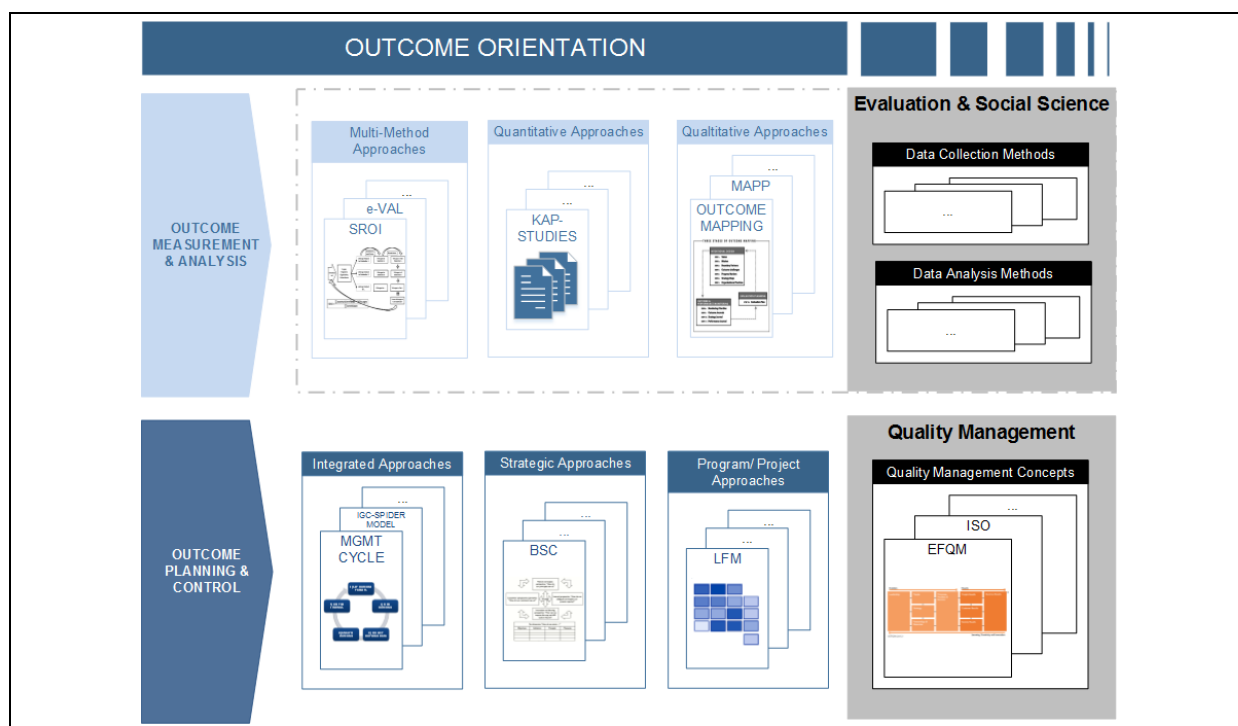


Figure 59: Overview of outcome-oriented approaches (in the framework of this thesis)<sup>525</sup>

<sup>525</sup> own representation; classification scheme based on HORAK, C. (2014) p.16.

The picture has the intention to demonstrate how outcome orientation is understood in theory and practice as well as in the context of this study. With regard to the diversity of existing approaches it appears to be reasonable to distinguish between *methodologies* that show *close proximity to research* and those that were *developed from a practical perspective*. While first ones normally have a strong emphasis on research topics (outcome measurement and analysis), latter ones particularly follow management planning/ control purposes.

Irrespective of whether the main priority is on measurement and analysis or on planning and control, both sides understandably build up on already existing knowledge at areas that also work on the advancement of outcome orientation. Concepts coming from *quality management*<sup>526</sup> for instance consider the customer perspective, and thereby not only refer to efficiency, but also try to be effective and achieve the best result (outcome) for the customer.

Another 'direction', where many approaches come from, especially those that have been developed close to research, are social sciences, or to be more exact evaluation.

Before any data can serve as basis for rational decision-making, it understandably needs to be collected and prepared in some way. For this task, empirical sciences and evaluation research provides a variety of methodological concepts and instruments.<sup>527</sup>

It recently has been recognised that even outcome analysis is classified as one specific type of evaluation by some experts. C. Schober, O. Rauscher and R. Millner (Vienna NPO Competence Center) for instance distinguish between three major types of evaluation, program evaluation (assesses the plan and logical model), process evaluation (on-going monitoring of process activities) and outcome analysis (examines outcome results).<sup>528</sup>

In the course of this thesis the terminological differences in theory and practice will not be elaborated on. Furthermore, evaluation, as well as further topics from social sciences will not be investigated, due to the fact that this would go beyond the scope of this research. However, a brief description of data collection, -preparation and -analysis is provided in chapter 2.12-2.14 because certain methods from these subjects were used in the course work.

Returning to approaches, which are designated as *methods close to research*, they now basically build up on social-science knowledge. An enormous amount of different conceptions exists in this field. Most of them have been developed for specific purposes and areas of application. For an overview on common and accepted methods, the Vienna NPO Competence Center for instance provides a comparison in their recent publication<sup>529</sup>.

One of the most advanced areas is the field of development cooperation ('Entwicklungszusammenarbeit')<sup>530</sup>. The 'Deutsche Gesellschaft für Evaluation (DeGEval)'<sup>531</sup>,

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<sup>526</sup> cf. chapter 2.10.

<sup>527</sup> cf. STOCKMANN, R. (2008) p.59.

<sup>528</sup> cf. SCHOBBER, C.; RAUSCHER, O.; MILLNER, R. (2013) pp.454.

<sup>529</sup> cf. SCHOBBER, C.; RAUSCHER, O. (2014) pp.38 for a selection of common and accepted methods for outcome measurement and -analysis.

<sup>530</sup> cf. SCHOBBER, C.; RAUSCHER, O. (2014) p.40.

<sup>531</sup> 'Deutsche Gesellschaft für Evaluation - DeGEval' [www.degeval.de](http://www.degeval.de)

published a very comprehensive handbook, in which a great number of field-tested methods is described and compared in respect to their commonalities/ differences and applicability<sup>532</sup>. Resulting from the very different characteristics of outcome measurement- and analysis approaches, numerous classification schemes are possible. The rough classification, which is presented in the picture (quantitative, qualitative, multi-method) is a common way to distinguish methods in terms of their methodological nature (research background).

In connection with this scheme, it nevertheless has to be pointed out that in most cases a mixture of qualitative (assessments) and quantitative (e.g. scoring system) elements is common. According to DeGEval, the trend that multi-method approaches (also called triangular or mixed methods) are increasingly used perhaps is an indicator that the experts' dispute on differences between quantitative and qualitative methods could be over.<sup>533</sup>

A detailed description of all methods on outcome analysis would go too far, because, as said before, a vast number of approaches can be observed. Besides this, the main emphasis of this work is on *control purposes*, and not on measurement and analysis. On this account, the following list should give an overview about some practically tested analysis methods. For more details, reference is made to the handbook of DeGEval.

Practical methods for outcome analysis, identified by DeGEval, are:<sup>534</sup>

- CEval-concept for outcome evaluation (Stockmann's concept)
- Do-no-Harm (DNH)
- e-VAL® (software for computer-based interview procedure by GTZ)
- Impact Monitoring and Assessment (IMA) (acc. to Herweg/Steiner)
- Impact Pathway
- KAP- (Knowledge, Attitude and Practice) Studies
- Method for Impact Assessment of Programmes and Projects (MAPP)
- Most Significant Change (MSC)
- NGO-IDEAs Impact Toolbox
- Outcome Mapping (OM)
- Participatory Impact Monitoring (available in different versions)
- Participatory Livelihood System Analysis (PaLSA)
- Participatory Methodology for Measuring the Contribution of Volunteering to Development (MCVD)
- Peace and Conflict Assessment (PCA)
- Program-integrated Planning-, Monitoring- and Evaluation- system (PriME) (acc. to InWEnt - Capacity Building International ('Internationale Weiterbildung und Entwicklung gGmbH))
- Quantitative experimental or non-experimental designs
- Real Time Evaluation (RTE) (for emergency aid)
- Tracer Studies ('Verbleibsstudien')

<sup>532</sup> cf. DEGEVAL (2010) for an overview on outcome analysis practices.

<sup>533</sup> cf. DEGEVAL (2010) pp.222.

<sup>534</sup> cf. Ibid p.35; Due to the fact that these methods were originally intended for development cooperation, many of them are customised for this special field. The degree, to which they have to be modified for other areas, has to be examined individually for every approach. These issues will not be discussed further in this work.

- Outcome-oriented monitoring (acc. to GTZ)

Many approaches of this selection can be frequently found in literature and some of them are even used in practice.

Among the *quantitative category*, *KAP-studies* are a very common approach to measure and analyse outcomes. The identified change in this context can either refer to knowledge, attitude, or practice<sup>535</sup> (KAP). The approach focuses on intended, rather than unintended outcomes, and collects subjective data of those questioned, in the form of surveys. Depending on the design of the interview, it can be stated if outcomes are a direct or indirect consequence of certain actions. The data collection procedure starts with gathering the initial status (so-called baseline). Afterwards, in a period of 2-3 years, repeat studies will be carried out. Typical application areas of this method are surveys for agricultural advisory services, community participation, women's promotion, but especially the health sector uses this method (nutritional habits, hygiene practices, etc.).<sup>536</sup>

Another very common (quantitative) method is the so-called *tracer study* ('Absolventen-Verbleibstudie'). This technique collects knowledge and subjective opinions also with the help of questionnaires, but this time the target group are graduates of educational institutions or programmes. Surveys as well as individual and/ or group interviews are used to collect the information. In the next step, data analysis instruments interpret those findings, and present a concrete result. This method is mostly used at educational areas (e.g. analysis of vocational trainings, employment promotion or higher education programmes). In a self-evaluation process the aim is to get insights that allow to draw conclusions, and to make statements about the value of the program.<sup>537</sup>

From the *qualitative sphere*, a very advanced approach (and therefore worth mentioning) is *Outcome Mapping*. The central objective of this one is to 'map' short- and medium-term outcomes of (development) projects or programmes.<sup>538</sup>

The biggest difference to conventional conceptions is that it does not relate to any output, outcome, impact or any logical model. It rather focuses on *changes in people's behaviour* (represents the central indicator). The persons involved in the project or programme are at the centre of attention (called boundary partners). The method is generally very participatory. With self-evaluation, learning should be promoted. Apart from this, the determined changes shall display the progress and furthermore allow planning decisions. The entire process consists of three different phases and 12 steps, as can be seen in Figure 60.<sup>539</sup>

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<sup>535</sup> In this context 'practice' means 'Verhalten'.

<sup>536</sup> cf. DEGEVAL (2010) pp.79.

<sup>537</sup> cf. Ibid pp.187.

<sup>538</sup> cf. Ibid pp.111.

<sup>539</sup> cf. <http://impact.zewo.ch> (06 June 2015).



Figure 60: Outcome mapping<sup>540</sup>

To conclude, outcome mapping is an approach which allows more than just measurement and analysis. It was developed in close proximity to research, but in fact can be used for planning and monitoring of project or program achievements. Based on this, it could also have been assigned to the category ‘practical program/project approaches’.

In the area of *multi-method approaches*, concepts can be found which work on the basis of both, qualitative and quantitative data.

In this field, one standard approach is the so-called Social Return on Investment (SROI) analysis. Unlike other concepts from social sciences, it does not build up on collected and approved data, but rather works with stakeholder assessments and process specifications. In the course of a SROI-analysis a logical model is developed for a program, project or an entire organisation. The used dimensions (investments, program/ project/ organisation, outputs and especially *net-outcomes*) are identified, quantified and monetised for all potential cause-effect chains. A picture of that can be seen in the Figure 61.<sup>541</sup>

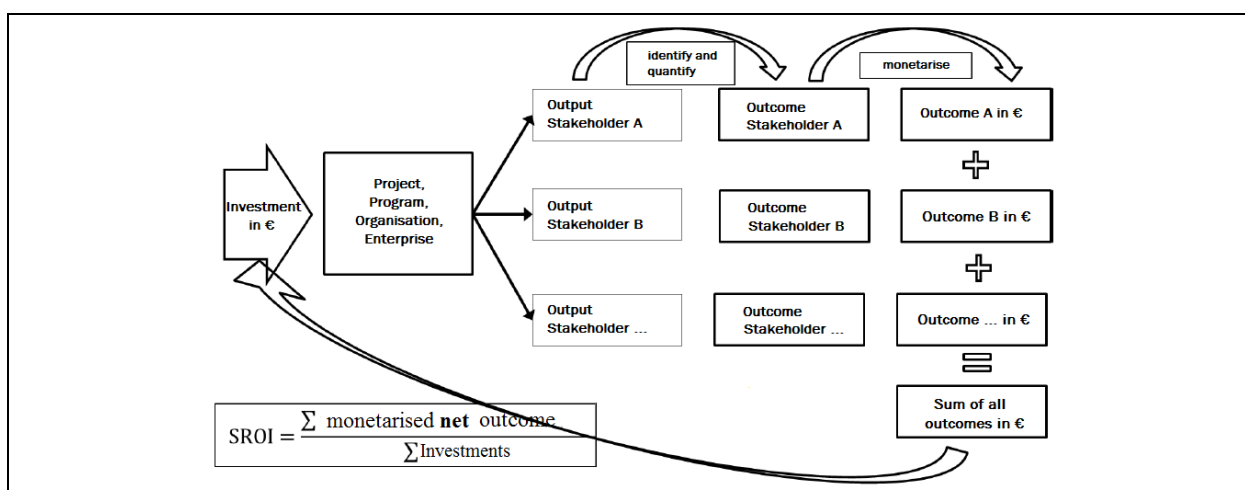


Figure 61: Social return on investment (SROI)<sup>542</sup>

<sup>540</sup> Fig. 1 in EARL, S.; CARDEN, F.; SMUTYLO, T. (2001) p.4.

<sup>541</sup> cf. SCHÖBER, C.; RAUSCHER, O. (2014) pp.35.

<sup>542</sup> cf. Abb. 10 in Ibid p.36.

What can be seen in the concept is that it follows the idea of a special field, designated as economic evaluation. Classical cost-benefit analyses, which are for instance common practice in the social and health sector, share similar basic intentions. In contrast to costs and benefits, investments and social return are the terms used to refer to the conception that with some particular inputs a certain social return can be produced. In this sense, the result is an aggregated value that represents the rate of return, much like the conventional ROI.<sup>543</sup> The method generally has its origins in the area of foundations and social entrepreneurship, where cost-oriented thinking is more familiar. In Austria, the NPO Competence Center puts main emphasis on this approach (from research and practical standpoint), and even has a scientific focus on SROI. For more detailed information, reference is made to the work of this institution.<sup>544</sup>

Coming finally to approaches, which were developed for concrete practical purposes, the next section will present the most significant practices.

## 4.2 Practical Methods for Outcome-Oriented Planning and Management Control

Three different areas will be subject of this section, which puts central attention on outcome-oriented planning and management control. It will start with an approach specially designed for program/ project planning, called the Logical Framework Approach. After this, a method from strategic background will be examined, namely the Balanced Scorecard. The final and major part will deal with integrated approaches, which will be brought together to an outcome-oriented management cycle.

### 4.2.1 Program/ Project Approach – Logical Framework Approach

The first approach, coming from development aid/ cooperation, has established as a very practical method for outcome-oriented planning and management.

The Logical Framework Approach (LFA) provides a *systematic procedure, describing how to plan a project/ program, and how to implement an evaluation- or monitoring system, which is based on profound pre-analyses*. A detailed examination of the original problem/ situation should help to design a comparatively simple and reduced logical model (limited to essential result dimensions) that best meets the specific requirements of the program or project. The results will be recorded by an indicator-system (qualitative and/or quantitative), and afterwards documented in a table or matrix form (*Logical Framework Matrix or Logframe - LFM*).<sup>545</sup>

It has to be noted that many other concepts (frequently designated as results based management or managing for development results) show a mechanism that is much like this one<sup>546</sup>. Due to the fact that the LFA is not only described as standard approach in literature, but also practically implemented by many organisations, it is also considered in the course of

<sup>543</sup> cf. SCHÖBER, C.; RAUSCHER, O. (2014) pp.36.

<sup>544</sup> cf. Ibid.

<sup>545</sup> cf. <http://impact.zewo.ch> (08 June 2015).

<sup>546</sup> cf. Ibid.



this work. It furthermore can be viewed as representative for all program-/ project-based concepts that work in a similar manner.

The LFA has to be understood as a set of *interlinked instruments that supports project/ program management* by analysing the current situation and supporting decision-making. The customised information enables the controller or manager to raise crucial questions, identify potential risks or deficiencies and to get general understanding of the program/ project process.<sup>547</sup>

One way of looking at outcome-oriented planning and control is to consider it as management process, which consists of several stages. This issue will be closely examined in chapter 4.2.3 about the outcome-oriented management cycle. However, what already can be said at this point is that the LFA provides specific support for every individual aspect of the management process. The following assistance can be expected.<sup>548</sup>

- *identification*  
The LFA helps to analyse the present situation, to make statements about the importance of proposed projects/ programmes and helps to become aware of the fundamental objectives and strategies.
- *formulation*  
After the identification phase, the LFA helps to formulate necessary project plans that deal with concrete objectives, risk management and responsibilities. This information can be extended by cost aspects and is subsequently used for cost-benefit analyses.
- *implementation*  
The central notes, which were made in the preceding step, lead to the next tasks, dealing with the operational work planning. Indicators, means of verification, assumptions, necessary measures and many more aspects need to be clarified.
- *evaluation and audit*  
In the final phase, all planned aspects are now condensed and ready to be used for performance and outcome assessment. The entire information, which is crucial for decision-making, needs to be put in one common framework.

In the subsequent section, the process of the LFA will be examined and illustrated with certain practical examples.

#### **4.2.1.1 Process of the Logical Framework Approach**

In the beginning, it has to be mentioned that the exact process description slightly differs from source to source. This thesis refers to the procedure of the European Commission (EC)<sup>549</sup>. Following this description, Figure 62 shows the LFA:

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<sup>547</sup> cf. EUROPEAN COMMISSION (2004) p.57.

<sup>548</sup> cf. Ibid p.58.

<sup>549</sup> cf. EUROPEAN COMMISSION (2004) for the guideline provided by the European Commission.

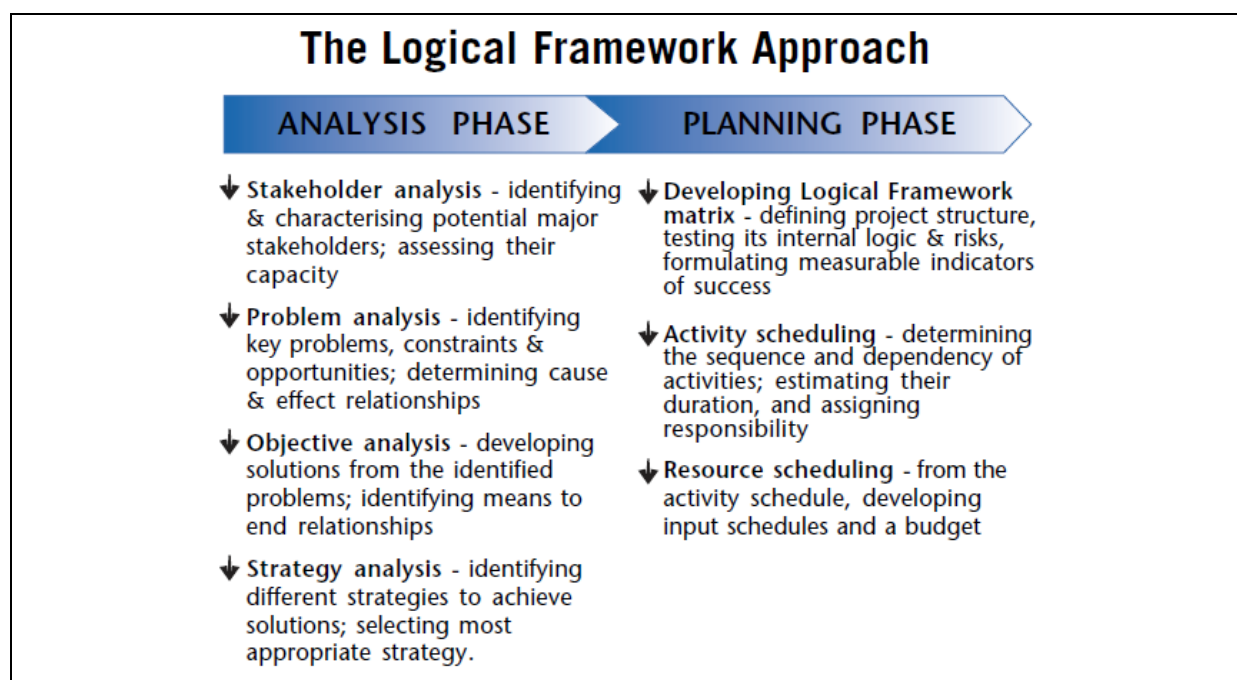


Figure 62: Elements of the logical framework approach<sup>550</sup>

As shown in the representation, two central phases build the core of the conception. The analysis phase, as the first step, is best carried out iteratively, because the idea of it is to support *learning* and *understanding*. In the second phase, the entire gained knowledge has to be used for the development of practical operation plans. This stage should also be viewed as iterative, because projects in reality are usually very dynamic (e.g. results and financial aspects become clearer in the course of time).<sup>551</sup>

- **Stakeholder Analysis**

In the course of the stakeholder analysis, the ambition shall be to take into account all persons/ groups that potentially have an influence on the project/ program. No particular instrument is prescribed for this purpose, but some are recommended by institutions, like the EC. Figure 63 shows a selection of useful and common analysis instruments. Stakeholder analysis matrix, SWOT analysis, Venn diagram and spider diagram in this case are applied on a practical example, dealing with river water pollution and its effects on income and health.<sup>552</sup>

<sup>550</sup> Fig. 16 in EUROPEAN COMMISSION (2004) p.60.

<sup>551</sup> cf. Ibid p.60.

<sup>552</sup> cf. Ibid.

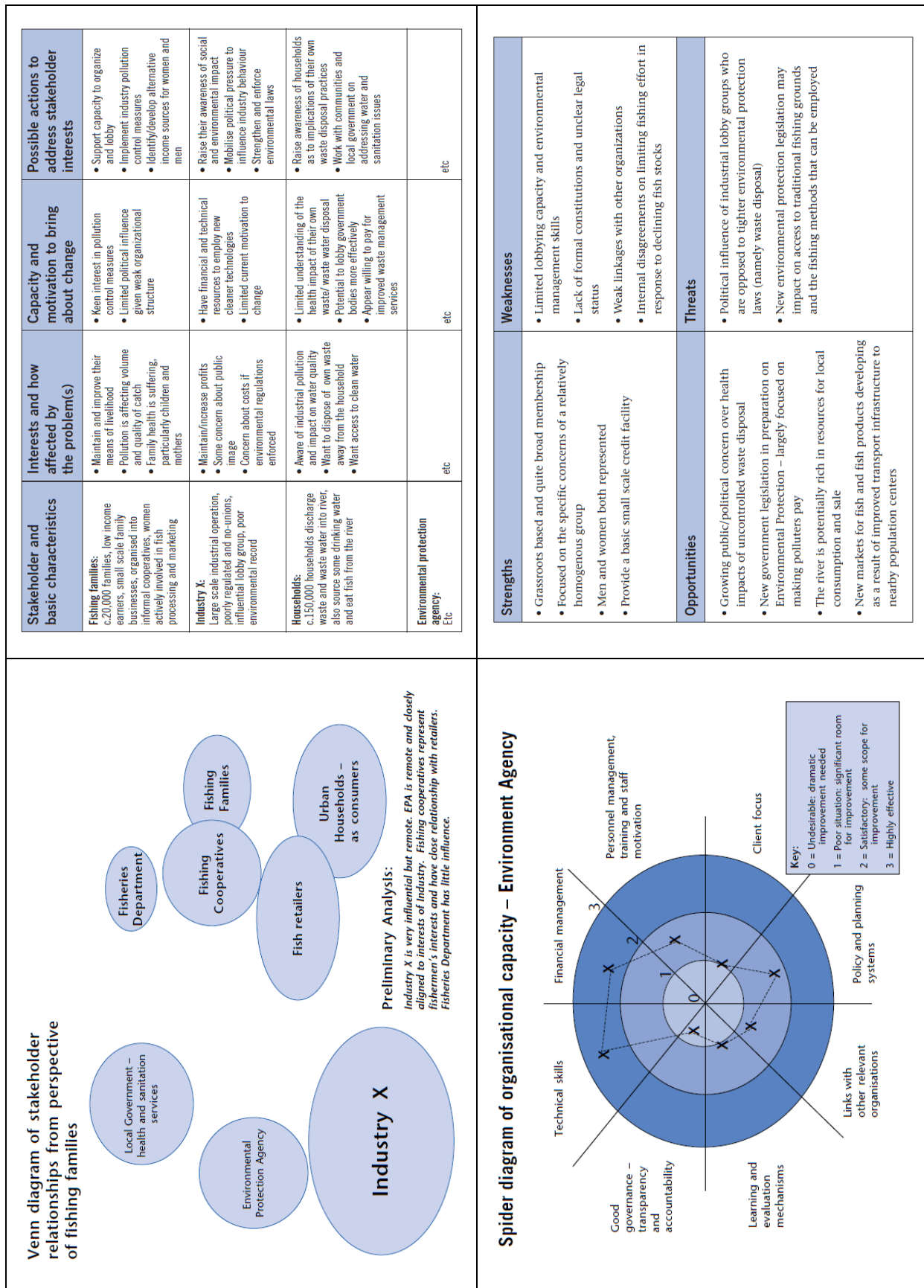


Figure 63: Different instruments of stakeholder analysis applied on concrete example<sup>553</sup>

<sup>553</sup> Fig. 17-20 in EUROPEAN COMMISSION (2004) pp.63. For a detailed description on how to use these instruments see EUROPEAN COMMISSION (2004).

### • Problem, Objective and Strategy Analysis

The next subjects deal with the examination of the basic problem, the development of possible solutions and the determination of the most suitable one.<sup>554</sup>

The first of these three analyses deals with the elementary problem (negative aspect) of the project/ program. Interrelations between causes and effects shall be identified and pictured in the form of a problem tree.<sup>555</sup>

Once this has been done, the negative aspects are turned into desired possible achievements (e.g. 'bad water quality' reformulated into 'water quality increases'). The new statements can again be displayed in 'tree' shape and structured according to the categories 'means' and 'end'. The resulting 'objective tree' provides the main advantage that it presents the objectives close to the original problems and thereby gives an overall impression of the project/ program.<sup>556</sup>

The last pre-analysis is the most challenging one. All relevant aspects have to be taken into account when deciding which strategy represents the best option. Usually, compromises are an integral part of this selection process, because multiple stakeholder interests have to be balanced. Pre-defined criteria can provide great support during the assessment of the different alternatives (e.g. contribution to key-objectives, environmental impact, cost-benefit, etc.).<sup>557</sup>

In Figure 64, all three stages are presented and again applied on the example of river water pollution.

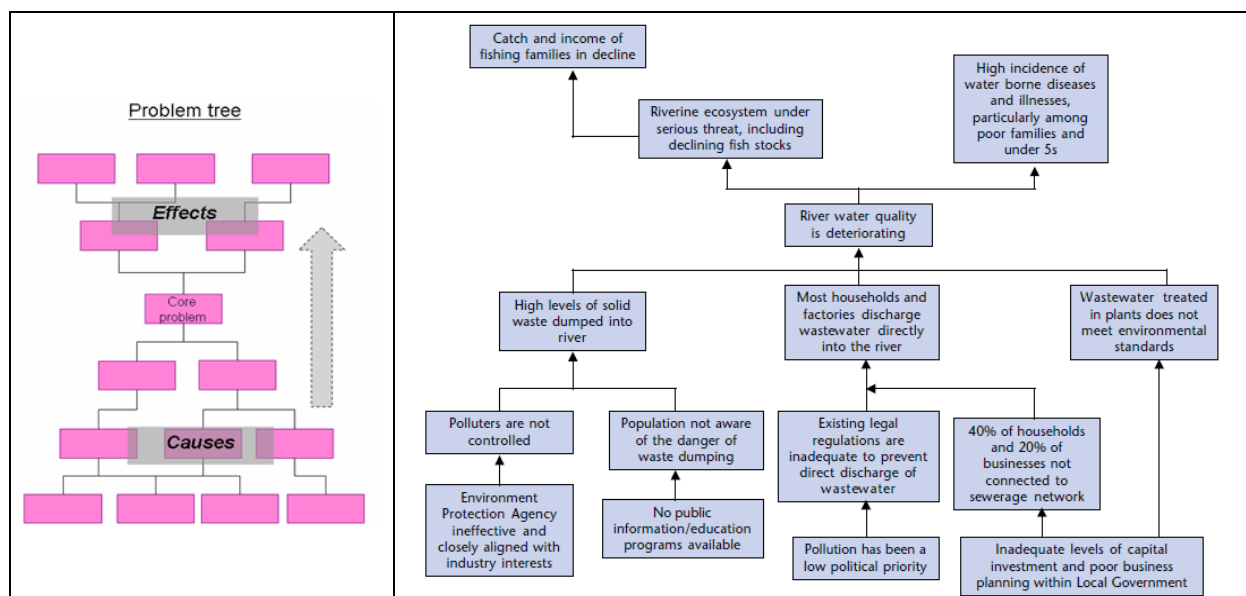


Figure 64: Problem-tree, objective tree and strategy selection<sup>558</sup>

<sup>554</sup> cf. EUROPEAN COMMISSION (2004) pp.67.

<sup>555</sup> cf. Ibid.

<sup>556</sup> cf. Ibid pp.69.

<sup>557</sup> cf. Ibid.

<sup>558</sup> Figures in SECO (2007) pp.8 (source of 'basic structures') and Fig. 21 in EUROPEAN COMMISSION (2004) pp.68 (source of 'case example river water pollution').

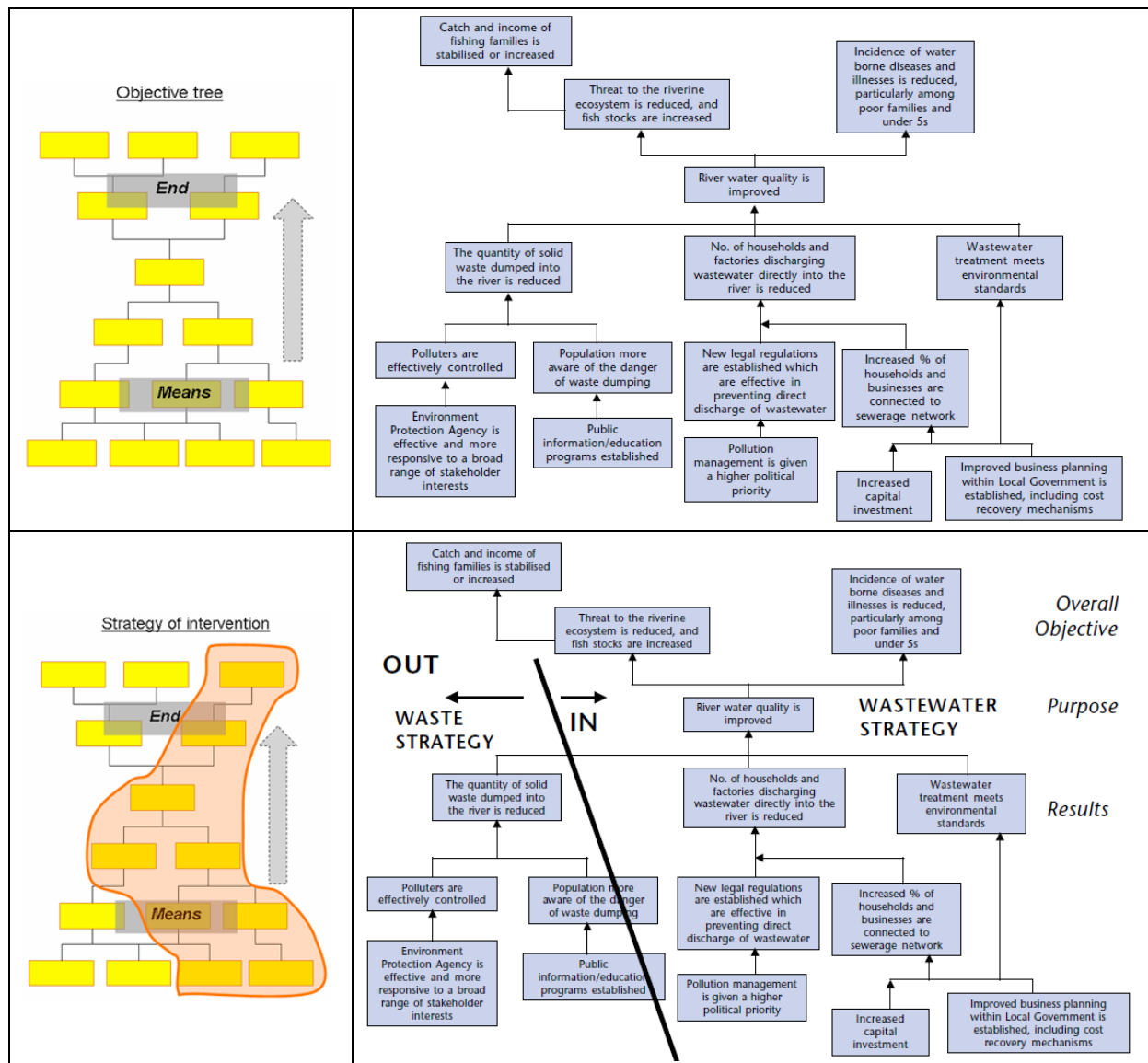


Figure 64 (continued): Problem-tree, objective tree and strategy selection<sup>559</sup>

• **Logical Framework Matrix**

In the second major phase of the LFA, all findings from the analysis phase are used to develop the *Logical Framework Matrix (LFM)*. Figure 65 shows the basic structure as well as a practical example (river water pollution) of the LFM<sup>560</sup>. In this case, impact refers to long-term outcomes. Besides this difference, typical and already discussed result dimensions can again be found.

In a further step, detailed activity- and resource plans can be deduced from the statements of the finished logframe (contains information regarding required resources, activities, etc.).<sup>561</sup>

<sup>559</sup> Figures in SECO (2007) pp.8 (source of 'basic structures') and Fig. 22-23 in EUROPEAN COMMISSION (2004) pp.68 (source of 'case example river water pollution').

<sup>560</sup> cf. EUROPEAN COMMISSION (2004) pp.71.

<sup>561</sup> cf. Ibid pp.60; p.85.

Strategy of Intervention	Impact	Outcomes	Outputs	Activities	Key Performance Indicators	Means of Verification	External Factors assumptions / risks	Pre-conditions
<b>Project description</b>	<ul style="list-style-type: none"> <li>- Incidence of water borne diseases, skin infections and blood disorders caused by heavy metals, reduced by 50% by 2008, specifically among low-income families living along the river</li> </ul>				<ul style="list-style-type: none"> <li>- Municipal hospital and clinic records, including maternal and child health records collected by mobile MCH teams. Results summarized in an Annual State of the Environment report by the EPA.</li> </ul>	<ul style="list-style-type: none"> <li>- The public awareness campaign conducted by the Local Government impacts positively on families sanitation and hygiene practices</li> <li>- Fishing cooperatives are effective in limiting their members exploitation of fish 'nursery' areas</li> </ul>		
<b>Overall objective</b> To contribute to improved family health, particularly the under 5s, and to improve the general health of the riverine eco-system								
<b>Purpose</b> Improved quality of river water								
<b>Result 1</b> Volume of waste-water directly discharged into the river system by households and factories reduced								
<b>Result 2</b> Waste-water treatment standards established and effectively enforced								

Figure 65: Logical framework matrix<sup>562</sup>

#### 4.2.1.2 Analysis of the Logical Framework Approach

In this final paragraph, the intention is to discuss the strengths and weaknesses of the approach. On that score, Table 14 summarises the most significant aspects:

	Strengths	Weaknesses/ Problems
<b>Problem Analysis and Target Setting</b>	<ul style="list-style-type: none"> <li>+ includes systematic problem analysis and logic model</li> <li>+ link between means and ends</li> <li>+ puts the project into broader context (overall objective/ purpose)</li> <li>+ helps to identify risks</li> </ul>	<ul style="list-style-type: none"> <li>- difficult to agree on common objectives</li> <li>- difficult to agree on priorities</li> <li>- objectives reduced to linear chain</li> <li>- difficult to find level of detail (too much/ too low)</li> </ul>
<b>Indicators and Source of Verification</b>	<ul style="list-style-type: none"> <li>+ clarifies how to measure objectives (quantity and quality)</li> <li>+ clarified and specified goal setting</li> <li>+ supports development of monitoring- and evaluation system</li> </ul>	<ul style="list-style-type: none"> <li>- difficult to find indicators for objectives of higher levels</li> <li>- difficult to find indicators when the goals is to build up capacities</li> <li>- information extracted from project reports and not from practice ('How often is data collected in reality?')</li> </ul>

Table 14: Strengths and weaknesses of the LFA<sup>563</sup>

<sup>562</sup> Figure in SECO (2007) p.10 (source of 'basic structure') and Fig. 34 in EUROPEAN COMMISSION (2004) p.84. (source of 'case example river water pollution').

<sup>563</sup> cf. Fig. 15 in EUROPEAN COMMISSION (2004) p.59.



	Strengths	Weaknesses/ Problems
<b>Format and Application</b>	<ul style="list-style-type: none"> <li>+ close connection between problem analysis and target setting</li> <li>+ points out importance of stakeholder perspective ('Whose problems? Who benefits from it?')</li> <li>+ comparatively simple to use</li> </ul>	<ul style="list-style-type: none"> <li>– risk of misapplication ('box-filling' instead of reflecting problem, objectives and strategies)</li> <li>– focused on top-down control (no bottom-up processes)</li> <li>– employees perhaps do not commit to concept</li> <li>– risk of becoming a 'fetish' rather than a flexible instrument</li> </ul>

Table 14 (continued): Strengths and weaknesses of the LFA<sup>564</sup>

In the end, the concept must be considered as a management support system that can be very effective. Nevertheless, strong team work still is indispensable, just like advanced management competencies (ability to make decisions).<sup>565</sup>

#### 4.2.2 Strategic Approach – Balanced Scorecard Approach

As already outlined in chapter 2.10.4 about applicable concepts from quality management, the BSC was one of the first ideas, which did not only consider financial metrics, but also outcomes as key-indicators for success.

Unlike other approaches in chapter 4, this one *does not put explicit emphasis on the outcome dimension*, but rather *includes them into a multi-dimensional framework*. It can be said that the approach not necessarily has a certain focus on the outcome perspective. The degree, to which outcome considerations are covered, depends ultimately on the respective application and design of the BSC ('How many outcome goals and metrics are used?').

The Balanced Scorecard is frequently compared to an *airplane cockpit*, because both provide a comprehensive overview about all material information. The BSC thereby has the ambition to summarise all *strategically relevant aspects*.<sup>566</sup>

In terms of the relation between financial perspectives and other dimensions, it has to be said that the BSC does not intend to deemphasize the economic standpoint, but to put it into relative terms.<sup>567</sup>

Kaplan and Norton originally had the intention to track performance with both, financial and *non-financial metrics*. In other words, the first idea basically was that the scorecard serves as an enhanced performance measurement system. In the course of time, practical users (e.g. senior executives) pretty soon found out that the concept holds greater potential. They extended the original instrument and consequently used it for multiple new purposes.<sup>568</sup>

The following development steps could be recognised:<sup>569</sup>

- 1) BSC for performance measurement (instrument)

<sup>564</sup> cf. Fig. 15 in EUROPEAN COMMISSION (2004) p.59.

<sup>565</sup> cf. Ibid p.58.

<sup>566</sup> cf. KAPLAN, R.; NORTON, D. (1996b) and cf. BONO, M.L. (2006) pp.143.

<sup>567</sup> cf. BONO, M.L. (2006) p.88.

<sup>568</sup> cf. KAPLAN, R. (2009) p.1263.

<sup>569</sup> cf. Ibid p.1253.

- 2) BSC extended by strategic goals and strategy maps
- 3) Total strategy management system
- 4) ... future developments

One of the latest developments extended the scorecard to a total management system, which links strategy to the operational affairs. Figure 66 gives an impression of how such a management control system, based on the BSC, works. The illustration demonstrates a closed loop, consisting of six main stages. The individual steps furthermore indicate which functions are associated with the different phases, and how they are related to each other. One consequence of the multiplicity of interconnections is that great coordination efforts must be undertaken. At the end of the circle, executives are given all necessary information to test and adapt the organisations' strategy and to start another loop (continuous process).<sup>570</sup>

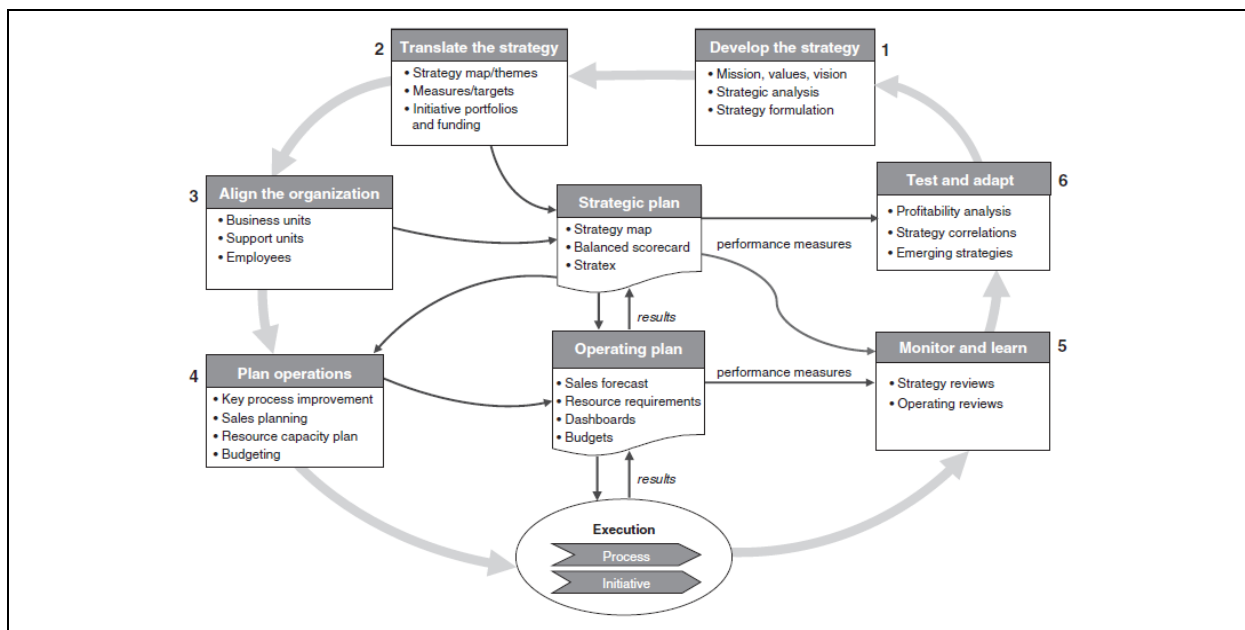


Figure 66: Strategy management system based on the BSC<sup>571</sup>

Irrespective of which form of the BSC (development stage) is used, the basic dimensions must always be adapted to the field of application. In section 2.11.4.2 it was discussed how the BSC has to be modified in order to meet the requirements of state organisations.

The outcome of this was that especially one crucial question needs to be raised, namely: 'What does the customer dimension look like for my special case?' An answer to this can be found in connection to the basic intention of different 'customers'. It becomes clear that their interests not necessarily have to be the same. To conclude, organisations first have to become aware of their basic conditions (environment, stakeholders, etc.) and in the next step have to find dimensions that best reflect these individual circumstances.<sup>572</sup>

The next section will reveal how NPOs approach this issue, and the subsequent example will give an impression of what the BSC may look like in practice.

<sup>570</sup> cf. KAPLAN, R. (2009) p.1265; For expert literature about the BSC management system see KAPLAN, R.; NORTON, D. (2008a,b)

<sup>571</sup> Fig. 4 in KAPLAN, R. (2009) p.1266.

<sup>572</sup> cf. BONO, M.L. (2006) pp.94.



#### 4.2.2.1 BSC Dimensions for the Non-profit Sector

In view of the multitude of goals and stakeholders of non-profit organisations, it appears to be difficult to develop an appropriate framework, which takes into account all relevant aspects, but still has a compact size.

One practical approach, which explicitly follows the idea of outcome orientation, is the one by T. Haddad<sup>573</sup>, which can be seen in Figure 67. The idea of this is to differentiate between *performance-/ output-oriented goals* ('Leistungserbringungsziele') and *outcome-oriented goals* ('Leistungswirkungsziele')<sup>574</sup>. Important is that the *top-priority* is on *outcome objectives*. For the achievement of certain outcomes, a specific output is necessary, which in turn is the result of a certain *internal process*. Finally, the most basic prerequisite of any process are *resources*. The last one does not only refer to financial and material requirements, but also skills and knowledge of the employees are crucial preconditions.<sup>575</sup>

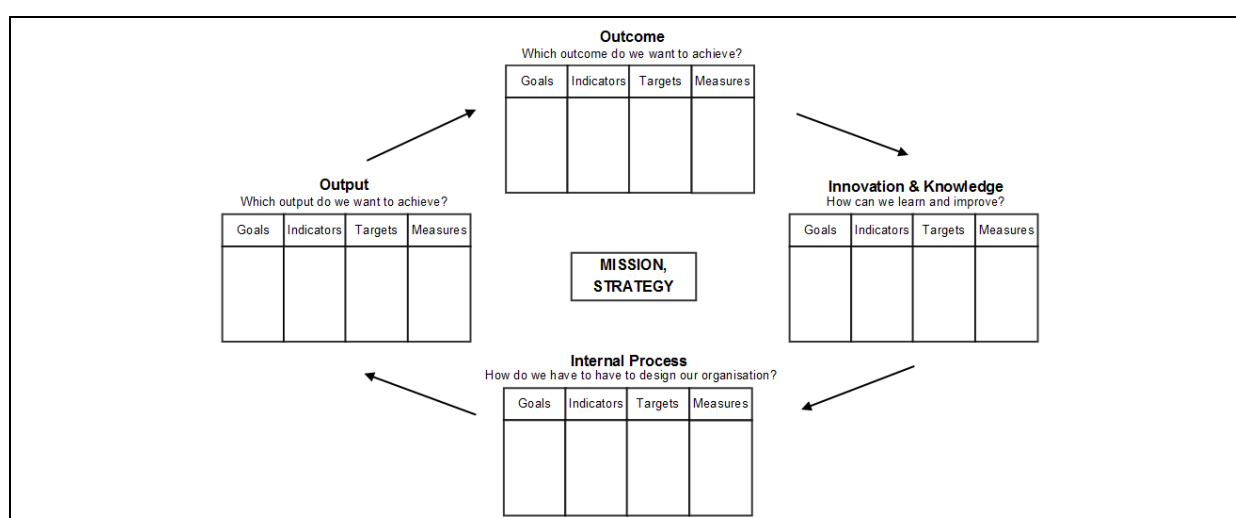


Figure 67: BSC as instrument for NPOs<sup>576</sup>

The model leaves open, whether financial aspects are part of the performance-oriented target system, or if they are considered as an additional perspective<sup>577</sup>.

The above-shown approach should be representative for many advanced models which could serve as a good starting point for the implementation of a BSC in NPOs. The positive side of the concept by T. Haddad is that it puts special emphasis on the outcome perspective and even considers it as highest priority. It is conceivable that NPOs use the therein described dimensions (possibly add further relevant perspectives) and develop goals, indicators, targets as well as measures for each of them.

Whenever a NPO decides for a BSC, it needs a clear approach (process) on how to develop the instrument/ concept and how to implement it into the existing organisational structure. A

<sup>573</sup> cf. HADDAD, T. (2003) pp.59; The concept refers to the BSC as performance measurement instrument.

<sup>574</sup> The classification 'Leistungserbringungsziele/ Leistungswirkungsziele' follows the concept of HORAK, C.; SPECKBACHER, G. (2013) pp.160.

<sup>575</sup> cf. HADDAD, T. (2003) pp.59.

<sup>576</sup> cf. Abb. II 1.19 in Ibid p.61.

<sup>577</sup> cf. HADDAD, T. (2003) p.60.

standardised process for this task for instance is provided by T. Haddad<sup>578</sup> or M.L. Bono<sup>579</sup>, but this issue will not be further elaborated in this work.

With the help of a short case example, the next paragraph will show how the BSC is applied in practice.

#### 4.2.2.2 Case Example of BSC implemented in NPO

In general, it can be realised that only a very limited number of publications exist that provide information about the use of balanced scorecards in non-profit sector. Nevertheless, A. Scherer and J. Alt<sup>580</sup> published an excellent work, which contains a collection of 14 contributions from business administration science and from consulting practice. The therein described examples come from public and from non-profit sector and cover branches like the social and health area, but also sports and religious associations.<sup>581</sup>

In the following, one example of this collection will be examined that deals with implementing a BSC in a stationary care facility ('stationäre Pflegeeinrichtung').

A stationary facility<sup>582</sup>, which offers care services (e.g. nursing home), usually faces high expectations but at the same time has to stay cost-oriented. In this case, the BSC can help by providing an appropriate management control instrument that considers all crucial aspects. A balanced scorecard for this purpose now can look like it is shown in Figure 68.<sup>583</sup>

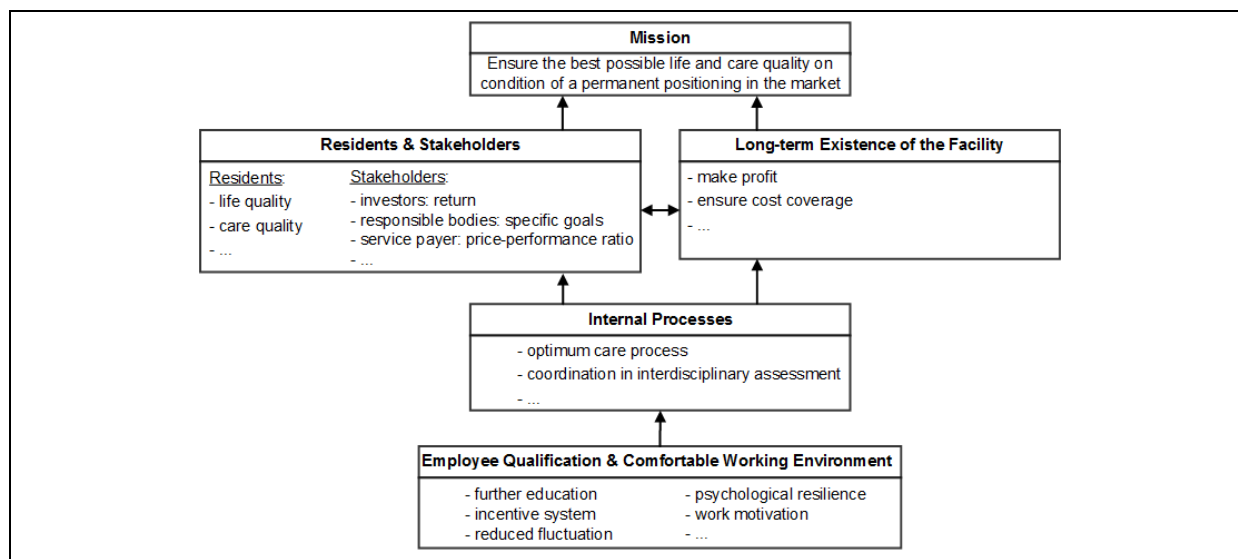


Figure 68: BSC applied in a stationary care facility (NPO)<sup>584</sup>

The illustration shows the essential dimensions, the therein included aspects, and the cause-effect relations between them. At the highest level, there is the formulated mission: "Ensure the best possible life- and care quality on condition of a permanent positioning in the market".

<sup>578</sup> cf. HADDAD, T. (2003) pp.62.

<sup>579</sup> cf. Ibid pp.62.

<sup>580</sup> cf. SCHERER, A.; ALT, J. (2002) for further literature dealing with use of the BSC in the public-/ NPO-sector.

<sup>581</sup> cf. Ibid p.VI.

<sup>582</sup> In practice, stationary care facilities can be assigned to the public as well as to the NPO-sector.

<sup>583</sup> cf. ESSLINGER, A. (2002) p.225.

<sup>584</sup> cf. Abb. 2 in Ibid p.227.

This statement should outline the premise for every organisational action. The employee perspective as next, takes into account the main stakeholder inside the organisation. A 'learning organisation' ensures that employees are constantly well trained and motivated, which in turn has positive effects on the end result. The dimension 'internal processes' considers all necessary structures (equipment, etc.) and procedures. Care services of high quality require stable, efficient and transparent operations. Only optimised internal routines can do justice to this ambitious mission (highest quality). What else is significantly important is to work towards long-term existence. The financial basis needs to be kept in view at any time, which basically means that the profit must cover all running costs. Efficiency or price-performance ratios are just some decisive factors in this respect. On the same level, the second major perspective refers to the central stakeholders. It is distinguished between residents and many further interest groups. The entire category tries to summarise all expectations, but takes a special focus on residents due to the fact that they have major influence on service provision as well as on the end result.<sup>585</sup>

The recipients of the service (residents) in the end decide how satisfied they are with the life- and care quality. In accordance to the mission, this must be at *centre of attention*, which means that the outcomes in this connection for instance need to be observed with the help of surveys. Table 15 illustrates an excerpt of the indicator system, which was developed in accordance to the customised BSC.

	Indicators	Target
<b>Securing Life Quality</b>	<ul style="list-style-type: none"> <li>• <b>survey on residents' satisfaction (outcome)</b></li> <li>• number of services (output)</li> <li>• degree of autonomy</li> </ul>	<ul style="list-style-type: none"> <li>• <b>100% satisfied</b></li> <li>• all needs gratified</li> <li>• barthel index: optimal values</li> </ul>
<b>Securing Quality of Care Services</b>	<ul style="list-style-type: none"> <li>• retention period in days/ months</li> <li>• period till recovery</li> <li>• provided modern therapies</li> <li>• covered care aspects (geriatric, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• x days/ months/ years till death</li> <li>• x days/ months/ years till recovery</li> <li>• 100% of all available therapies</li> <li>• holistic</li> </ul>
<b>Satisfying Investors</b>	<ul style="list-style-type: none"> <li>• rate of return/ distribution of profit</li> <li>• proof appropriate use of donations</li> </ul>	<ul style="list-style-type: none"> <li>• % share on profit</li> <li>• x-euros spent in donors interest</li> </ul>
<b>Satisfying Responsible Body</b>	<ul style="list-style-type: none"> <li>• goals of responsible body</li> </ul>	<ul style="list-style-type: none"> <li>• 100% achievement of the objectives</li> </ul>
<b>Satisfying Service Payer</b>	<ul style="list-style-type: none"> <li>• price-performance ratio</li> </ul>	<ul style="list-style-type: none"> <li>• Optimise!</li> </ul>
<b>Satisfying Service Provider</b>	<ul style="list-style-type: none"> <li>• number of informational material (notices, circulars, letters, etc.)</li> <li>• reliable processes</li> </ul>	<ul style="list-style-type: none"> <li>• 100% informed about all issues</li> <li>• constant daily routine</li> </ul>

Table 15: Indicator system for stationary care facility<sup>586</sup>

<sup>585</sup> cf. ESSLINGER, A. (2002) pp.228.

<sup>586</sup> cf. Table in Ibid p.231.

The balanced scorecard in combination with a set of indicators (like in the example) is a suitable method to bring together different result levels (output, outcome) and several dimensions (financial, non-financial) to one controlling system. Furthermore, this approach (due to its flexibility) can be used for a wide range of different applications.

#### 4.2.2.3 Analysis of the BSC

The decision to use a BSC implies positive as well as negative aspects. T. Haddad summarised advantages and disadvantages of the core instrument (the scorecard itself). The main arguments are shown in Table 16:

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>+ comparatively simple tool to control a process</li> <li>+ good overview</li> <li>+ systematic procedure</li> <li>+ strong focus on the strategy</li> <li>+ considers conditions for success</li> </ul>	<ul style="list-style-type: none"> <li>– still difficult to find appropriate indicators</li> <li>– risk of misjudgement (e.g. importance of perspectives)</li> <li>– necessity to either use existing data or obtain new information (costs)</li> <li>– need for continuous adaption</li> <li>– high associated efforts (reasonable for large organisations)</li> </ul>

Table 16: Advantages and disadvantages of the BSC<sup>587</sup>

In comparison to these aspects, it has to be mentioned that even R. Kaplan and D. Norton very early realised that the approach has the potential to cause some substantial failures. They thereby distinguished between possible design- and process failures that can occur during the implementation and the use of the BSC. Table 17 shows issues:

Design Failures	Process Failures
<ul style="list-style-type: none"> <li>• selection of (strategic) perspectives               <ul style="list-style-type: none"> <li>- too few / too many, inappropriate / wrong choice</li> </ul> </li> <li>• incorrectly chosen success factors               <ul style="list-style-type: none"> <li>- reference to irrelevant factors</li> </ul> </li> <li>• dimension “internal process” is underestimated               <ul style="list-style-type: none"> <li>- jeopardises long-term success through inefficient internal processes</li> </ul> </li> <li>• different competing BSCs in one organisation               <ul style="list-style-type: none"> <li>- each business unit follows its own BSC</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• lack of commitment from top management level               <ul style="list-style-type: none"> <li>- limited use as operative QM tool (potential to align organisation on strategy)</li> </ul> </li> <li>• lack of involvement of middle-management               <ul style="list-style-type: none"> <li>- missing information flow (communication) from top- to operative level</li> </ul> </li> <li>• limited number of involved people               <ul style="list-style-type: none"> <li>- approach exists on paper but is no part of organisation</li> </ul> </li> <li>• raising technical questions instead of strategy/ management issues               <ul style="list-style-type: none"> <li>- risk of turning into an unused IT-system</li> </ul> </li> <li>• BSC used as ‘pure’ incentive system               <ul style="list-style-type: none"> <li>- raises motivation but does not guarantee that managers decide for right actions</li> </ul> </li> </ul>

Table 17: Possible design- and process failures resulting from BSC<sup>588</sup>

<sup>587</sup> cf. HADDAD, T. (2003) p.64.

<sup>588</sup> cf. BONO, M.L. (2006) pp.110; cf. KAPLAN, R.; NORTON, D. (2001) pp.360 for the original description.

To conclude, it can be stated that the BSC essentially is an excellent instrument. It closes the gap between the strategic- and operational level and can orient the entire organisation towards common objectives (outcomes). In general, this method is comparatively simple to use and provides a good overview about all relevant issues. Despite of all these benefits, the downsides still have to be kept in mind.

In connection with the central topic of this work, it is important to consider that the BSC, in its initial design (without any modification), does not show any explicit outcome orientation. Moreover, like Bono stated, the use alone is no guarantee for success<sup>589</sup>.

### 4.2.3 Integrated Approaches – Outcome-Oriented Management Control Cycle

In this third and final chapter of the literature study regarding practical approaches, the goal is to address all outcome-oriented issues throughout an entire management control cycle. As defined earlier in this work, a management control system with the main emphasis on outcomes will be designated as *outcome-oriented management control system*.

Just like every system that aims of controlling an organisation, project or programme, an outcome-oriented management system also involves many different functional areas. It shows *many intersections to organisational matters like quality, strategy or performance*. Already existing instruments for those aspects are consequently integrated in the framework of an outcome-oriented management control system. An example would be the use of strategic analysis instruments to determine the present condition. In the same way, it is imaginable that even entire concepts are used for certain parts of management control. The logical framework approach for instance is an outstanding method for planning purposes, as the previous examinations have shown.

To summarise, an outcome-oriented management control system can be considered as a *set of different integrated approaches*. *Each instrument/ concept thereby provides perfect support for specific parts (phases, stages, steps) of the total outcome-oriented management system*.

There are different possibilities to classify the stages of the entire process/ cycle. It usually involves an element of *planning*, the actual *collection and analysis* of data and finally the *use of the information* for control purposes. Due to the fact that these activities are not a one-time event, but an ongoing process, they are arranged in the form of a continuous cycle/ circle. According to this approach, some very useful and practical descriptions of the different phases can be found in literature.

ZEWO<sup>590</sup>, in this case, provides a comprehensive management cycle (plus guideline) for the assessment and the use of outcome information in the course of projects or programmes<sup>591</sup>. Although the conception is actually intended for development projects, however, the concept does not limit itself to this specific area. The knowledge can be used for various other fields

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<sup>589</sup> cf. BONO, M.L. (2006) p.110.

<sup>590</sup> The ZEWO foundation is a Swiss certification centre for charitable organisations ('Schweizerische Zertifizierungsstelle für gemeinnützige, Spenden sammelnde Organisationen') [www.zewo.ch](http://www.zewo.ch)

<sup>591</sup> cf. <http://impact.zewo.ch> (10 June 2015).

that work on the basis of projects or programmes. The process of ZEWO consists of three big phases and six main steps. While the phases were divided into *planning, implementation and evaluation*, the six steps can be seen in Table 18 at the end of this section.<sup>592</sup>

Another outcome-oriented management control cycle is provided by PHINEO<sup>593</sup>. This institution published an extensive practical handbook, addressing the similar issues as ZEWO, but with a different design of the process steps. Their procedure follows three phases (outcome planning, analysis and improvement) which again consist of 9 major steps (see subsequent Table 18).<sup>594</sup>

The following illustration now summarises different variants of outcome-oriented management cycles, shows the detailed structure of them and even contains the working model, which will be defined in the next section.

ZEWO	PHINEO	
Step 1: Define objectives	1) Understand needs/ challenges 2) Set outcome targets	<b>1) SET OUTCOME OBJECTIVES</b> (‘Zielsetzung’)
Step 2: Develop result model	3) Work out result model	<b>2) DEVELOP OUTCOME CONCEPT</b> (‘Wirkungskonzept entwickeln’)
Step 3: Plan impact assessment	4) Prepare outcome collection 5) Develop indicators	
Step 4: Collect data	6) Collect data	<b>3) COLLECT OUTCOME DATA</b> (‘Wirkungsdaten erheben’)
Step 5: Evaluate the effects	7) Evaluate and analyse data	<b>4) EVALUATE/ ANALYSE OUTCOME</b> (‘Wirkung bewerten/ analysieren’)
Step 6: Use the findings	8) Learn and adjust 9) Report	<b>5) USE THE FINDINGS</b> (‘Erkenntnisse nutzen’)

Table 18: Summary of different outcome-oriented management cycles<sup>595</sup>

The key finding now is that independent of which cycle is used, the phases mostly deal with the same content. With this knowledge, the author’s model will be developed next, which best meets *the requirements of this work*. This means that it has to summarise two general ways of proceeding. The first one is the use of an outcome-oriented control cycle for projects or programmes. The second option is to implement it into an organisation in the form of a constant/ permanent management control system. For the lastly-mentioned variant, it is essential that this ‘new’ system fits perfectly into the existing structure, or at least is consistent with the already existing control mechanism.

<sup>592</sup> cf. <http://impact.zewo.ch> (10 June 2015).

<sup>593</sup> PHINEO is a cooperation between the Bertelsmann foundation and an alliance of numerous organisations from government-, business- and civil society sector. It provides analysis, consulting services and extensive knowledge and information for non-profit organisations. [www.phineo.org](http://www.phineo.org)

<sup>594</sup> cf. PHINEO (2013b) p.7.

<sup>595</sup> own representation; based on conceptions and description of <http://impact.zewo.ch> (10 June 2015) and PHINEO (2013b) p.7.

### 4.2.3.1 Outcome-Oriented Management Control Cycle in the Context of this Work

By taking into consideration the two above-mentioned qualifications, a working model has been developed that can be seen in subsequent Figure 69. The process consists of five major steps, which contain a great variety of sub-aspects.

The control cycle starts with a first phase, dealing with planning issues, like the elaboration of an *outcome-oriented target system*. Irrespective of whether the objectives are formulated for an entire organisation, for certain business units or for a specific program or project, outcomes always need to reflect, what has been defined in the overarching statements (vision, mission, strategy). Only if the overall direction is clearly specified, and the organisation is aligned to it, the achievement of the results can be evaluated in the end.<sup>596</sup>

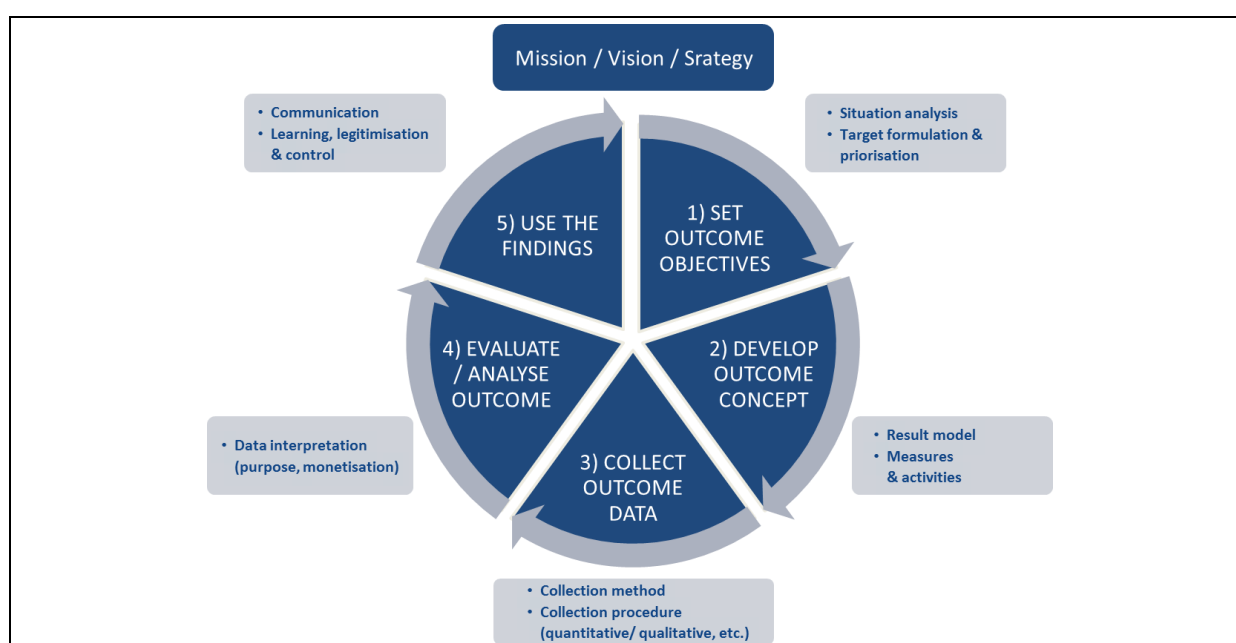


Figure 69: Outcome-oriented management control cycle in the context of this work<sup>597</sup>

If the system aims at the control of a project/ program, one of the first activities (assigned to phase (1)) is to conduct *pre-analysis* in order to understand the starting point. Many different aspects have to be considered that are involved in the immediate environment and present circumstances. PHINEO for instance explains that the following questions shall be raised:<sup>598</sup>

- What is the (social) challenge/ problem that the project focuses on?
- Who are the target groups? What are their needs and expectations?
- Which stakeholders should be considered?
- Are there already products/ services available at the market? Which market gaps can be closed? Are there opportunities to cooperate? Is there competition in the field?
- What are the causes and consequences of the central (social) issue?

<sup>596</sup> cf. PHINEO (2013a) p.18.

<sup>597</sup> own representation; based on conceptions and description of <http://impact.zewo.ch> (10 June 2015) and PHINEO (2013b) p.7.

<sup>598</sup> cf. PHINEO (2013b) p.16.

The broad spectrum of concepts and instruments from business administration theories (especially in the field of Strategic Management) can be used for the analysis of basic matters, target groups, stakeholders, market and competition. Furthermore, previously described concepts (especially the LFA with its analysis phase) provide great support for this first task.

The second basic possibility can be that the outcome system is intended as permanent organisational control system (outcomes refer to the entire organisation or to special business units). In this case, the baseline normally is already clear, because pre-analyses are also indispensable for strategic management issues.

In any terms, the second important activity, still designated to the first phase, is the *target formulation and prioritisation*. Here, it is important to have specific quality criteria, similar to those in the public sector (relevance, controllability, etc.). ZEW0 for example refers to the well-known rule SMART (Specific - Measureable - Accepted - Realistic - Timely)<sup>599</sup>. Concerning possible instruments for this task, the LFA for instance again provides an appropriate framework. However, this step understandably can also be performed without any support, simply in the cooperative discourse.

Once the outcome target system has been clarified, the next task (phase (2)) is to develop *an entire concept* for the outcome control system (e.g. associated measures, activities, etc.). Different aspects and cause-effect relationships therefore have to be brought together to one logic model, giving information about the all result dimensions (input, output, outcome, etc.), about the respective goals and about how to measure and achieve those goals (indicators, measures). Regardless, whether the ambition is to build up a sophisticated system of indicators (as described in performance management), or just to develop a simple plan on how to measure and achieve goals, the essential point in both cases is to have a structured procedure. The PHINEO/ ZEW0 guidelines, concrete concepts like the LFA or the schemes shown in public sector can provide support in this situation.

In the third stage, all activities are summarised that deal with the *planning of the outcome collection and the actual conduction*. The required data, which have been specified with the defined indicators, now have to be obtained in some way (if they are not already available). Apart from questions like 'Which data source can be used?' or 'How will the collection be carried out (frequency, timing, etc.)?', especially one issue will have to be clarified, namely 'Which data collection method is best used and how does it work?'. For these problems, the outcome-oriented management system needs to make use of methods and knowledge from the area of empirical and social sciences. In these fields a vast number of techniques for data collection methods exist. The individual characteristics of those methods have to be weighed up against each other (cost, expenditure of time, validity of result, etc.), and the most suitable one has to be chosen. Figure 70 provides a good overview about proper collection methods according to the characteristics 'reliability' and 'effort'. In similar manner, many other relevant features can be balanced.

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<sup>599</sup> cf. PHINEO (2013b) p.30.



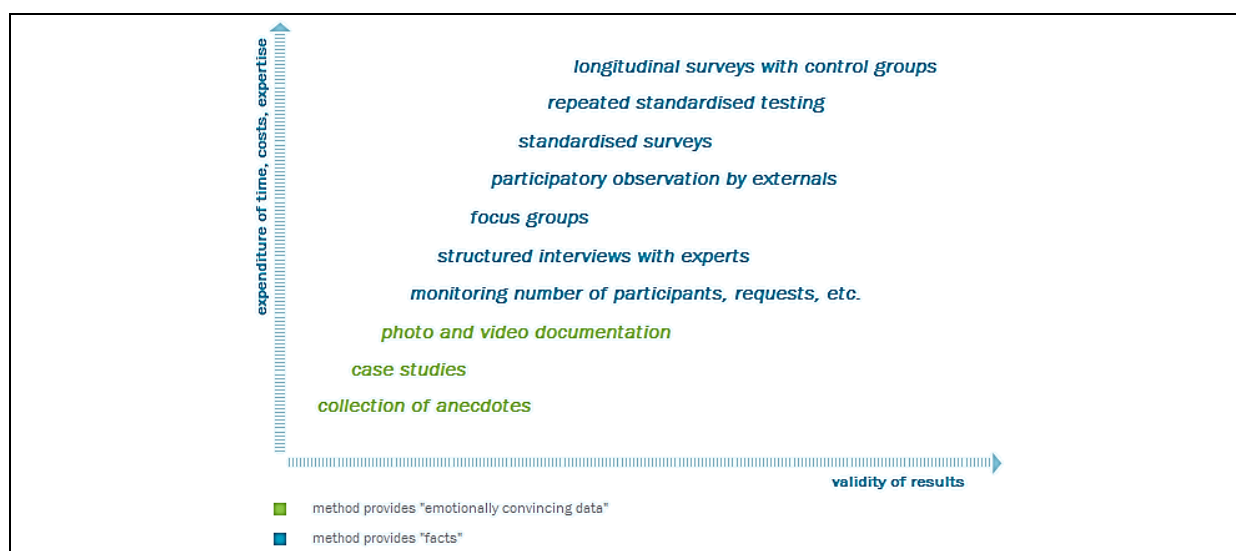


Figure 70: Selection of data collection methods<sup>600</sup>

Another important point in connection with this third phase is that basically there are two possibilities how to obtain and analyse data, monitoring and evaluation.

Monitoring is a continuous and ongoing process of data collection, which is especially suitable for input, output, or outcomes, which are easy to obtain.<sup>601</sup>

Evaluation on the other hand is a more sophisticated approach for data recording and appraisal. It is done on a periodic basis and concentrates on quality improvement (effectiveness and efficiency). It is best used when the goal is to determine in how far the goals have been achieved and the outcomes initiated.<sup>602</sup>

The next logical consequence for both terms of data collection is the *analysis of the data*, representing the fourth phase (corresponds to appraisal, which is the second major part of evaluation).

The evaluation of the results can be executed by the organisation itself, by a third party, or by both. Three aspects must be considered, when deciding on who carries out the assessment: the independence (impartial vs. prejudiced), the credibility (existence of competence and knowledge) and the acceptance (users of data accept external evaluator).<sup>603</sup>

The result of this phase in any case must be that the questions stated at the planning phases are finally answered. As an example, initial questions could have been 'Do young persons have acquired social skills?' or 'Does the project contribute to the long-term poverty reduction?'<sup>604</sup>

The concepts, which were previously designated as approaches for outcome measurement & analysis (cf. overview at section 4.1) provide adequate support for the third and fourth phase. The SROI for instance represents one possibility to analyse the result in consideration of the contributed investment.

<sup>600</sup> cf. Figure in PHINEO (2013b) p.74; for more details upon the individual methods see Ibid pp.74.

<sup>601</sup> cf. Ibid p.49.

<sup>602</sup> cf. STOCKMANN, R. (2008) p.17; p.75.

<sup>603</sup> cf. <http://impact.zewo.ch> (20 June 2015).

<sup>604</sup> cf. PHINEO (2013b) p.57.

The final task of these phases is to specify how to document the outcomes. ‘Should they find their way into a management information system? Should a report/ presentation be made?’ Questions like this already lead to the last phase regarding the ‘use of the findings’.

The last stage mainly addresses three crucial aspects: *learning*, *legitimising* and *management control*. An appropriate internal and external communication form is one major success factor for the first two intentions. ZEW0 describes some communication instruments, which can help in this matter:<sup>605</sup>

- *Learning*:
  - discussion forums / workshops
  - programme/ project review
  - lessons-learned statements
  - communicate findings during training and planning
  - good/ best-practice guidelines
- *Legitimising*:
  - Performance/ Outcome report(s) with description of findings
  - Outcome report for certain project/ program areas

The most important issue in the course of a management control cycle is of course to enable managers to control their organisation, project or program. The obtained information therefore needs to be prepared in this way, so that it is possible to assess how good the actions/ measures, project/ program were planned and implemented. Illustrations like the one in Figure 71 can help during this process.<sup>606</sup>

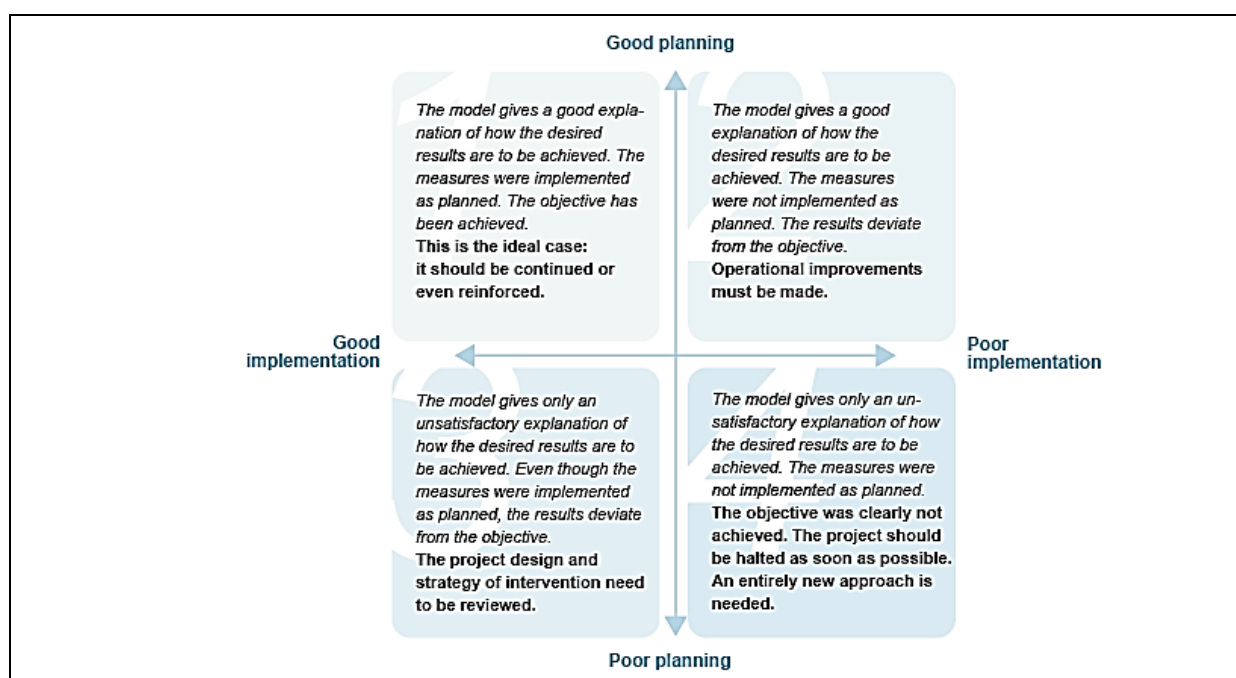


Figure 71: Review on planning and implementation of the actions/ activities<sup>607</sup>

In the end, the major benefit of an outcome-oriented management control system is that *strategic decisions can be made, resources can be allocated and improvement measures*

<sup>605</sup> cf. <http://impact.zewo.ch> (20 June 2015).

<sup>606</sup> cf. Ibid.

<sup>607</sup> Figure in Ibid.

*can be developed*, on the basis of the gained knowledge<sup>608</sup>. In sum, the system allows a better control of project/ program, business unit or even of the entire organisation.

Apart from the integrative approach in the form of an outcome-oriented management control cycle, some further concepts can be found that bring together different instruments to one integrated concept. One notable example is the IGC concept, which works with instruments like spider diagrams (for the main NPO dimensions like autonomy, competition and many more) and matrixes or tables (summarising outcomes for different relevant stakeholders). The IGC as a specialist institution provides detailed descriptions about their model for outcome-oriented management control of NPOs. Reference is made to this expert literature for more details about this conception.<sup>609</sup>

After investigating different approaches for outcome-oriented management control, the next section will investigate in how far NPOs have already applied those aspects in practice.

### 4.3 Current State of Outcome-Oriented Management

In order to show the current state of development regarding outcome-orientation, this thesis refers to one of the latest and most relevant studies in these terms. In 2012, PHINEO together with the German Public Governance Institute ('Institut für den öffentlichen Sektor e.V.')

 and the auditing and management consultancy KPM conducted a very comprehensive study according to this topic<sup>610</sup>. This study will be used in the course of this work. The findings will be shown and discussed to get a deeper insight into the present situation.

Previous investigations about this topic were partly also conducted in Austria, like the report of the Austrian Controller Institute ('Österreichisches Controller Institut'), in cooperation with Contrast Management Consulting, in 2009. Within the limits of this work, the results of this work will not be further elaborated on, but reference is made to this publication.<sup>611</sup>

The above-mentioned study of the three cooperating institutions was chosen, because it addresses the focus of this thesis (outcome-oriented management control). It furthermore takes a detailed look on different phases of a control cycle that consists of target setting, strategy, analysis and learning. The questionnaire-based survey of this study covered about 10% of the entire German NPO sector, in terms of the total budget.<sup>612</sup>

All these arguments support the decision for this study and allow maintaining that it can provide a realistic picture of the present situation, although it has to be noted that the results cannot be considered as statistically representative.<sup>613</sup>

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<sup>608</sup> cf. <http://impact.zewo.ch> (20 June 2015).

<sup>609</sup> The International Group of Controlling - IGC is an independent Swiss institution, concentrating on education as well as on research & development in the field of 'controlling' [www.igc-controlling.org](http://www.igc-controlling.org); cf. HALFAR, B. (2009) for a brief outline of the IGC concept for outcome-oriented 'controlling'.

<sup>610</sup> cf. PHINEO (2013a) for the study, which were conducted in cooperation with the German Public Governance Institute ('Institut für den öffentlichen Sektor e.V.')

 and KPMG.

<sup>611</sup> cf. HORAK, C.; BAUMÜLLER, J. (2009) for the study, conducted by the Austrian Controller Institute in cooperation with Contrast Management Consulting.

<sup>612</sup> cf. PHINEO (2013a) pp.8; pp.10.

<sup>613</sup> cf. *Ibid* p.10.

According to the study design, it has to be mentioned that from 125 asked organisations, 83 German NPOs of different sizes and legal forms were willing to take part in the survey, which were carried out with qualitative and quantitative research elements (interviews and questionnaires). In a preliminary and in a main study (the last one exclusively used questionnaires) directors and members of the management board were first asked to generally assess the topic outcome orientation. Secondly, they had to give information about the development stage of the individual phases. What else is important is that the condition for participating in the survey was the charitable status, and, as usual in the non-profit sector, the asked organisation showed a strong focus on certain typical issues like social, health and education matters.<sup>614</sup>

In the next parts, the findings of the study will be discussed in order to understand how NPOs deal with outcome orientation and outcome-oriented control in reality.

### 4.3.1 General Assessment of NPOs

In the first part of the survey, the intention was to determine whether the topic outcome orientation was considered as relevant by the responsible managers of the NPO. Moreover, it should be found out which benefits they expected from the use and how they assessed their own implementation.<sup>615</sup>

The results revealed that the majority (94%) of the respondents agreed to the opinion that outcome oriented management control would get increasingly important for the future of the non-profit (charitable) sector. The main benefits, they expected were on the one side a *positive influence on the quality of the organisational work* and on the other side *advantages in competing for funds*. In contrast to this opinion, many NPOs (42%) are still unsure if outcome orientation can help to use financial resources more effectively. Concerning the cooperation with the public organisations, it was described that in most times there is *no outcome information requested* from this side. The price in this case still is the predominant criterion in the award of public contracts.<sup>616</sup>

Regarding the second subject, the assessment of their own implementation, *only 13%* said that they *already sufficiently cover the outcome perspective* at their organisation. The critical self-image was explained by *multiple problems*, which were pointed out. Besides a significant *lack of knowledge* that about one third claimed, about half of the respondents reported that they had problems to *develop meaningful indicators* and to *bring the outcome in a causal relation to the output*. All these issues led to a call for more support from external organisations.<sup>617</sup>

Now that the general position of the sector is clear, the concrete development stage at the different phases of the outcome-oriented management control cycle will be discussed next.

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<sup>614</sup> cf. PHINEO (2013a) pp.10.

<sup>615</sup> cf. Ibid p.15.

<sup>616</sup> cf. Ibid pp.15.

<sup>617</sup> cf. Ibid pp.17.

### 4.3.2 Current State of Outcome-Oriented Management Control

It once again has to be mentioned that the study divided the management control cycle into four phases, starting with 'target formulation' and 'strategy'. Regarding these first two issues, the result basically was that the *majority of the NPOs have already had a vision and a clear outcome goal system in place (86%), as well as a strategy (79%) that describes how to achieve those targets.* However, a closer inspection reveals that only about half of all also specifies outcome goals in their strategy and, into the bargain, not more than 57% said that the strategic statement was known by the employees. To conclude, major deficits have appeared in these first two phases. Figure 72 shows a list of which success criteria are most commonly used by non-profits.<sup>618</sup>

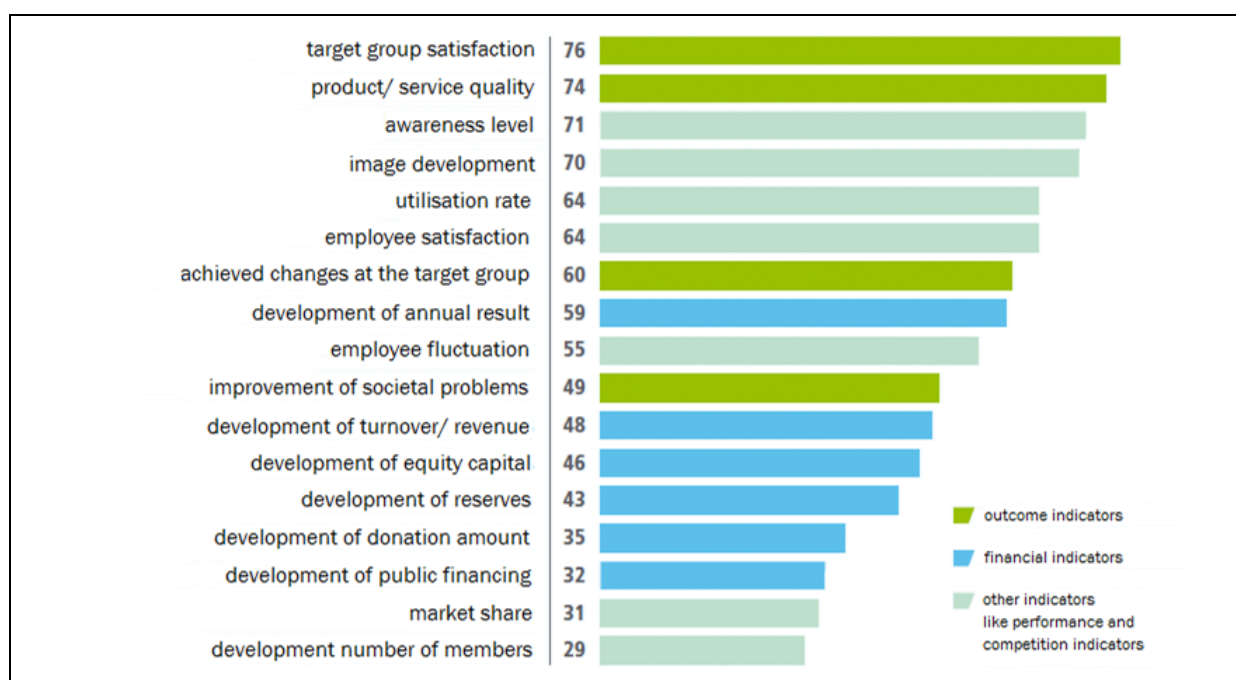


Figure 72: Most common success criteria of NPOs<sup>619</sup>

Questions concerning the implementation of the strategy highlighted another deficit. Only 54% use a quantitative or qualitative survey, which in other words means that about *half of the total showed a lack of instruments to adequately analyse the success (outcomes).* In contrast to this, the question was asked which other control systems they use instead of an outcome system. Figure 73 shows the results.<sup>620</sup>

It is difficult to determine in how far the following methods are actually outcome oriented. What can be said is that *quality management systems, non-monetary indicator systems and the BSC* are most appropriate in these terms and at least one of those three approaches is *used by 87%.* The Balanced Scorecard thereby is the least used concept.<sup>621</sup>

<sup>618</sup> cf. PHINEO (2013a) pp.18.

<sup>619</sup> cf. Abb.16 in Ibid p.19.

<sup>620</sup> cf. Ibid pp.20.

<sup>621</sup> cf. Ibid pp.22.

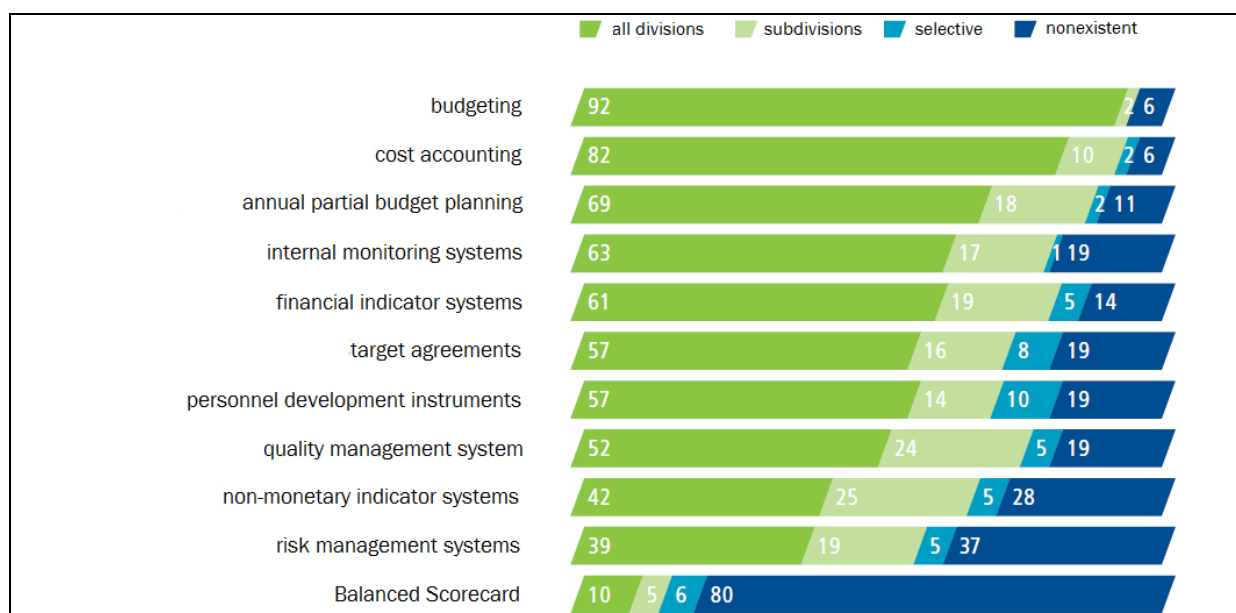


Figure 73: Different management control systems in NPOs<sup>622</sup>

Coming to the third phase, analysis, the survey found out that 54% used some form of qualitative or quantitative data collection, to get information about the organisational success. The problem in these terms is *that just one quarter of all has a clear concept on how to proceed*. To summarise, many organisations already conduct success control, but only very few have a systematic procedure. The same seems to be true of outcome analysis. Most of the organisations analyse complaints (85%) and/ or carry out evaluations (84%). The last ones are very often limited to specific sub-areas or single projects or programs. Most noticeable is that, *although outcome analysis is frequently performed (almost all NPOs use at least three instruments), almost no one could give information about how they integrate the results into the existing structure (control systems)*. This issue appears to be one major problem in this regard.<sup>623</sup>

For the final step, learning, it requires an adequate communication, so that the responsible persons can make decisions on the basis of the provided knowledge. With this in mind, at least once a year the information should be forwarded to the management board. The reality, however, is that although 76% stated that customer satisfaction was their top success criterion (cf. Figure 72), *only 46% report their results once a year*. 39% even do not collect data at all or do not even know how often they publish a report. These facts support the argument that the *control function in non-profit organisations is still based on financial and performance data*, because these ones are easier to handle with the existing IT infrastructure. The picture of external reporting furthermore reaffirms this statement. While only one third communicates the achieved outcomes to the target groups, more than two thirds put financial statements onto their website.<sup>624</sup>

In the next paragraph, all findings will be brought together to one comprehensible picture about the current situation.

<sup>622</sup> cf. Abb.17 in PHINEO (2013a) p.21.

<sup>623</sup> cf. Ibid pp.24.

<sup>624</sup> cf. Ibid pp.27.

### 4.3.3 Conclusions

The study on how non-profit organisations implement outcome orientation, and what their management control looks like, brought up some interesting findings. In the first part it could be found out that the *majority of organisations classify outcome orientation as a highly relevant topic*, but they at the same time *see their own implementation critical*<sup>625</sup>. In the second part, many details of the individual phases of management control were revealed, but many significant deficits could be found.<sup>626</sup>

In conclusion, it can be stated that the NPO-sector already sees the potential and the actual value of outcome-oriented management control, but in reality they often still have serious problems with the implementation. Figure 74 demonstrated these two sides in graphical form.<sup>627</sup>

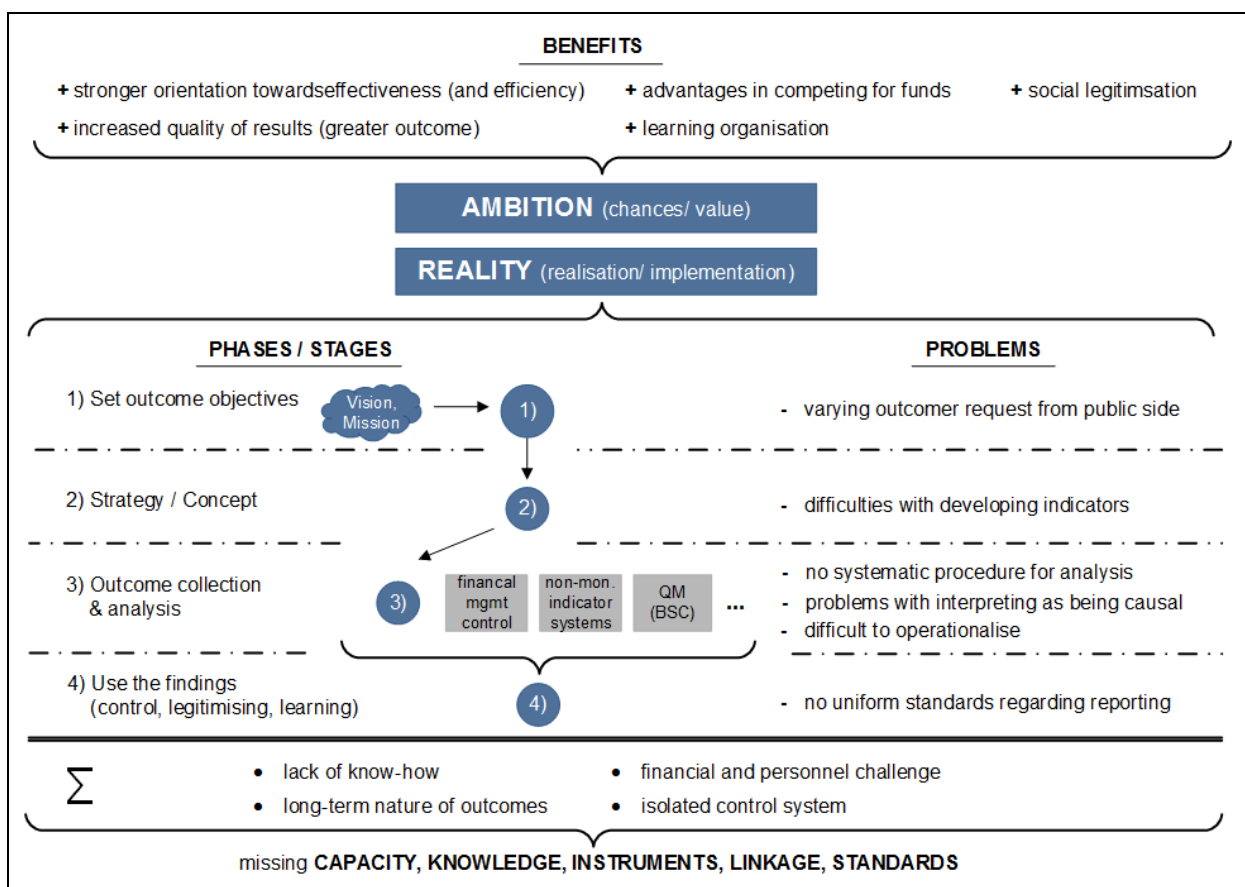


Figure 74: Ambition vs. reality of outcome-oriented management control in NPOs<sup>628</sup>

In the following fifth chapter, the author’s own examination in the form of expert interview will be presented, that aimed to find out if these findings can be confirmed in the immediate environment, how those organisations proceed at the individual phases and if they can provide additional aspects (problems as well as success factors).

<sup>625</sup> cf. PHINEO (2013a) p.18.

<sup>626</sup> cf. Ibid pp.39.

<sup>627</sup> cf. Ibid.

<sup>628</sup> own representation; based on findings of PHINEO (2013a) pp.39.

## 5 Series of Expert Interviews

This fifth chapter represents the second major part of the empirical investigation and shows how a series of expert interviews were conducted. The findings, which were presented at the previous chapter, thereby served as basis for this investigation. The basic intention was to put the described approaches, instruments and especially the picture of the current situation under review by finding out more about the NPOs in the immediate environment of AUSTIN Pock + Partners.

With this background, the next section will first outline the realisation of the interviews, and afterwards the results will be presented and concluded.

### 5.1 Interview Procedure

This section starts with describing the selection process of the interview partners. In the second part, the research question and the interview guideline will be presented, and finally the interview procedure will be outlined.

#### 5.1.1 Selection of Interview Partners

Repeatedly said, the ambition of the empirical investigation is to form a knowledge base for the cooperation partner AUSTIN Pock + Partners. With this in mind, *knowledge needed to be gained and a clear insight had to be given into the immediate sphere of non-profit organisations*. Important to understand is that the expert interviews were not the main research method. They have to be considered as *supplementation to the previous extensive literature study*. However, in order to get as much information as possible, two main areas were taken into consideration that had the highest potential to provide information. The fact that *outcome orientation* is still a quite innovative topic leads to the point that not only the non-profit sector itself deals with it (*first category = non-profit area*), but also advisory/consulting organisations address the subject. The second category usually works together with many different organisations and thereby gets the chance to gain broad knowledge. For this reason it was tried to find additional interview partners in the *consulting/ advisory area*.

The first essential criterion that potential interview partners had to fulfil was that they needed to have as much *knowledge of the topic* as possible. In connection with the new and innovative character of the subject (which leads to numerous organisations that have not dealt with the topic at all) this at the same time was a considerably complex issue. This problem mainly could be solved with the help of AUSTIN Pock + Partners, which means that certain contacts have already existed, where it was proven that they had certain insight into the matter.

Regarding the non-profit area, an important criterion was to talk to organisations from different fields and of different size, so that the investigation reflects the multi-faceted nature of NPOs. It was tried to take explicit emphasis on dominant branches like the social, health and educational sector.



Based on these criteria, the contact procedure was as follows. The contacts from AUSTIN Pock + Partners (where it was sure that they have already dealt with the topic) were expanded by several additional companies with potential knowledge. In this concrete sphere, an e-mail request was started, wherein it was asked to get an appointment for a 30-45-minute interview. The e-mails furthermore provided a basic insight into the specific topic and secondly once again clarified that the interviewees showed certain knowledge. From 12 contacts that could be put together, fortunately 8 straightaway were willing to take part in the interview series. Table 19 shows the participants.

	Name	Position	Institution	Branch
Non-Profit Area	<b>Veronika NITSCHKE, MBA</b>	Member of the Executive Board and Head of Finance	<b>World University Service (WUS)</b>	Education
	<b>Dr. Mag. Dipl.-HTL-Ing. Gerd HARTINGER, MPH</b>	Executive Director	<b>Graz Geriatric Health Centres (GGZ)</b>	Health
	<b>ANONYMOUS (A01)</b>	Manager of Project 'Outcome-Oriented Management Control'	<b>I01</b> Parent Organisation	Social
	<b>ANONYMOUS (A07)</b>	Management Member of Subsidiary	<b>I07</b> Subsidiary	Social
Advisory / Consulting Area	<b>Dr. Andreas PÖLZL</b>	Self-Employed Consultant and Managing Partner	<b>Integrated Consulting Group (ICG)</b>	Consulting of Public & Non-profit Sector
	<b>Dr. Maria Laura BONO</b>	Self-Employed Consultant	<b>Integrated Consulting Group (ICG)</b>	Consulting of Non-profit Sector
	<b>Mag. Thomas KLEIN</b>	Manager and Partner	<b>Contrast Mgmt. Consulting (CMC)</b>	Consulting of Public & Non-profit Sector
	<b>Mag. Olivia RAUSCHER</b>	Senior Researcher, Project Manager and Head of Research Area 'Outcome Analysis'	<b>NPO-Competence Center</b> Vienna University of Economics and Business	Advisory for NPOs in Practical Projects

Table 19: Interview participants<sup>629</sup>

As all of them operate in the concerned field and it has been proven that they provide expert knowledge, they from hereinafter are referred to as experts.

<sup>629</sup> own representation.

Four participants from each category were interviewed. Two participants furthermore preferred to remain anonymous, which means that their names were not allowed to be published in this work. Instead of this, the abbreviations A01/ I01 and A07/ I07 are used to refer to them. Nevertheless the results were allowed to be used, and it was possible to give some basic facts about them. What else is important in connection with I01 and I07 is that those experts belong to one group, but one time a member of a subsidiary was concerned, and the second time an expert from the management of the parent organisation. In this way it was additionally possible to see, how different levels of the same group proceed.

Lastly it has to be noted that the GGZ and the organisation I01/I07 are actually public organisations in terms of their legal form. This means that the criterion 'private organisation' (see chapter 2.2.2) would actually not be fulfilled. However, in the course of this work, they will be considered as non-profit, because apart from that, they basically show all characteristics of a typical non-profit organisation (operate almost totally independently). To summarise, these two organisations show great similarity to classic non-profits and have to face the same circumstances (competition, voluntary work, multiple stakeholders, etc.). Based on this, it was decided to take into account those two organisations for the empirical examination. This in the end allowed benefitting from their extensive experiences.

### 5.1.2 Research Question and Interview Guideline

After the selection of the interview partners, the research question needed to be formulated and the interview guideline had to be developed, in order to have a clear structure for the semi-structured interviews. Both elements were sent to the interview partner in advance (and again presented immediately before the interview) to make sure that the participant knew very specifically which thematic areas were going to be covered.

The research question was first formulated with respect to the previous findings (literature study), and afterwards relevant thematic areas were deduced and matching questions developed. The original German version of all statements can be found at Appendix 3. The following research question represented the essence of the interviews:

*In how far can outcome-oriented practices already be identified in the management of non-profit organisations, how are they valued, and does their implementation end up in great benefit or great effort?*<sup>630</sup>

Two major subjects were deduced from this statement. The first and main subject referred to the idea that it should be found out, what the **present situation** is, in terms of already implemented approaches. Moreover, this issue was divided into a section where first the *general status of the topic* was examined, and in the second, concrete actions along the outcome-oriented management control process should be explained. For this purpose, the working model, described at section 4.2.3.1, was used in order to have a clear structure. The questions and sub-questions to this first subject were:

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<sup>630</sup> in German: Inwieweit sind Wirkungsorientierte Ansätze bereits fester Bestandteil des Managements von Non-profit Organisationen, und stellen diese schlussendlich einen Fortschritt oder gar nur Aufwand und Formalismus dar?

- **Present Situation – General Status:**

*I. What does the general experience with the topic outcome orientation/ outcome-oriented management look like?*

I.1. In how far have you already got in touch with the topic and since when has it been relevant for you/ for your organisation?

I.2. Do you work together with public institutions on the subject?

I.3. Which (typical) control systems do you use in your organisation/ do you see as consultant in organisations, and how are they connected to an outcome-oriented system?

- **Present Situation – Outcome-Oriented Management Control:**

*II. What was the proceeding at the different phases of outcome-oriented management control like? Did/ do you use specific concepts or instruments?<sup>631</sup>*

II.1. How do/did you proceed during outcome-oriented target setting? Did/ do you use specific concepts or instruments during this phase?

II.2. How do/did you develop a total concept for outcome orientation? Did/ do you use specific concepts or instruments during this phase?

II.3. How do/did you collect outcome data? Did/ do you use specific concepts or instruments during this phase?

II.4. How do/did you analyse outcome data? Did/ do you use specific concepts or instruments during this phase?

II.5. How do/did you use the findings? Did/ do you use specific concepts or instruments during this phase?

In the second, smaller subject, the intention was to find out how the topic *is valued in practice*, and what the experts can say about the relation between potential benefits and required efforts. For this, no sub-questions were asked, but a more open question was used:

- **Value of Outcome-Oriented Management:**

*III. What is the practical value of outcome-oriented management, and on a general perspective, do you see the benefit or the effort dominating?*

With this set of questions, it, in the end, was possible it give an answer to the research questions, but before that will be shown, first details will be discussed about the interview procedure and analysis.

### 5.1.3 Interview Conduction and Analysis

As already outlined in the previous chapters, it was decided to conduct a series of expert interviews. In view of the general aspiration, qualitative interviews represented the most

<sup>631</sup> When this question was addressed to experts from the consulting area, it was asked, which approach they see as suitable support for the individual steps.

appropriate method, as the essential idea was that experts should *not only prove/ disprove the findings from the preceding literature study*, they should also be able to *add additional matters and provide background information* about the real situation. Semi-structured interviews finally make such an exploration possible. Apart from this argument, it was furthermore recommended by AUSTIN Pock + Partners (Ms. Sabine Ilger) to decide for expert interviews, because a dialogue with the existing contacts would allow getting a profound insight into practice.

Section 5.1.1 illustrated how it could be managed to make an appointment with eight experts. On average one month after the request, the interviews finally were conducted. Most of them took place in the office of the interview participants, and they were usually held in German, as all interviewees preferred to speak in their native language. The interviews kept to the prescribed procedure of chapter 2.12.3.1.2. In an introductory part, once again necessary information about the topic was provided, and it was asked to record the interview via audio tape. All interviewees gave their permission based on condition that the audio material must not be published. In addition to audio recording, notes were taken by the author during the interview. Immediately after the interview, those written notifications were supplemented by additional information about the interview context.

Once the recording of the interviews was finished, the next step was to prepare the audio material and the written notes. Inspired by the methods of summarised and selective documentation (see section 2.13), a protocol was made, that on the one hand summarised all relevant information very comprehensively. On the other hand, non-relevant information (that showed no relation to the subject) was not documented.

It was decided against a complete transcription, because this way prevented the problem that too much non-essential information is gathered.

As the interviews focused on uncovered content and not on the wording or hidden context of statements, it furthermore is reasonable to concentrate on the substance. M. Meuser and U. Nagel reaffirm this decision, and explain that in such cases, this is a common way.<sup>632</sup>

The summarised and selective documentation of all interviews can be found in Appendix 4. In a first abstraction level, all relevant findings were documented in the form of text passages (with headlines) and assigned to the related sub-questions. The second abstraction after that summarised the material of the sub-questions to an answer for the main questions (for structure of questions/ guideline see previous section).

As far as the analysis of the material was concerned, the procedure of C. Mühlfeld was applied (see chapter 2.14). The first phase, identification and marking of the answers, could be omitted, as the preceding documentation already showed the individual arguments in compact form. According to the second and third step of Mühlfeld's conception, the arguments afterwards were arranged according to the three predefined subjects (present situation - general status, present situation - outcome oriented management, value of outcome-oriented management), and allocated to the developed categories (e.g.: 5.2.1.1 Level of experience). The results of different interviews were balanced, and a text finally was generated for the three subjects (step four of Mühlfeld). In a last step, those

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<sup>632</sup> cf. MEUSER, M.; NAGEL, U. (1991) p.455.

findings were merged to a conclusion, which represented the answer of the research question.

As said before, the first and second abstraction (selective and summarised protocol) can be found in Appendix 4, and the results of the individual subjects as well as the final conclusion will be presented in the following chapter.

## 5.2 Results of Expert Interviews

In this paragraph, the findings of the interviews will be presented and the research question will be answered.

### 5.2.1 Present Situation – General Status

In this first part of the subject 'present situation' it was the goal to get information about the *level of development*, find out how the issue handled in *cooperation with (public) partners* and determine *which systems were used, besides outcome-oriented approaches*.

#### 5.2.1.1 Level of Experience

I.1. In how far have you already got in touch with the topic and since when has it been relevant for you/ for your organisation?

- Non-profit area

Starting with the area of non-profit organisations, some interesting facts could be revealed. All four organisations shared information from their own experiences.

The comparatively large social organisation (I01), as the one of the first interviewees, reported that the issue had already been covered in the organisation for quite some time. The general manager originally encouraged their own initiative, because of the importance of the topic. I01 started developing their own outcome-oriented management system, and up to now they have been in the middle of the planning stage. As this organisational unit represented a parent organisation, the ambition was to control all subordinates (subsidiaries).

I07 as one of these subsidiaries showed a more concrete insight into the current status of the project outcome-oriented management control. Since they began (in 2012), a set of outcome-oriented objectives could be defined, matching indicators were developed and some outcome data could already be collected. Although there are still quite some aspects to plan, nevertheless a remarkable amount of effort has been invested (time, money, etc.). I07 explicitly pointed out how important it was for them to consider achieved outcomes as the highest measurement for success.

**A07 (I07):** „*Es geht nicht darum ,Wie viele Leute gehen bei uns durch? ‘ , sondern WAS bringt’s!*“<sup>633</sup>

Most progress could be found at the development aid organisation WUS, which operates in the area of higher education. Ms. Nitsche explained that outcome-oriented

<sup>633</sup> Initial quotations are presented in original German language in order to best reproduce the respective content.

management has been standard in this field for more than 10 years. Initial problems could be overcome with the help of prescribed frameworks (project cycle management - PCM) and with the use of the LFM.

**Nitsche (WUS):** „Wirkungsorientierung ist inzwischen in unserem Bereich State-of-the-Art.“

In contrast to these experiences, GGZ as the organisation, which operates in the health branch, had a very sophisticated management- and especially quality management system in place. With the advent of outcome-oriented conceptions (mid 1990s), the GGZ also started to reflect how important it was to consider the outcome as highest priority. They consider the approach as THE integral part of all management aspects, and integrate the outcome dimension in all structures, especially in the quality management system.

**Hartinger (GGZ):** „Management, für mich, enthält Wirkungsorientierung, andernfalls bräuhete es auch kein Management.“

- Consulting/ Advisory area

With the help of the second perspective (advisory standpoint) some further interesting facts could be detected. All consultants showed outstanding knowledge based on 5-15 years of experience in this field. ICG and CMC for instance work with a customised consulting concept for outcome orientation and outcome-oriented management control. The NPO-Competence Center on the one hand conducts research in this area and on the other hand supports NPOs during cooperation projects. All three organisations could name a great variety of successfully implemented projects and systems. The interviews in this context furthermore provided information of how the topic has developed over time.

Concerning the initial impulse, different aspects were mentioned, but two major factors stood out. The first ones which encouraged the idea were *funders/ sponsors*. It is common for NPOs to receive financial sources from public sector, where at the same time a similar reform programme was going on (Federal Law Budget Reform). As a consequence, they understandably also encouraged their cooperating partners to work towards outcome-oriented management.

The second effect, which was described, was that NPOs themselves became more and more aware of the positive sides of outcome orientation. In view of diminishing resources, it appeared to be most attractive to use existing funds as effectively as possible. Ms. Bono pointed out that NPOs started to understand the following:

**Bono (ICG):** [Anm.: Es wurde ihnen bewusst, dass sie mit Wirkungsorientierung] „[...] die Ziele, die ihnen persönlich wichtig sind, noch besser erreichen können.“

Different answers of the experts showed no clear trend on which factor was more dominant. However, they agreed upon the fact that it got increasingly relevant in the course of time, so that it today is an established and permanent topic in the NPO-sector.

**Klein (CMC):** „Es entsteht schon ein gewisser Druck, sich mit diesem Thema auseinanderzusetzen.“

**Rauscher (NPO-Competence Center):** „Es ist egal, in welche Organisationen oder internationale Einrichtungen man hinein sieht, das „Impact-Thema“ kommt plötzlich von allen möglichen Richtungen.“

### 5.2.1.2 Outcome-Oriented Collaboration

#### I.2. Do you work together with public institutions on the subject?

- Non-profit area

As outlined in the previous part, public bodies and NPOs frequently work together on common outcomes, especially when the public organ is the major sponsor.

Ms. Nitsche described that for organisations in the development aid branch, it is standard to cooperate with public institutions (e.g. ADA). However, she also pointed out certain difficulties/ challenges that go along with that procedure. Whereas public support (and subsequently resources), for development aid projects, usually stops with the end of the project that does not apply to the outcomes. In other words, it can occasionally be difficult for NPOs to follow the outcome beyond financed projects. IO1 and 07 as two social organisations that are mainly financed by public funds could give no information on what the collaboration with the state sponsor will look like, because this aspect has not been planned so far. Nevertheless, they expressed that it would be one key issue to provide the sponsor with information on what has been achieved with the provided resources.

Mr. Hartinger, from the GGZ, explained that they had not experienced any external control via outcomes (outcome-oriented target agreements from public side) so far. Nevertheless he reported from similar organisations that already have this procedure in place, but also emphasised that high knowledge of the respective field is required to formulate appropriate goals from outside the organisation. According to him, some best-practice examples in this case can be found at the social sector of Upper Austria.

- Consulting/ Advisory area

Most of the experts explained that the state sector is also still in a change process, moving away from input and output control, focusing increasingly on the outcome dimension (cf. chapter 3). Mr. Pölzl from ICG for instance experiences this during his consulting work for public organisations:

**Pölzl (ICG):** [Anm.: Er erkannte dass] „[...] bei der Beratung des öffentlichen Sektors nicht betriebswirtschaftliche Ziele und Gewinnstreben im Vordergrund steht, sondern das es darum geht, mit möglichst minimalen Ressourceneinsatz das Maximum an Wirkung zu erzielen!“

He also explained what influence this might have on the cooperation between NPOs and public organisations. He expressed that outcome orientation was a relevant topic, not only for the recipient of the funds, but also for the financiers themselves. For the lastly-mentioned party it is interesting to keep control with the help of outcome-oriented target agreements. Therefore the public side sees it as a potential instrument that allows connecting resource allocation with the actual achievements of NPOs.

**Pölzl (ICG):** „Wie kann ich Geld so zuweisen, dass ich im Anschluss messen kann, dass ich mit diesem Geld etwas bewirkt habe?“

### 5.2.1.3 Connection between Outcome-Oriented Approaches and Conventional Management (Control) Systems

I.3. Which (typical) control systems do you use in your organisation/ do you see as consultant in organisations, and how are they connected to an outcome-oriented system?

- Non-profit area

The general question, regarding used management control systems, showed that a great variety of different approaches is used. While financial management systems (budgeting, cost accounting) were mentioned by everyone, I01 and I07 reported additionally about additional quality management systems which they have in place, in order to control all inner-organisational activities. The same could be seen in the GGZ, which in terms of quality management showed the most progress. With the BSC as main control system, they managed to bring together explicit outcome perspectives and all other relevant systems (input, output, etc.). In contrast to this, I01 so far had not planned how the outcome-oriented system and other structures should work together. I07 described that when their outcome-oriented management control system was finished and finally in use, it would operate alongside other instruments and experience the same consideration.

WUS faces other circumstances, due to the project-based work. Here, it can be distinguished between an organisational level, which is managed by general cost- and resource planning, and a project level that has its prescribed procedures. Project cycle management thereby is the most requested approach, which basically is similar to the integrated management cycle, used in this work. The core of the concept is the logical framework matrix, which ensures that all aspects are taken into consideration.

- Consulting/ Advisory area

Once again, the experts of the advisory area were asked. This time they had to discuss what NPOs usually used instead or alongside outcome-oriented management.

First of all, it can be interpreted that they agreed on the point that (management) fundamentals in terms of financial planning and control do already exist in most NPOs. The next most frequently used systems, according to all experts, are some forms of quality management. Mr. Pözl made clear that outcome orientation has to be distinguished from quality management in certain important points:

**Pözl (ICG):** „Bei QM geht es um die Steuerung des Einzelprozesses/Arbeitsergebnisses, bei Wirkungsorientierung geht es um Ergebnissteuerung einer Gesamtorganisation!“

He further stated that concepts like the BSC first had to be modified, if the intention was to use them for the integration of outcome orientation. Ms. Bono referred to the same issue. She explained that the BSC was best used if simply the idea ‘considering different dimensions’ was picked up and based on that, a system should be developed according to their own special circumstances.

Mr. Klein highlighted one special issue that occurred when other systems were used besides outcome orientation. He said it was imperative to integrate the ‘new’ outcome-oriented system into the existing structure and significantly important to make clear that it



was not just another isolated application. According to him many quality management approaches face the same problem:

**Klein (CMC):** [Antwort in Bezug auf Qualitätsplanungs- und Steuerungssysteme:] „[...] da wird es allerdings schon interessant, denn dort beginnen dann bereits Insellösungen.“

Mrs. Rauscher finally got to the heart of the matter by explaining that in most cases other control systems already existed in the organisation. The ‘new’ system now inevitably has to be developed in that way that it can interact with the existing structure. The only alternative would be to adjust the existing mechanisms to the new procedure.

## 5.2.2 Summary of Present Situation – General Status

### *1. What does the general experience with the topic outcome orientation/ outcome-oriented management look like?*

The essential finding in relation to this subject was that in terms of outcome orientation, organisations do not only have very diverse degrees of development (reaching from zero experience up to more than 10 years of experience), they also approach the subject very differently (intensity, approach, basic intention). While some like the social organisations I01 and I07 are still in the middle of developing a comprehensive and independent system, others like WUS have used standard procedures (that address the outcome) already for more than 10 years. However for the last case it has to be noted that financiers mainly brought forward the new course of action. At the GGZ a different approach could be seen, which actually does not focus on developing a ‘new’ control system, but considers outcome orientation as an integral part of management and tries to include it in every aspect.

What could be found at the consulting/ advisory area is that they picked up the topic at an early stage (5-15 years of experience), what today allows them to report from many positive experiences. Furthermore, they reported from factors that encouraged the progress in the course of time. They explained that on the one hand the public side as financier committed to the outcome perspective as centre of attention (Federal Law Budget Reform) and consequently forwarded this concept to the non-profit field. On the other hand, NPOs themselves have become more and more aware of the potential of the idea. Based on both aspects, the concept has established itself, and is today a constant theme for many non-profit organisations.

The same divergent stages of development could be seen, when it came to an outcome-oriented cooperation between NPOs and public institutions. For WUS it is common to work on the basis of outcome-oriented targets, given by public bodies, like the ADA, or the European Commission. Mr. Hartinger from the GGZ explained that in their branch, it is not the normal case, so far.

To conclude, it seems that the NPOs, which have taken part in the interview series, predominantly use outcome-oriented approaches for their own control purposes. A cooperation with the public side can be identified, whenever state organs are the main financier.

The advisory experts again could provide an additional perspective. Especially Mr. Pölzl described that from his work with the funding side, he experienced that financiers show great interest in the approach, in order to use it as an instrument to control what will be achieved with the provided funds. He summarised the central issue as follows:

**Pölzl (ICG):** „Wie kann ich Geld so zuweisen, dass ich im Anschluss messen kann, dass ich mit diesem Geld etwas bewirkt habe?“

The final investigated aspect which dealt with the question how outcome-oriented approaches are integrated into the existing structure, showed no clear result. Financial control systems (budgeting, cost accounting) on the other side were described as standard in all observed areas. Quality management approaches apparently are frequently in use, but Mr. Klein indicated that many conceptions have the problem that they often end up as isolated solutions. The same problem can occur with outcome-oriented management control systems. Mr. Klein in these terms emphasised that this must be avoided by all means. Ms. Rauscher finally pointed out that in most instances the ‘new’ control system had to face already existing structures. The challenge now is to either integrate outcome-oriented control appropriately or otherwise to adapt the existing structures to the new form of control.

### **5.2.3 Present Situation – Outcome-Oriented Management Control**

This next part of the interview tried to find out which experiences could be reported from individual phases of the outcome-oriented management control process. The goal is to not only get an impression of how different tasks are performed, but also to receive information about issues like potential problems or success factors (e.g. advices). For this purpose the previously defined working model was used to delineate the individual steps of the outcome-oriented management cycle. The subsequent results are now structured according to this.

#### **5.2.3.1 Set Outcome Objectives**

II.1. How do/did you proceed during outcome-oriented target setting? Did/ do you use specific concepts or instruments during this phase?

- Non-profit area

Starting with outcome-oriented target setting (as the first task), it could be found that again many different ways of proceeding exist. In a first step it was tried to find out if NPOs had specified their general direction for the organisation in any form. The interviews showed that all observed NPOs had some type of primary statement in place. Usually, mission statement, vision as well as strategies were named. The latter one included the detailed description on how to achieve the mission. Apart from that, all participants could surprisingly report from advanced pre-analyses (strategic analyses). Although they varied in terms of intensity and extent, it was presented that the entire spectrum of strategic (analysis) instruments was used to conduct requirement-, problem-, market-, environmental-, supply- and especially stakeholder analysis. Mentioned instruments were STEP-, SWOT analyses, Porters5Forces or the BCG matrix. Mr. Hartinger explained the use of the lastly-mentioned tool as follows:

**Hartinger (GGZ):** „Mit der BCG-Matrix beobachten wir, wie unsere Produkte sich entwickeln, also sprich ‚Wo sind Produkte am Absterben? Müssen wir uns langsam zurückziehen oder sie umwandeln?‘“

Coming to long-term (outcome) goals, the social NPOs I01 and I07 explained that they developed general objectives without any supportive concepts or instruments. In advance, I01 summarised all activities (of the different subsidiaries) to a product/ service catalogue. After this, both experts described that they went into a cooperative discourse (series of meetings with relevant members of organisation) and successfully developed outcome goals simply with strategic statements (mission statement) as input.

Contrary to this, WUS again distinguished between the organisational level, where in strategic meetings the overall direction is clarified, and the project level, which has explicit guidelines in the form of goal criteria (part of PCM; for instance required from European Commission). GGZ just declared that they developed objectives inner-organisational ('together') and already with regard to the forthcoming implementation into the BSC.

- Consulting/ Advisory area

Mr. Klein as expert in the consulting area basically confirmed that strategic fundamentals and knowledge mostly already existed in NPO's.

**Klein (CMC):** „Es ist nicht so, als ob Sie ihnen erklären müssten wie strategisches Management funktioniert.“

According to Mr. Klein, pre-analyses apparently are also quite common nowadays in the NPO-field, but he added that organisations often had two problems in these terms. They frequently started the wrong way, meaning that they deduced outcomes from the output. The second issue is that they have serious problems to develop suitable cause-effect chains as well as indicators.

Ms. Rauscher explained that a good way to start is to put special emphasis on the stakeholder perspective, because it is important to have a distinct picture of the centrally interested parties.

Ms. Bono in the end referred to simple but effective possibilities to develop outcome objectives. She mentioned that tools like problem-, objective tree and similar approaches were very useful and had the advantage that they required only little effort. Another option in this case would be to simply rely on usual goal criteria like SMART, but add outcome orientation as an extra condition (SMART + outcome-oriented).

### 5.2.3.2 Develop Outcome Concept

II.2. How do/did you develop a total concept for outcome orientation? Did/ do you use specific concepts or instruments during this phase?

- Non-profit area

Starting again with the social organisations I01 and I07, their goal was adding an entirely new outcome-oriented control system. For the parent organisation the challenge was to develop a logic model that worked for all subsidiaries. For this purpose, they put up a self-defined cause effect chain that simply focused on the main dimensions (input, process, output, outcome), and distinguished outcomes in terms of time (short-,medium-, long-

term), levels (micro, meso, macro) and subjective or objective impression. This model was able to meet all requirements.

The subsidiary (I07) designed a control system which put special focus on the achievements, measured directly at the client. The team-leaders of the individual units established indicators that were presented, and afterwards revised with the help of all levels. In the end they could agree on a manageable number of 17 indicators that were defined under the following premise/ leading question:

**A07 (I07):** „Woran erkennen wir im Bereich, dass dieses Wirkungsziel erreicht ist? Woran sehen wir es jetzt schon?“

In opposition to this way of proceeding (without any concepts/ instruments), the two remaining NPOs (WUS and GGZ) worked explicitly with approaches, which were already described in this work. WUS uses a project based approach (PCM) with a LFM as the central instrument. The lastly-mentioned tool already provides a complete structure, but Ms. Nitsche (from WUS) referred to some associated benefits and drawbacks. She said that the instrument was definitely helpful for the communication with the funding side (e.g.: European Commission), but still appropriate indicators were considerably difficult to develop.

The GGZ refers to a strategic approach, or more precisely to the BSC. The previously defined outcome goals in this case are entered into the BSC, where the structure ‘goals-indicators-targets-measures’ is predetermined. Those elements have to be established at this concept.

- Consulting/ Advisory area

Mr. Klein, as first, made very clear, that for all tasks of this phase (developing logic model, indicators, targets, and measures) a pragmatic approach is needed. He said that the question ‘Which outcomes can be used for control?’ had to be at the centre of attention. Afterwards, practical guidelines (like the PHINEO-guideline) can be a good first approach. He furthermore explained that an adapted BSC was also a suitable option, and thereby shared the same opinion as Ms. Bono. She explained that the BSC-framework was a good guidance during this phase, but also added that the problems with cause-effect-relationships would still be present.

Mr. Pölzl drew the attention to another problem:

**Pölzl (ICG):** „Die Herausforderung/Schwierigkeit ist, dass man die richtigen Indikatoren und Messgrößen findet! [...] Wir helfen den meisten Organisationen vor allem dabei, WAS sie messen sollen.“

He expressed that the ICG for instance provides a comprehensive consulting concept for this problem. They support organisations with the help of extensive literature analysis that develops suitable indicators, which already consider the specific circumstances of the NPO. Those tried-and-tested indicators are forwarded to the NPO, which apparently helps them a lot in this difficult phase.

### 5.2.3.3 Collect Outcome Data

II.3. How do/did you collect outcome data? Did/ do you use specific concepts or instruments during this phase?

- Non-profit area

Coming to the collection of outcome data, first criteria were discussed, that are decisive for deciding upon the method and procedure. WUS in these terms explained that two determining factors were the complexity of the required method and the provided resources. Depending on those considerations, the collection is either done by themselves or by a third party. In addition, some most common practices were also mentioned, which were focus-group interviews, questionnaires, expert interviews and case studies.

The social organisations I01 and I07 introduced further aspects which must be considered. A01 pointed out that it was important to understand that not all outcomes could be captured by a control system.

**A01 (I01):** „ALLES kann ein Management-Controlling nicht leisten, man wird vielleicht auch mal eine Langzeitstudie/ Längsschnittstudie machen müssen.“

It is rather crucial to keep the system at a reasonable (controllable) size, and to have a clear procedure for the collection that provides reliable data on a continuous basis.

A07 added that at the operative level it is important that the selected collection method does not lead to many additional efforts. In the light of this argument, first the already existing information shall be taken into account. Furthermore, A07 said that in their field, often sector-specific aspects (e.g. ethical reasons) do not allow collecting data that in fact could be important. This was described as follows:

**A01 (I01):** „Es ist auch in vielen Dingen so, dass die Leute ja nicht unbedingt gerne an diese Zeit erinnert werden. Das gilt es halt auch abzuwägen.“ [gemeint ist Zeit der Betreuung]

Mr. Hartinger (GGZ) reported that in his work area, questionnaires and interviews are the most effective and most common method. As an example, information is normally obtained when in-patients leave the clinic. Nevertheless, he also pointed out that in some cases external professionals were indispensable. In the hospice segment of GGZ for example, it is reasonable to consult (external) specialist psychologists, when information from patients of the hospice wants to be gained.

- Consulting/ Advisory area

Mr. Klein explained that it is important to understand that the question, which is raised with the initially stated objective, mainly decides upon the complexity of the collection. He also stressed that it needed the awareness that collected information regarding outcomes will, due to its nature (complex relationships, long-term nature, etc.), always be unsatisfying to a certain degree. Therefore, the differences to conventional 'controlling' need to be seen:

**Klein (CMC):** „Viele glauben, dass wir bei Wirkungscontrolling, gleich wie wir beim Kosten- oder Leistungscontrolling gewohnt sind, auf Knopfdruck die Informationen zu Verfügung haben. Das wird im Wirkungscontrolling (beinahe) NIE so sein!“

Finally, Ms. Rauscher and Ms. Bono related to some further determining factors. Ms. Rauscher explained that, in contrast to a system that aims at legitimation (and due to this requires a broader spectrum of collected outcomes), a control system has the advantage that it can stay more focused on relevant and controllable aspects.

Ms. Bono brought in another perspective by explaining that the collection also needed to consider the potential special conditions of the target group. If for instance children are asked, this factor must be included.

#### 5.2.3.4 Evaluate/ Analyse Data

II.4. How do/did you analyse outcome data? Did/ do you use specific concepts or instruments during this phase?

- Non-profit area

Once the information has been collected, the next logical consequence is evaluation or analysis. In the course of asking what aspects are essential for the interpretation, especially one factor was frequently indicated. The issue thereby was best explained by Ms. Nitsche from WUS, who described that in terms of their cooperation with public funders, it can be recognised that the information is used for many different purposes. While the financier analyses outcomes of different organisations, and afterwards decides upon the best resource allocation, WUS on the other hand uses the information to learn and for legitimation purposes. To conclude, the general intention is the most decisive aspect. The same was described by I01 and I07.

A01 made clear that in their organisation, the system primarily was used for control. However, it was said that it was just as important to encourage learning and to have a tool that could demonstrate what had been achieved with the provided resources. I07 understandably showed the same interest. A07 described this as follows:

**A07 (I07):** „[...] das Ganze eigentlich als KOMPASS zu nutzen, um Entscheidungen treffen zu können, [...], das soll der Sinn und Zweck sein.“

Both interviewees said that monetarisation (like the SROI- approach) is not appropriate for their purposes, and therefore was not considered. The idea to put the outcome in monetary values was generally seen critical, and especially in connection with the control function.

Mr. Hartinger from the GGZ brought some concrete examples of how they proceeded in the course of data analysis. He reported that they used portfolio evaluations, to bring together the results with the targets. This would allow identifying where actions were needed. He furthermore explained that one major challenge at the beginning normally was to interpret the data in this way that tangible benefits could be drawn from it. This explanation illustrated that for outcome data analysis, it either needed in-depth knowledge or otherwise experts in in this subject had to be consulted.

- Consulting/ Advisory area

The advisory experts mainly confirmed the findings of the non-profit area. Mr. Pölzl also pointed out the different ways of looking at the results (from financier- or from NPO-side). Nevertheless he made clear that in some cases it could be useful to monetarise the

outcome in order to show the achievements in financial terms. He also mentioned that one practical approach was to conduct analysis in focus groups. This would allow combining internal and external perspectives, and finally providing a holistic view.

Mr. Klein and Ms. Rauscher gave more details in connection with the SROI-approach. Mr. Klein emphasised that he was against the use of it for control purposes, because it would imply too many degrees of freedom. According to him, the SROI would allow to display their own desired reality, instead of what actually had been achieved. Ms. Rauscher generally concentrated on the positive sides, but also explained that the SROI was especially suitable for legitimisation purposes. Both, the NPO-competence Center and Ms Rauscher have special expertise in this field, which is why she could relate to a great number of successfully implemented SROI-projects.

Ms. Bono finally drew the attention to the point that most purposes do not have to be mutually exclusive. One organisation for instance can use the system for control (like I01 or I07) but also try to learn from the results and additionally use it for legitimisation. The same applies to the decision whether quantitative or qualitative results should be used. She made clear that in practice a combination of both was the most common and most effective way.

### 5.2.3.5 Use the Findings

II.5. How do/did you use the findings? Did/ do you use specific concepts or instruments during this phase?

- Non-profit area

What could already be revealed in the previous sections is that an outcome-oriented system does not only allow controlling organisations/ projects/ programmes, it also promotes learning and is a helpful instrument for legitimisation. Adequate communication thereby is the key-success factor for all three aspects. Several notable points were mentioned in terms of the question how results are used and communicated.

A01 replied that it was essential to understand that an outcome-oriented system in the end had to serve as management system, meaning that only the key information should be forwarded to the decision-maker. Furthermore, the system scope must stay at a reasonable size. This should prevent an 'information overload' and ensure that the system remains controllable. In terms of learning, A01 explained that the results should be used to critically review the efforts and to get an impression about potentially necessary improvements.

A07 specifically described how the results were communicated in practice. In their organisation, all employees are constantly kept informed by superiors and by regular events like 'info-breakfasts'. The control of the activities is made possible by integrating the system into the strategic meetings and taking into consideration the results of it for future decisions.

The communication at WUS is much simpler, due to the small size of the organisation. The control with outcomes, however, is implemented in the same way. Results are either used for strategic decisions in the course of the project, or for the entire organisation.

The GGZ, with its proximity to the state sector, requires an immense information system. An important fact in this connection is that only very little outcome information is communicated externally. Rather outcome data is used for control purposes (BSC) and for organisational learning. The GGZ uses very advanced conceptions to promote learning, like national benchmarking, international benchmarking, as well as comparisons with professional strategic partners. All these initiatives add to the success of the GGZ.

- Consulting/ Advisory area

Mr. Pölzl, as consulting expert, basically referred to the same issues, as described above. The outcome information is predominantly used for internal purposes. Mr. Pölzl in this context emphasised that it needed more concentration on an outcome-oriented communication between NPO- and funding side.

Mr. Klein confirmed this statement. He also mentioned that, although outcome-oriented report templates already exist, still resource- and performance information are used in the majority of cases. Moreover, Mr. Klein drew the attention to the essence of the idea, which, as he explained, must be to encourage an outcome-oriented discussion at the management level. The organisational activities must be viewed from a critical (outcome-oriented) standpoint. He said:

**Klein (CMC):** „Kern soll sein, dass ich im Vorfeld sage, ich will einen Beitrag zu einer lernenden Organisation leisten, und das ist ein Ansatz, der mir dabei hilft!“

„Kernfrage ist, wollen sich die Führungskräfte in Zukunft mehr mit der Frage beschäftigen: Was wollen wir eigentlich bewirken und wie gut gelingt es uns, genau das zu bewirken?“

Ms. Bono agreed that it needed a better, more outcome-oriented dialogue between funders and NPOs, and she added that in terms of the system itself, the question needed to be asked 'What is the achievement of the system?'. With this, she meant that the system alone had no influence on the outcome situation. It rather needs proper consequential activities that change the situation for the better.

## 5.2.4 Summary of Present Situation – Outcome-Oriented Management Control

### ***II. What was the proceeding at the different phases of outcome-oriented management control like? Did/ do you use specific concepts or instruments?***

The step-wise examination of the outcome-oriented management control process allowed gaining inside information about experiences (problems, potential success factors, etc.) at the individual work steps.

Regarding the first phase, outcome-oriented target setting, it could be found that all inspected non-profit organisations have advanced strategic knowledge as well as some form of general statement (vision, mission) in place. In addition, they presented great progress in terms of strategic pre-analysis. Numerous instruments like STEP-, SWOT analyses, Porters5Forces or the BCG matrix were named and it was explained that they were used extensively in the course of organisational day-to-day work. The instruments, used for the development of outcome objectives, showed a more diverging picture. While some did not



use any explicit concepts/ instruments but simply generated the goals in a cooperative discourse (e.g. I01, I07), others were given obligatory concepts (e.g. WUS). The different descriptions and concepts of the consulting experts (literature-based system, simple instruments) also revealed no uniform solution, which indicates that various different approaches can be successful. The important aspects, worth considering, are the correct work order (not deducing outcomes from outputs) and the consideration of all relevant stakeholders (stakeholder analysis). There is no simple solution, which can help overcome the complexities of cause-effect relationships. This issue either has to be approached in the best-possible way (most comprehensive consideration), or otherwise external consulting services (help from professionals of the advisory area) have to be used.

When it comes to development of an entire concept (indicators, measures, logic model, etc.), clear procedures apparently are the key. A defined framework is crucial for all organisations, even if some used no further instruments, like I01 and I07. WUS and GGZ could benefit from the use of clear project- (LFM/ PCM) or strategic structures (BSC) that provided a basic fundament for the system. Also helpful in this case are practical approaches like guidelines (PHINEO, and others), which have the advantage of a simple but effective access. Further unavoidable difficulties are connected to the development of indicators. Here it again needs an in-depth expertise or the help of external professionals, due to the fact that there is no general solution to this problem.

When the outcome concept has been specified, the data collection is the next task. Many aspects must be considered, when decisions on the collection procedure and on concrete methods need to be made. Many other factors come into play, apart from the complexity of the method and the provided resources. The extent of the collection (degree to which data are required) has great influence on the design of the management control system (scope, reliability of results, and many more). A clear picture about size and functions in this case is the key.

**A01 (I01):** *„ALLES kann ein Management-Controlling nicht leisten, man wird vielleicht auch mal eine Langzeitstudie/ Längsschnittstudie machen müssen.“*

Further influencing factors are sector-specific considerations (e.g. ethical reasons speak against collection) the target group (e.g. children are asked) or (more generally) the general purpose (system additionally intended for legitimising, learning). Frequently used and mentioned collection methods were interviews and questionnaires, conducted by the respective organisation. However, it was also found out that certain areas required external professionals like special psychologists in the social sector. The consulting experts pointed out that much depended on the defined objectives and the selected indicators. Right decisions at previous stages mainly decide upon the complexity of the outcome collection. Finally, a last very important misconception was stressed, which has to be avoided. It must be known that, due to the nature of outcomes (complex relationships, long-term nature, etc.), an outcome-oriented control system will not provide such a clear picture like conventional control systems. This unsatisfying information basis represents one main challenge for the managers and controllers.

**Klein (CMC):** „Viele glauben, dass wir bei Wirkungscontrolling gleich wie wir beim Kosten- oder Leistungscontrolling gewohnt sind, auf Knopfdruck die Informationen zu Verfügung haben. Das wird im Wirkungscontrolling (beinahe) NIE so sein!“

The fourth task is to evaluate/ analyse what has been collected, which on one side mainly depends on who has the control power. The funding side can use outcomes to guide NPOs or the organisation itself can control the overall course. The majority of the observed NPOs, however, used it for the second case.

**A07 (I07):** „[...] das Ganze eigentlich als KOMPASS zu nutzen, um Entscheidungen treffen zu können, [...], das soll der Sinn und Zweck sein.“

Another determining factor is the primary purpose, which in the observed cases was mainly to control. This can be one possible reason why no monetisation concepts (SROI-approach and others) could be identified in the investigated sphere. It could rather be experienced that instruments, like portfolio techniques are helpful to bring together results and targets to a decision basis. What furthermore also depends on the general purpose is the decision whether to work with quantitative or qualitative information. It was pointed out that an emphasis on control not necessarily had to exclude additional learning or legitimising purposes, just like quantitative and qualitative data can also be considered as most effective in combination. Further problems frequently occur in connection to data interpretation. It often appears to be difficult to draw the right conclusions, which indicates that the key is to either have in-depth knowledge of data analysis, or otherwise to consult experts on this subject.

The use of the findings as last phase finally revealed some noteworthy aspects. It basically was found that outcome information already seemed to be used frequently for internal purposes (organisational control and learning). The BSC for instance is an appropriate instrument to make decisions based on the identified outcomes. Another option is to integrate the results into the decision process at strategic meetings.

In contrast to this quite advanced picture, the external cooperation apparently still is at a different development status, depending on the respective field. Experts from consulting areas claimed that it needed further advancements in connection to this matter, especially in terms of standardised communication (report standards/ templates). As key factors for success it was revealed that the communication system needed to be lean and efficient. Furthermore, it has to be designed according to the main purpose (e.g. control). One crucial question finally should be raised, which asks: 'What is the achievement of the outcome system?' Mr. Klein in the end referred to this aspect, by saying:

**Klein (CMC):** „Kern soll sein, dass ich im Vorfeld sage, ich will einen Beitrag zu einer lernenden Organisation leisten, und das ist ein Ansatz, der mir dabei hilft!“

„Kernfrage ist, wollen sich die Führungskräfte in Zukunft mehr mit der Frage beschäftigen: Was wollen wir eigentlich bewirken und wie gut gelingt es uns, genau das zu bewirken?“

## 5.2.5 Value of Outcome-Oriented Management

With this second major subject field, the ambition was to get an image of how executives from non-profit and advisory area assess the developments towards more outcome-oriented management (control). They additionally were asked, if on a general perspective, the efforts predominantly bring genuine benefits, or if the attempt in many cases ends up in additional efforts or even formalism.

### 5.2.5.1 Benefit vs. Additional Effort

The experts of both areas gave information about what the 'real' benefits and additional efforts of a management control system are.

- Non-profit area

Already at the beginning, the most significant positive aspect was mentioned by A07. The ability to allocate resources to those fields that produce the greatest potential outcome is most desirable for many organisations. Especially NPOs that work on a broader (social) mission see this as a major opportunity to get most out of the provided resources. A07, however, also drew the attention to the fact that such a new system inevitably is coupled with some additional efforts (e.g.: new data collection systems), and that this point needs to be explained to the employees in the right way. In other words, a major rethink is requested.

Ms. Nitsche, from WUS, highlighted some additional positive aspects. She explained that this 'new' approach does not only provide great support for legitimisation purposes, it also encourages collaboration inside the organisation (commonly agreed mission/ goals raises commitment and motivation). Furthermore, outcome-oriented target agreements with the funder also give organisations more freedom to plan how the task will be approached.

Mr. Hartinger referred to another advantage of outcome orientation. He explained that managers should envisage the potential to improve results in various aspects (e.g. better situation for patient, more satisfied stakeholders, improved social situation).

- Consulting/ Advisory area

The advisory experts basically agreed upon the descriptions of the experts from the non-profit area. They added some additional strong points and downsides to the discussion.

Mr. Pölzl and Mr. Klein indicated that extensive additional efforts especially had to be expected at the first set-up of a new outcome-oriented approach. The identification of cause-effect relations and the development of indicators and measures have to be learned before the efforts slowly decrease. Mr. Pölzl furthermore added that the success of the implementation essentially depended on the commitment of all involved persons. Mr. Klein agreed in these terms, and went into detail by saying that especially politics and management had to identify themselves with the idea. This commitment of course has to go along with an appropriate design of the system (e.g. lean and addressing the essential questions). Ms. Rauscher and Ms. Bono in the end emphasised how important the outcome was for legitimation and learning. Ms. Bono furthermore called for increased concentration on an outcome-oriented dialogue between financiers and NPOs. With this,

both sides could learn from each other, and in general, this is just as important as all other aspects (control, legitimising, etc.).

### 5.2.5.2 General Assessment of the Value

- Non-profit area

For this last subject it can be said that all experts got to the heart of the topic quite fast. A01 explained that the outcome-based resource allocation provides great value, due to the fact that the situation for non-profits currently is getting worse. Resources become scarcer but the demand rises, which means that there is a need to change something. In view of this situation (and with regard to the potential benefits of outcome-orientation) Ms. Nitsche stated that for instance in the development aid area, outcome orientation was not even questioned any more.

- Consulting/ Advisory area

Mr. Klein confirmed that the situation was getting worse for non-profits and described the situation as follows:

**Klein (CMC):** „[...] zu wenig Ressourcen, zu wenig Geld; da kann ja die Alternative nicht sein, mehr Geld in das System zu ‚pumpen‘, sondern das Geld besser auszugeben! Besser in diesem Fall heißt wirkungsvoller, und dafür muss ich den Beweis erstellen.“

Ms. Rauscher again referred to the NPOs themselves. According to her, they are nowadays aware of the value of outcome orientation. She explains that NPOs are in a special position where they inevitably must aim at the outcome of their activities.

**Rauscher (NPO-Competence Center):** „Eine NPO verfolgt einen Zweck und eine Mission, in der ja Wirkungen drin stecken. Sie möchte ja gesellschaftliche Wirkungen entfalten, und deswegen denke ich, dass es sinnvoll ist, diese auch zu betrachten.“

In the end, it stands to reason that based on the current situation and the potential benefits, the value of the approach becomes apparent. Finally, it can be referred to Mr. Klein's statement:

**Klein (CMC):** „Für mich stellt sich ja gar nicht die Frage, OB Wirkungsorientierung oder nicht, sondern WIE RASCH und mit WELCHER PROFESSIONALITÄT!“

### 5.2.6 Summary on Value of Outcome-Oriented Management

#### **III. What is the practical value of outcome-oriented management, and from a general perspective, do you see the benefit or the effort dominating?**

In a general perspective, it could be found that positive as well as negative aspects are connected to the topic. Although the special focus mainly was on the positive aspects of the approach, the interviewees nevertheless also pointed out some major changes accompanied to it.

The positive factors which were particularly highlighted are the support during legitimatisation, the promotion of a learning organisation and above all the possibility to allocate resources based on outcome information. What else can be attributed to an increased emphasis on the outcome is an improved collaboration inside the organisation

(commonly agreed mission/ goals raises commitment and motivation), a better result quality (e.g.: improvement for patient, stakeholder, society, etc.), and a better dialogue between financiers and NPOs.

Despite all these advantages, it has to be noticed that a new control system mostly means new (additional) tasks and with this sometimes additional effort (e.g. new collection of outcome data). Experts described that especially the first set-up of such a system takes lots of effort (first dealing with cause-effect-relations and indicators can be challenging).

As factors for success it was outlined that on the one hand it takes serious commitment of all involved persons and parties (particularly from management and politics side), and on the other hand the system itself needs to be designed appropriately, which means 'lean' and aiming at the central issues.

With regard to these generally positive descriptions, it seems understandable that the experts in most cases referred to the great value of the approach. The current situation at the non-profit sector (funding declines, demand increases) leads to many organisations seeking for ways how to become more efficient and especially more effective. Outcome-oriented management control presents a promising solution in this case. Many experts and organisations have already signed up to the approach, so that in the end, it can be referred to the opinion of Mr. Klein:

**Klein (CMC):** „Für mich stellt sich ja gar nicht die Frage, OB Wirkungsorientierung oder nicht, sondern WIE RASCH und mit WELCHER PROFESSIONALITÄT!“

### 5.3 Conclusion

In this last paragraph, all findings will be concluded, in order to answer the research question. The lastly-mentioned statement once again is shown in the following:

*In how far can outcome-oriented practices already be identified in the management of non-profit organisations, how are they valued, and does their implementation end up in great benefit or great effort?<sup>634</sup>*

Summing up the results of the different subject fields, statements can be made about the current development status as well as about the value of outcome-oriented practices.

It turned out that many non-profit organisations quite comprehensibly address the matter, BUT it has to be noted that the individual branches/ areas show very diverse levels of development. The spectrum ranges from many NPOs with no experience at all (as could be seen in studies) up to the development aid area, which nowadays already considers the approach as state-of the art. Two major factors were pointed out as main drivers, since the idea first came up. The funding side increasingly committed to this new mechanism (Federal Budget Law Reform) and consequently forwarded this issue to the non-profit field. On the other hand, NPOs themselves became also aware of the benefits of the approach, and started their own initiative. On the basis of this increased attention (from both sides), it can

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<sup>634</sup> in German: Inwieweit sind Wirkungsorientierte Ansätze bereits fester Bestandteil des Managements von Non-profit Organisationen, und stellen diese schlussendlich einen Fortschritt oder gar nur Aufwand und Formalismus dar?

be said that today the approach has established itself. It has become a constant theme for many organisations in the sector.

Just like the level of experience, the outcome-oriented cooperation does not show a uniform picture, either. While in some fields, it is most common to cooperate with financiers in the form of outcome-oriented target agreements, many others still show no progress in these terms. Nonetheless, it could be seen that financiers generally show great interest in the idea, and tend to use the approach to allocate resources based on outcome information. In terms of using the approach for their own organisational purposes, one main problem was pointed out by many experts. Newly introduced outcome-oriented management control systems often bear the risk of ending up as isolated solution besides the already existing structure (e.g. financial control systems, etc.). Furthermore, they are normally not used in the way they are intended to.

The examination of the different phases of the outcome-oriented management control process revealed that there is no preferred solution that would solve all typical problems of outcome orientation (e.g. difficulties with finding right indicators, problems with cause-effect relations, etc.). It could be seen that many different approaches (strategic, project, practical, etc.) are used, but also often a clear procedure/ structure is missing. Besides own control purposes, the system also perfectly supports legitimisation. Apart from that it was also shown that an increased orientation towards outcomes encourages organisational learning. These learning effects can not only be found inside the organisation ('Where and how do we achieve our outcomes?') but also the cooperation with the funding side benefits from the 'new' approach ('work on commonly agreed outcomes').

Multiple further arguments were found that speak for and against the implementation of outcome-oriented practices, but in sum a generally positive picture was presented at the interviews. Nevertheless it was explicitly indicated that additional expenses are often unavoidable, and especially at the first set-up, great effort is required.

Finally, it can be stated that based on the essence of NPOs (dedicated to an overarching mission) and with respect to the current situation in the sector (declining funds, increasing demand) many organisations are seeking for an appropriate solution. Outcome orientation shows great potential in this case and consequently is highly valued by many experts and users. The relation between benefit and additional effort understandably has to be examined individually for each case.

In any terms, it is now necessary to further develop the conception (know-how, commitment, practical instruments, etc.) so that in future the positive aspects outweigh.

## 6 Summary and Outlook

In this last chapter, a final repetition of the main findings will be given. The following three sub-chapters will again deal with the characteristics of non-profit organisations, the applicability of business management conceptions, and the findings of the investigation of the public and non-profit sector.

### 6.1 NPOs and Business Management Methodologies

It is a matter of fact that there is hardly any other area as multifaceted as the non-profit sector. No uniform terminologies and constantly changing conditions make it a challenge to survive within this field. Organisations do not only have to face financing issues (volatile and decreasing funds), they also have to react to changes of their own 'market' (market liberalisation, increased competition, etc.). On top of these movements, reformations in the public sector (New Public Management) also have an influence on non-profits, as state institutions are still the main cooperation partner and financier.

All these aspects lead to non-profit organisations, which more and more rely on a professional (business-like) management. Furthermore, they increasingly refer to conceptions of business management or count on 'new' and promising approaches, such as outcome orientation. In view of the special condition of non-profits, the question arises in how far business management ideas are transferable to the non-profit sector. In the course of this thesis, it was explicitly pointed out that the characteristics have a distinct influence on the applicability. Multiple stakeholders, as first feature, have to be considered in the right degree. Furthermore, one common understanding has to be developed from the broad set of expectations. Balancing different aspects is not only crucial in terms of stakeholders, it also becomes relevant for the set-up of the right objectives. Besides economic goals, serving as a basis for existence, intrinsic mandates are the top-priority. The overarching mission has to be brought in line with economic affairs. Further aspects that have an influence on quality management, strategic management, or the use of conventional management control instruments, are special market conditions (often no market goods, no usual supply-demand relationship or no freedom of choice), the complex financial management (heavily depending on public cooperation and on volatile funds like donations and sponsoring) and the strong focus on service provision (intangible, target group often becomes influencing factor on success, etc.).

Based on this multitude of special features, it is understandable that significant modifications are necessary. Quality management concepts, like the BSC as prime example, for instance have to be extended/ changed in order to consider the special target set (non-monetary benchmarks as top priority). In the end, every concept or tool has to be inspected individually, to find out in how far it does justice to the characteristics of non-profit organisations.

## 6.2 Findings from Public Sector

The investigation of the public sector was vital for many reasons. Apart from the central role as a main collaboration partner, the sector itself experienced tremendous changes. The reformations, which have taken place internationally for quite some time now, brought new ideas which also address the focal point of this work, namely outcome orientation. New Public Management (NPM) as the key-term implies a wide spectrum of innovations. On an international perspective, almost every country has a different understanding of how NPM has to be turned into practice and what the essence of the reform programme is. Within the framework of this work, the three German-speaking countries Austria, Germany and Switzerland were examined and put in contrast to international developments.

The Austrian administrative sector, as the field, which was explored in detail, made great progress with the second phase of the public sector reform program in 2013. A comprehensive model was introduced, which provides an outcome-oriented management cycle for all organisational levels. Moreover, further support is given by various concepts and instruments. It is imaginable that NPOs can make use of developments like the logical model, the quality criteria (for targets and indicators), processes for setting up a strategy/indicator system or the reports/ statements. In an international comparison, studies of the OECD revealed that Austrian administration could catch up with the top-countries, when it comes to the link between resource allocation and performance information (output and outcome). The performance-informed system that Austria uses shows no direct connection between the distribution of resources and outputs or outcomes. However the results are explicitly considered during the decision-making process.

While Germany performs even worse than Austria and still needs further improvements, Switzerland on the other side can be seen as best-practice country. The Swiss system is oriented more consequently towards outcomes (and outputs). This leading can be attributed to implementations like regulations in federal constitutions, which prescribe to consider outcome issues during all federal affairs.

To conclude, the Austrian public sector made a significant step forward in terms of outcome orientation. It now is imperative that non-profits do not only make use of the knowledge from this sector (challenges and potential success factors) but also consider certain concepts and instruments that provide excellent support for own outcome-oriented approaches.

## 6.3 Findings from Non-Profit Sector

The main emphasis of this study represented the investigation of the non-profit sector. The aspiration was to find in how far outcome-oriented management approaches are already applied in the non-profit field.

Due to the fact that many terms exist which refer to outcome-oriented management practices, in the first step it was necessary to get an overview about those different approaches. What could be learned was that not only both wide areas (research-based and practice-oriented side) show great interest in the topic, also numerous disciplines/ directions (project-/ program-, QM-, strategic background) have different approaches to the idea. The



concepts from areas close to research are primarily interested in gaining information about the outcome by measuring and analysing it. The second major area tries to use outcome information for more practical purposes like planning and management control. The last-ones were of central interest for this thesis, which is why they were examined in detail.

The most common approaches, such as the Logical Framework-, or the Balanced Scorecard approach, all showed a comprehensive concept to develop outcome-oriented management in an organisation. Due to the fact that these conceptions emerged from different directions, they all have different qualities, deficiencies, and are usually customised suitable for special areas of application (project-based organisations, strategic purposes, quality issues, etc.). What all have in common is that they provide a clear structure on how to proceed during their implementation. The end result thereby normally is an institutionalised/ physical system (and not just a theoretical construct) that can be used for organisational control.

Another way of considering outcome-oriented management is to view it as *set of different integrated approaches (instruments and/ or total concepts)*. Each instrument in its own thereby perfectly supports specific aspects (phases, stages, steps ...) of the total outcome-oriented control process. The entire process must be seen as an ongoing cycle/ circle with several tasks that can be classified very differently. Inspired by many practical guidelines, the author's own model was developed, which summarised all essential tasks (set outcome objectives, develop outcome concept, collect outcome, evaluate/ analyse outcome, use the findings) alongside the outcome-oriented management control process. This working model afterwards was used for the empirical study (series of expert interviews).

Nevertheless, before the author's own investigation was started, current related studies were analysed, to gain insights into the present state of development. What could be discovered was that non-profit organisations generally consider outcome orientation as a highly relevant topic, but they at the same time see their own implementation critical. The latter fact can be attributed to numerous problems that occur in connection with the set-up and the use of such systems. The most frequent problems were:

- no uniform request of outcome data from public side
- problems with developing an indicator system
- no clear outcome-oriented procedure/ concept
- problems with identifying appropriate cause-effect relations
- risk of ending up as isolated solution
- no standards regarding outcome-oriented reporting

Based on these findings, the author's own series of expert interviews was conducted to find out what experiences (problems, etc.) in terms of outcome-oriented management already exist in the immediate field of (Austrian) NPOs. The objective was to find out more about the general status, how the realisation of the different phases worked out (here a working model was used) and how they generally assess the approach with respect to potential benefits and additional efforts.

Many additional aspects could be revealed during the interviews with experts from non-profit and from consulting/ advisory area. The result was that a broad field of experiences already exists (especially in some areas like in development aid) but the levels of development are

very diverse. It was seen that practical approaches like the BSC and the LFA provide great support in practice, but there is no such thing as a general solution for outcome-oriented management. In terms of the general assessment of the topic it could be seen that the topic is highly valued by many users and experts. The relation between benefit and additional effort understandably has to be inspected individually for each case. Apart from additional insights, many of the previously stated problems could also be found in the investigated field (problems with developing indicators, problems with cause-effect relations, risk of isolated solution, importance of outcome-concept).

In view of all these findings, it needs to be emphasised that the issue still needs serious further advancements (as described also in current related literature), but already now shows great potential. In terms of an outlook, it can be said that it especially needs to be worked on the necessary know-how (e.g. outcome collection, analysis, etc.), on further improvements of practical instruments and on the commitment of all persons.

Once this has been achieved, it will be possible to overcome the current challenges and consequently to experience the full potential of outcome-oriented management. This finally will make it indispensable, not only for non-profit organisations.

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## English – German Glossary

accounting	Rechnungswesen
added value	Wertschöpfung
advanced payment(s)	KundInnenvorauszahlung
audit offices	Rechnungshöfe
Austrian Economic Chamber	Österreichische Wirtschaftskammer (WKO)
Austrian Public Employment Service	Arbeitsmarktservice Österreich (AMS)
Austrian Sports Organisation	Österreichische Bundessportorganisation (BSO)
Austrian Statistical Office / Agency	Österreichisches Statistisches Amt (Statistik Austria)
Austrian Trade Union Federation	Österreichische Gewerkschaftsbund (ÖGB)
asset redeployment	Vermögensumschichtung
association(s)	Verein(e)
bottom line	Endresultat [Synonym dieser Arbeit]
call-for-bid / tendering	Ausschreibungen
cause-effect chain	Wirkungskette (Synonym für Wirkungsmodell; siehe auch ‚logical model‘)
cause-effect path	Wirkungspfad (eine Variante/ graphische Form eines Wirkungsmodells.)
chamber(s)	Kammer(n)
chamber of agriculture	Landwirtschaftskammer Österreich (LKO)
chamber of labour	Kammer für Arbeiter und Angestellte (Arbeiterkammer (AK))
charitable	gemeinnützig
checking	kontrollieren
commercial register	Firmenbuch / Firmenregister
composite index	Mischindex
confederation	Eidgenossenschaft/ Bund
constitutional state	Rechtsstaat(lichkeit)
contribution margin	Deckungsbeitrag

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controlling	Management-Supportfunktion (im deutschsprachigem Verständnis)
control model	Steuerungsmodell
cooperation(s) under public law	Körperschaft(en) des öffentlichen Rechts
cooperative(s)	Genossenschaft(en)
corporation(s)	Kapitalgesellschaft(en)
debenture loan	Anleihen
debt(s)	Schulden
democratic principle	Demokratieprinzip/ -grundgedanke
depreciation	Abschreibung
development did program(mes)	Entwicklungsprogramm(e)
development cooperation	Entwicklungszusammenarbeit
donation(s)	Spende(n)
economic mandate(s)/ objective(s)	Formalziel(e)
equity / borrowed capital	Eigenkapital / Fremdkapital
equity financing	Beteiligungsfinanzierung
expenditure/ spending	Ausgabe(n) (einer Organisation)
Federal Law Budget Reform	Haushaltsrechtsreform
federal level / federal state level	Länderebene
Federation of Austrian Industries	Vereinigung der österreichischen Industrie (Industriellenvereinigung (IV))
financial accounting	(Finanz-)Buchhaltung
foundation(s)	Stiftung(en)
governmental / state failure	Staatsversagen
indicator/ index system(s)	Kennzahlensystem(e)
intangible	immateriell
interest group(s)	Interessensvertretung(en)
Interest Group of Public Benefit Organisations	Interessensvertretung gemeinnütziger Organisationen (IGO)
interest payment(s)	Zinszahlung(en)
internal / external financing	Innenfinanzierung / Außenfinanzierung

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intrinsic mandate(s)/ objective(s)	Sachziel(e)
joint-stock company	Aktiengesellschaft(en) (AG)
leadership	Führung (im Sinne von Sicherstellen der Leistung durch Elemente wie Motivation, Kommunikation und Konfliktbewältigung)
leasing	Pachtung
limited (liability) company	Gesellschaft mit beschränkter Haftung (GmbH)
liquidity	Liquidität
loan (credit)	Darlehen
loan financing	Kreditfinanzierung
local level	Lokalebene
logical model (also cause-effect chain)	Logisches Modell/ Wirkungsmodell (auch Wirkungskette genannt)
cost accounting (system)	Kosten- und Leistungsrechnung(s-system)
management control system	Management-Steuerungssystem (Controlling System)
market failure	Marktversagen
market good	marktwirtschaftliches Gut
membership fee(s)	Mitgliedsbeitragszahlung(en)
merit good	meritorisches Gut
ministry	Ressort
national council	Nationalrat
national defence	nationale Sicherheit
national income accounts	Volkswirtschaftliche Gesamtrechnung
non-competitive consuming behaviour	Nichtrivälität im Konsum
non-excludable behaviour	Nichtausschließbarkeit
of general benefit / of public benefit	gemeinnützig
one-line budget	Globalbudget
operationalisation	Operationalisierung (Ableiten konkreter messbarer Ziele von Grundmodell/ -struktur)
organisational model	Leitbild einer Organisation



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overdraft (credit)	Kontokorrentkredit
parliament	Nationalrat
performance	Leistung
performance(-related) contribution	Leistungsbeitrag
public / collective good	öffentliches Gut
procurement of goods and services	Bezug von Waren und Dienstleistungen
profit/ return	Gewinn/ Profit
profitability	Rentabilität
provision	Rückstellung
quasi-equity (capital)	Quasi-Eigenkapital
receipt(s)	Einnahme(n) (einer Organisation)
redemption claim/ obligation	Rückzahlungspflicht
regional health insurance(s)	Regionale Gebietskrankenkasse(n)
register of associations	zentrales Vereinsregister (ZVR)
responsible body	Träger (-organisation)
return on equity	Eigenkapitalrentabilität
(sales) revenue (AE) / turnover (BE)	Umsatzerlös
savings club(s)	Sparverein(e)
self-financing	Selbstfinanzierung
self-serving	eigennützig
performance agreement/ contract	Leistungsvereinbarung
solidarity balancing	Leistungsausgleich
staff appraisal	MitarbeiterInnengespräch
state level	Staatliche Ebene
subsidy / grant	Subvention
supplier credit	Lieferantenkredit
umbrella organisation(s)	Dachverbände / Zusammenschlüsse
utility	Nutzen (der Stakeholder)
vicarage(s)	Pfarre(n)
voluntary	freiwillig

## List of Figures

Figure 1: Objectives concerning theoretical investigation .....	10
Figure 2: Objectives concerning empirical investigation.....	10
Figure 3: Overview of emerging changes, challenges and trends .....	17
Figure 4: State-oriented, business-oriented and community-related NPOs.....	24
Figure 5: Number of associations from 1960 to 2013.....	28
Figure 6: Austrian foundations in 2008 .....	29
Figure 7: Number of Austrian commercial and industrial cooperatives from 2005 to 2013 ....	30
Figure 8: Remaining legal forms for NPOs at 3 January 2012 .....	31
Figure 9: Number of potential NPO hospitals in 2013 .....	32
Figure 10: Number of potential NPO (children) day care centres in 2013 .....	32
Figure 11: Number of contractual relationships of the Austrian NPO-sector 2000 and 2010 .	33
Figure 12: Structure of receipts from Austrian NPOs in 2005.....	35
Figure 13: Expenditure of Austrian NPOs in 2005 .....	36
Figure 14: One-dimensional vs. multi-dimensional relationship to ‘customer’ .....	38
Figure 15: Multitude of stakeholder relationships of development aid program .....	39
Figure 16: Forms of competition .....	45
Figure 17: Intrinsic vs. economic mandates .....	48
Figure 18: traditional categories of financial sources .....	49
Figure 19: NPOs possible funding sources.....	50
Figure 20: Cause-effect chain/ logical model .....	55
Figure 21: 3-E model for NPOs .....	57
Figure 22: Advanced total quality model for NPOs .....	58
Figure 23: Classic management process.....	65
Figure 24: Phases of performance management cycle .....	69
Figure 25: Cause-effect path vs. logical model in matrix form.....	71
Figure 26: Strategic management process model.....	73
Figure 27: Traditional quality management tasks.....	76
Figure 28: ISO (process-based) quality management model .....	78
Figure 29: EFQM quality management model.....	80
Figure 30: EFQM RADAR assessment logic .....	80

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Figure 31: Original structure of the Balanced Scorecard.....	83
Figure 32: ICG model of New Public Management (F. Schwarenthorer).....	85
Figure 33: Decision-making of politic bodies and administration in NPM .....	86
Figure 34: Input- vs. output-oriented control in NPM.....	89
Figure 35: Basic control process in NPM.....	93
Figure 36: The process in NPM as management control process .....	95
Figure 37: Balanced Scorecard for public sector .....	96
Figure 38: Management by Objectives as pattern for political target setting .....	97
Figure 39: Budget, organisational and target structure .....	107
Figure 40: Performance management cycle from budget-structure perspective.....	108
Figure 41: Performance management cycle from organisational perspective .....	109
Figure 42: Logical Model of Austrian public administration .....	110
Figure 43: Methodology to develop a strategy for Austrian ministries .....	112
Figure 44: Result-structure of analysis phase (original Austrian document).....	113
Figure 45: Result-structure of strategy development phase (original Austrian document) ...	113
Figure 46: Target determination .....	114
Figure 47: Development of indicator-system.....	115
Figure 48: Development of measures.....	115
Figure 49: Staff appraisal process .....	118
Figure 50: Management cycle in NSM (acc. to KGSt concept) .....	123
Figure 51: Four target areas of the KGSt concept .....	124
Figure 52: Key elements of WOV .....	126
Figure 53: Outcome-oriented management control in WOV (on a municipal level) .....	127
Figure 54: Three levels of municipal control decisions.....	127
Figure 55: Management control system for the education sector in Zürich .....	128
Figure 56: Conceptual framework of MPM concept .....	129
Figure 57: Comparison of OECD-countries regarding federal performance budgeting.....	133
Figure 58: Importance of reform trends in European public administration .....	134
Figure 59: Overview of outcome-oriented approaches (in the framework of this thesis).....	137
Figure 60: Outcome mapping .....	141
Figure 61: Social return on investment (SROI) .....	141
Figure 62: Elements of the logical framework approach .....	144

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Figure 63: Different instruments of stakeholder analysis applied on concrete example.....	145
Figure 64: Problem-tree, objective tree and strategy selection .....	146
Figure 65: Logical framework matrix.....	148
Figure 66: Strategy management system based on the BSC.....	150
Figure 67: BSC as instrument for NPOs .....	151
Figure 68: BSC applied in a stationary care facility (NPO).....	152
Figure 69: Outcome-oriented management control cycle in the context of this work.....	157
Figure 70: Selection of data collection methods.....	159
Figure 71: Review on planning and implementation of the actions/ activities .....	160
Figure 72: Most common success criteria of NPOs .....	163
Figure 73: Different management control systems in NPOs.....	164
Figure 74: Ambition vs. reality of outcome-oriented management control in NPOs.....	165

## List of Tables

Table 1: Procedure.....	15
Table 2: Turnover (revenue) of Austrian NPOs in 2000 and 2010.....	35
Table 3: Gross value added of Austrian NPOs in 2000 and 2010 .....	37
Table 4: NPOs stakeholders and accompanied expectations .....	40
Table 5: Market categories in profit sector .....	42
Table 6: Summary of possible differences between profit and non-profit organisations .....	52
Table 7: Summary of implication of characteristic on quality and outcome orientation .....	63
Table 8: Traditional control system vs. performance management .....	68
Table 9: Instruments of strategic management .....	74
Table 10: Checklist for formulation of targets and measures .....	116
Table 11: Checklist for formulation of indicators .....	116
Table 12: Key elements of NSM ('Neues Steuerungsmodell').....	121
Table 13: Strengths and weaknesses of different (public) management control systems....	135
Table 14: Strengths and weaknesses of the LFA.....	148
Table 15: Indicator system for stationary care facility.....	153
Table 16: Advantages and disadvantages of the BSC .....	154
Table 17: Possible design- and process failures resulting from BSC .....	154
Table 18: Summary of different outcome-oriented management cycles.....	156
Table 19: Interview participants .....	167

## List of Abbreviations

ADA	Austrian Development Agency
AE	American English
AG	Aktiengesellschaft
AK	Arbeiterkammer Österreich (Kammer für Arbeiter und Angestellte)
AMS	Arbeitsmarktservice Österreich
BE	British English
BKA	Bundeskanzleramt
BMASK	Bundesministerium für Arbeit, Soziales und Konsumentenschutz
BMLFUW	Bundesministerium für Land-/ Forstwirtschaft, Umwelt & Wasserwirtschaft
BSC	Balanced Scorecard
BSO	Österreichische Bundessportorganisation
CEval	Centrum für Evaluation
chap.	chapter
CIP	continuous improvement
CNP	Comparative Nonprofit Sector Project
COCOPS	Coordinating for Cohesion in the Public Sector of the Future
CW	Calendar Week
DeGEval	Deutsche Gesellschaft für Evaluation
DNH	Do-no-Harm (method for outcome analysis)
EFQM	European Foundation for Quality Management
etc	et cetera
EU	European Union
EUR	Euro
FFA	Federal Finance Administration (‘Eidgenössische Finanzverwaltung Schweiz’)
FLAG	Führen mit Leistungsauftrag und Globalbudget
GmbH	Gesellschaft mit beschränkter Haftung
gGmbH	Gemeinnützige Gesellschaft mit beschränkter Haftung

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GTZ	Gesellschaft für technische Zusammenarbeit
Ibid	ibidem ('ebenda')
ICNPO	International Classification of Non-Profit Organisations
IGC	International Group of Controlling
IMA	Impact Monitoring and Assessment (method for outcome analysis acc. to Herweg/Steiner)
InWEnt	Internationale Weiterbildung und Entwicklung gGmbH' (Capacity Building International)
ISO	International Organisation for Standardization
IV	Industriellenvereinigung (Vereinigung der österreichischen Industrie)
KAP	Knowledge, Attitude and Practice-studies (method for outcome analysis)
KGSt	Kommunale Gemeinschaftsstelle für Verwaltungsmanagement
KVP	Kontinuierlicher Verbesserungsprozess
LFA	Logical Framework Approach
LFM	Logical Framework Matrix
LKO	Landwirtschaftskammer Österreich
MAPP	Method for Impact Assessment of Programmes and Projects (method for outcome analysis)
MCVD	Participatory Methodology for Measuring the Contribution of Volunteering to Development (method for outcome analysis)
MbO	Management by Objectives
MPM	Management by Performance Mandate and Global Budget
MSC	Most Significant Change (method for outcome analysis)
n.d.	no date (given)
NGO	Non-governmental Organisation
NPI	Non-profit Institutions
NPM	New Public Management
NPO	Non-profit Organisation(s)
NSM	Neues Steuerungsmodell
ÖGB	Österreichischer Gewerkschaftsbund
ÖVP	Österreichische Volkspartei

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OECD	Organisation for Economic Cooperation and Development
OM	Outcome Mapping
PaLSA	Participatory Livelihood System Analysis (method for outcome analysis)
PCA	Peace and Conflict Assessment (method for outcome analysis)
PCM	Project Cycle Management
PIM	Participatory Impact Monitoring (method for outcome analysis)
PriME	Program-integrated Planning-, Monitoring- and Evaluation System (method for outcome analysis from InWEnt)
QM	Quality Management
QMS	Quality Management System
RTE	Real Time Evaluation (method for outcome analysis)
RZL	Ressourcen-, Ziel-, und Leistungsplan
R&D	Research and Development
SPÖ	Sozialdemokratische Partei Österreichs
SROI	Social Return on Investment
UN	United Nations
USA	United States of America
vs	versus
WKO	Österreichische Wirtschaftskammer
WOV	Wirkungsorientierte Verwaltungsführung
ZVR	Zentrales Vereinsregister



## **Appendix**

<b>Appendix 1: Exemplary Report Structure in Austrian Public Sector</b> .....	216
<b>Appendix 2: Performance Statement</b> .....	217
<b>Appendix 3: Interview Guideline</b> .....	219
<b>Appendix 4: Documentation of Expert Interviews</b> .....	222

## Appendix 1: Exemplary Report Structure in Austrian Public Sector<sup>635</sup>

<b>Untergliederung XX: [Bezeichnung]</b>					
<b>Leitbild:</b> Übertrag der Angaben aus dem BVA für das Finanzjahr 2014 (n-1)					
<b>Entwicklung des Umfeldes:</b> Die Beschreibung der Entwicklung des Umfeldes erleichtert die Beurteilung der Zielerreichung. Sie zeigt auf, ob die Zielerreichung positiv oder negativ durch andere Faktoren beeinflusst wurde. Die Beschreibung der Entwicklung des Umfeldes kann verbal und/oder anhand quantitativer Messgrößen erfolgen. Der Betrachtungsraum bezieht sich auf das abgelaufene Finanzjahr 2014 (n-1).					
<b>Wirkungsziel 1:</b> Übertrag der Angaben aus dem BVA für das Finanzjahr 2014 (n-1)					
<b>Warum dieses Wirkungsziel:</b> Übertrag der Angaben aus dem BVA für das Finanzjahr 2014 (n-1)					
<b>Wie wurde das Wirkungsziel verfolgt:</b> Aufzählung der im Finanzjahr 2014 (n-1) durchgeführten Maßnahmen					
<b>Wie sieht Erfolg aus:</b>					
Kennzahl(en)	Ist-Zustand 2013	Ziel-Zustand 2014	Ist-Zustand 2014	Abweichung 2014	Ziel-Zustand 2015
Angabe der Kennzahl(en) (inkl. Berechnungsmethode, Datenquelle)	Übertrag Ist-Zustand Finanzjahr 2013 (n-2) aus dem letzten Bericht	Übertrag der Angaben aus dem BVA 2014 (n-1)	Angabe Ist-Zustand Finanzjahr 2014 (n-1)	Ermittlung der Abweichung aus BVA 2014 und Ist-Zustand Finanzjahr 2014 (n-1)	Übertrag der Angaben aus dem BVA 2015 (n)
<b>Beurteilung des Erfolgs:</b> Nach der Ergebnisdarstellung folgt die Beurteilung der Zielerreichung (Ziel erreicht, Ziel teilweise erreicht, Ziel nicht erreicht) und die Analyse von allfälligen Abweichungen. Bei der Beurteilung der Zielerreichung auf Ebene der Wirkungsziele muss berücksichtigt werden, dass Wirkungen mittel- bis langfristig entstehen und eine qualitätsvolle Diskussion die Heranziehung eines größeren Betrachtungszeitraumes voraussetzt.					

<b>Globalbudget XX.01: [Bezeichnung]</b>						
<b>Maßnahme 1:</b> Übertrag der Angaben aus dem BVA für das Finanzjahr 2014 (n-1)						
<b>Wie sieht Erfolg aus:</b>						
Beitrag zu WZ	Kennzahl(en)/Meilenstein(e)	Ist-Zustand 2013	Ziel-Zustand 2014	Ist-Zustand 2014	Abweichung 2014	Ziel-Zustand 2015
Übertrag der Angaben aus dem BVA 2014 (n-1)	Übertrag der Angaben aus dem BVA 2014 (n-1)	Angabe des Ist-Standes am Ende des Finanzjahres 2013 (n-2)	Übertrag der Angaben aus dem BVA 2014 (n-1)	Angabe des Ist-Standes am Ende des Finanzjahres 2014 (n-1)	Ermittlung der Abweichung aus BVA 2014 und Ist-Zustand für das Finanzjahr 2014 (n-1)	Übertrag der Angaben aus dem BVA 2015 (n)
<b>Beurteilung des Erfolgs</b> Nach der Ergebnisdarstellung folgt die Beurteilung des Umsetzungsfortschrittes der Maßnahmen (Ziel erreicht, Ziel teilweise erreicht, Ziel nicht erreicht) und die Analyse von allfälligen Abweichungen.						

<sup>635</sup> Abb. 7 and Abb. 8 in BKA (2011a) pp.61.

## Appendix 2: Performance Statement<sup>636</sup> (,Ressourcen-, Ziel-, und Leistungsplan – RZL‘)

**Ressourcen-, Ziel- und Leistungsplan n+1 bis n+4**  
**[Haushaltsführende Stelle]**  
**DB XX.YY.ZZ [Bezeichnung]**

**1 Grundlagen**

§ 45 Abs. 1 BHG 2013 sieht vor, dass zur Umsetzung der wirkungsorientierten Verwaltung für jede haushaltsführende Stelle ein Ressourcen-, Ziel- und Leistungsplan zu erstellen ist, welcher

- die angestrebten Ziele der haushaltsführenden Stelle,
- die zur Zielerreichung erforderlichen Maßnahmen und Leistungen sowie
- die finanziellen und personellen Ressourcen

enthält.

Der gegenständliche Ressourcen-, Ziel- und Leistungsplan ist eine verwaltungsinterne Vereinbarung zwischen

**Bei Detailbudgets 1. Ebene**

[Name]	Haushaltsleitendes Organ und
[Name]	LeiterIn haushaltsführende Stelle

**Bei Detailbudgets 2. Ebene**

[Name]	LeiterIn übergeordnete haushaltsführende Stelle
[Name]	LeiterIn nachgeordnete haushaltsführende Stelle

Die Vereinbarung gilt für den Zeitraum 1. Jänner n+1 bis 31. Dezember n+4.

**2 Steuerungsbereich**

Organisation

Aufgaben

**3 Ziele (inkl. Gleichstellungsziele)**

Entwicklung des Umfeldes

Zielhierarchie

Ziele	Beitrag zu Wirkungsziel
Z 1	
Z 2	
Z 3	
Z 4	
....	
....	
....	

<sup>636</sup> [www.oeffentlicherdienst.gv.at](http://www.oeffentlicherdienst.gv.at) (01 May 2015).



## Appendix 3: Interview Guideline<sup>637</sup>

### INTERVIEWLEITFADEN

InterviewpartnerIn (ExpertIn / NPO): \_\_\_\_\_

Position & Organisation: \_\_\_\_\_

Ort & Zeit: \_\_\_\_\_

Erlaubnis zur Verwendung der Ergebnisse (J/N): \_\_\_\_\_

Erlaubnis zur Sprachprotokollierung (J/N): \_\_\_\_\_

### GEGENSTAND DER WISSENSCHAFTLICHEN ARBEIT/ INTERVIEWS

Das Schlagwort *Wirkung* ist eines der aufsteigenden/ relevanten Themen im öffentlichen, als auch im Non-profit Sektor. Im Zuge einer grundlegenden Verwaltungsreform wurden nicht nur in Österreich neue Zeiten eingeleitet, sondern auf gesamtheitlicher internationaler Ebene. Non-profit Organisationen als wesentlicher Partner von öffentlichen Institutionen sind zunehmend gefordert, in erster Linie auf die Veränderung zu reagieren, und in zweiter Instanz *eigene Ansätze hinsichtlich einer Neuausrichtung an der Wirkung einer Leistung* umzusetzen. Für Non-profit Organisationen zählt, wie für keinen anderen, am Ende des Tages vor allem die erreichte, gesellschaftliche Wirkung.

Dieser Überlegung gab den Anstoß zu einer wissenschaftlichen Arbeit zwischen Autor, TU Graz und AUSTIN Pock + Partners GmbH. Ziel des Interviews ist es nun, mithilfe Unterstützung eines praktischen Ansatzes/ empirischen Methode hinzuführen zu einer Beantwortung der Forschungsleitfrage:

*Inwieweit sind Wirkungsorientierte Ansätze bereits fester Bestandteil des Managements von Non-profit Organisationen und stellen diese schlussendlich einen Fortschritt oder gar nur Aufwand und Formalismus dar?*

Konkret daraus abzuleiten sind nun 3 Themengebiete. Es soll:

- analysiert werden *WELCHE praktischen Erfahrungen und auch praktisch angewendeten Konzepte, Tools/ Instrumente* bereits für den Ansatz Wirkungsorientierung bereits vorhanden sind.
- analysiert werden *WIE diese Erkenntnisse konkret in den einzelnen Phasen einer wirkungsorientierten Steuerung (Wirkungscontrolling) aussehen.*
- analysiert werden *WIE der Ansatz grundsätzlich hinsichtlich Aufwand und Nutzen bewertet wird.*

Das Spektrum des Themas soll möglichst sämtliche relevanten Schritte des wirkungsorientierten Managements erfassen, sprich beginnend bei einer wirkungsorientierten Zielsetzung bis hin zur konkreten Steuerung einer Organisation (Agieren/ Reagieren auf Basis gemessener Wirkung) sind alle Phasen von Interesse.

<sup>637</sup> original German version.

## I. Erhebung **GENERELLE ERFAHRUNGEN WIRKUNGSORIENTIERTES MGMT.**

I.1. Bitte erzählen Sie mir als einleitende Frage, inwieweit Sie schon mit der Wirkungsthematik/ mit Wirkungsansätzen in Berührung gekommen sind?

I.2. Haben Sie im Rahmen ihrer Erfahrungen mit Wirkungsorientierung auch mit **ÖFFENTLICHEN INSTITUTIONEN** zusammengearbeitet?

I.3. Was sind grundsätzlich die gängigsten Steuerungssysteme, die Sie Ihrer Non-profit Organisationen haben/ in Non-profit Organisationen angetroffen haben, und wie hängen diese mit dem Wirkungsansatz zusammen?

## II. Erhebung **ERFAHRUNGEN WIRKUNGSORIENTIERTE STEUERUNG**

### Phasen entlang eines Planungs- und Steuerungszyklus



II.1.1. Zu Beginn möchte ich Sie fragen welche Konzepte/ Instrumente Sie nutzen bzw. geeignet halten für eine wirkungsorientierte **Zielsetzung**, und was entscheidend ist bei dieser Aufgabe?

II.2.1. Welche Konzepte/ Instrumente nutzen Sie bzw. halten Sie für geeignet um (angelehnt an die definierten Ziele) ein **wirkungsorientiertes Gesamtkonzept** zu entwickeln, und was entscheidend ist bei dieser Aufgabe?

II.3.1. Welche Konzepte/ Instrumente nutzen Sie bzw. halten Sie für geeignet für die **Wirkungserhebung**, und was entscheidend ist bei dieser Aufgabe?

II.4.1. Welche Konzepte/ Instrumente nutzen Sie bzw. halten Sie für geeignet für die **um die erhobenen Daten angemessen zu analysieren**, und was entscheidend ist bei dieser Aufgabe?

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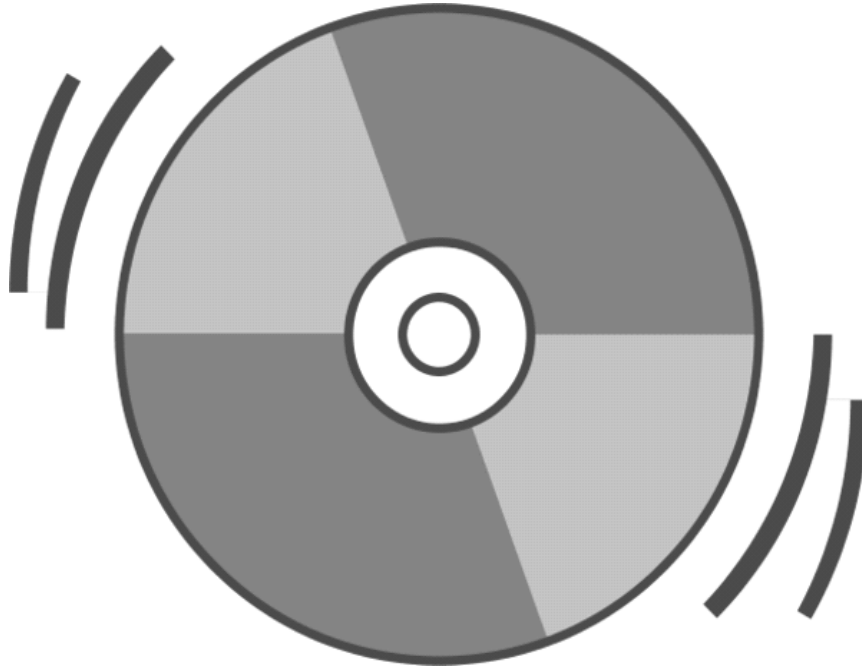
II.5.1. Welche Konzepte/ Instrumente nutzen Sie bzw. halten Sie für geeignet um sicher zu stellen, dass die Ergebnisse auch konkret kommuniziert und zur Steuerung genutzt werden? Was ist entscheidend bei dieser Aufgabe?

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### **III. BEWERTUNG VON WIRKUNGSORIENTIERTEM MANAGEMENT**

- III. Wie bewerten sie wirkungsorientierte Ansätze generell und würden Sie auf Grund Ihrer Erfahrung in dem Gebiet (gesamtheitlich betrachtet) sagen, dass der Nutzen den Aufwand/ Formalismus überwiegt?
  - Was sind die Gründe dafür?

**Appendix 4: Documentation of Expert Interviews<sup>638</sup>**



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<sup>638</sup> The disc contains the entire documentation of the series of expert interviews. The information is for the exclusive use of the client of this work (AUSTIN Pock + Partners).