



UNIVERSITI PUTRA MALAYSIA

***MULTI-DIMENSIONAL PERFORMANCE MEASUREMENT
FRAMEWORK FOR NONPROFIT ORGANISATIONS***

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**MULTI-DIMENSIONAL PERFORMANCE MEASUREMENT
FRAMEWORK FOR NONPROFIT ORGANISATIONS**

By

MANIYARASI GOWINDASAMY

**Thesis Submitted to the Putra Business School, in Fulfilment of the
Requirements for the Degree of Doctor of Philosophy**

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DEDICATION

I dedicate my thesis to my beloved family. A special thanks to my late father, Mr.Gowindasamy who has been instrumental to me. I wish to dedicate this work and thank my mother Mrs Papathy Gowindasamy who was very supportive and constantly provide the courage throughout the journey in completing this thesis. My beloved husband Kriss Kumarasamy for his special moment of encouragement and last not least my half daughter Aishwarnii who has provided smile for me throughout the entire doctoral program.



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment
of the requirement for the degree of Doctor of Philosophy

**MULTI-DIMENSIONAL PERFORMANCE MEASUREMENT
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October 2019

Chairman : Associate Professor Amer Hamzah Jantan, PhD
Faculty : School of Business and Economics

Performance measurement is one of the major topics that can be linked to the improvement in performance management and managerial effectiveness in an organisation. It can be defined as the accomplishment of a given organisational task which involves studying a process or strategy. A non-profit organisation (NPO) is an effective change agent in socio-economic sectors and international development. Performance measurement becomes one of the vital elements in NPOs since the funding comes from various sources and there is an urgency to show the effectiveness of NPOs through performance measurement. However, even there is a clear pathway for NPOs to contribute to the well being of the society as outlines by the National Integrity Plan, there is still a lot of lacking factors to evaluate their performance which lead to the effectiveness of the organisation. This study investigates the lacking indicator and additional enabling factors and variables that could strengthen the measurement tool which later can be used as a measurement tool to suit the nature of the different NPOs in Malaysia. This study adapted variables from Garner's (2008) goal setting theory, Reid and Smith (2000) contingency theory and Balanced Score Card. A qualitative method is used to conduct this study and a case study method is used. 16 samples are selected based on the 15 categories of NPOs as prescribed by the Registrar of Society, Malaysia (ROS). The sample is selected based on a purposive sampling. The basic selection is based on two criteria. The first criteria are the NPOs must be operating more than 5 years and second it must be operating in the area of Klang Valley and Selangor. The data are collected through a semi-structured interview which lasted about more than one hour. The contents are analyzed using the thematic analysis by merging the origination and nomination techniques. Since there is some proposed attributes/variable/factor from the different theories, they are used to stimulate the analysis. There are six important attributes of theme been identified; financial and internal process from Balanced Scorecard; empowerment, motivation and employees' commitment from goal setting theory; leadership from contingency theory and human governance from the respondent's view. The finding reflects that it

is not necessary for NPO to rely on the scorecard attributes but there are more significant attributes such as leadership and employees' commitment. The findings provide more insight that NPOs are having constraints to implement the performance measurement because there is no guidance from the authority and they are not given the vital role to perform as NGO in Malaysia comparatively to NPOs in the developed countries. The study has reflected a new multi-dimensional framework with 7 elements; financial, internal process, human governance, leadership, empowerment, motivation and employees commitment as the new dimension tool to evaluate the performance measurement in the context of NPO. The multi-dimensional performance evaluation tool gives a wider scope on how NPO should assess their own performance and is able to align towards the mission of the organisation. These variables are tested and applied in the NGO to verify its suitability and provide a positive feedback. This study has closed the gap of knowledge as this tool is developed based on Malaysia cultural and social context. This study contributes not only to NPO but also the relevant department of social welfare. It could also be integrated with NPOs so that they can play a vital role in the development of socio-economic and the well-being of the nation.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**MEMBANGUNKAN RANGKA KERJA PENGUKURAN PRESTASI
MULTIDIMENSI KUALITATIF BAGI ORGANISASI BUKAN
KEUNTUNGAN DI MALAYSIA**

Oleh

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Salah satu tajuk utama yang dapat dikaitkan dengan penambahbaikan dalam prestasi pelaksanaan dan keberkesanan mengurus ialah penilaian prestasi. Ianya boleh ditafsirkan sebagai kejayaan organisasi melaksanakan tugas yang melibatkan kajian tentang proses atau strategi. Badan sukarela yang menjalankan aktiviti tanpa memikirkan keuntungan merupakan agen perubahan sektor sosio ekonomi dan pembangunan pengantarabangsaan. Penilaian prestasi menjadi elemen penting dalam badan sukarela memandangkan punca kewangan untuk menggerakkan badan ini datang dari pelbagai sumber. Oleh itu terdapat keperluan yang mendesak untuk membuktikan keberkesanan badan sukarela menerusi penilaian prestasi

Walaupun terdapat petunjuk yang jelas tentang sumbangan badan sukarela dalam membentuk kesejahteraan masyarakat sepertimana yang dinyatakan dalam Pelan Integrasi Nasional, masih terdapat beberapa kekurangan untuk menilai pelaksanaan aktiviti bagi menunjukkan keberkesanan organisasi badan sukarela tersebut. Kajian ini akan menyelidik indikator yang kurang dan faktor pembolehkan tambahan yang boleh memantapkan alat pengukuran yang akhirnya nanti boleh digunakan oleh pelbagai badan sukarela di Malaysia. Kajian ini dilaksanakan dengan mengubahsuai pemboleh-ubah yang dicadangan oleh Garner (2008) dalam teori persekitran matlamat; teori di luar jangkaan oleh Reid dan Smith (2000) dan Kad Baki Skor. Kaedah kualitatif digunakan untuk menjalankan kajian ini.

16 sampel dipilih berdasarkan 15 kategori badan sukarela seperti yang ditetapkan oleh Pendaftaran Pertubuhan Malaysia. Pemilihan sampel dibuat berdasarkan kepada tujuan kajian ini. Pemilihan adalah berteraskan dua kriteria. Pertama, telah beroperasi lebih daripada lima tahun dan pengoperasian dilaksanakan di Lembah Klang dan Selangor.

Data kajian ini diperolehi daripada temuduga berstruktur yang dijalankan dalam tempoh masa melebihi satu jam bagi setiap responden yang terlibat. Kandungan dan intipati temuduga dianalisa dengan menggunakan analisis tema dengan menggunakan teknik penggabungan asal dan penamaan yang baharu. Memandangkan terdapat beberapa atribut atau pembolehubah yang dicadangkan dibuat berdasarkan beberapa teori, ianya telah digunakan untuk merangsang analisis .

Terdapat enam tema atribut yang dikenalpasti yang terdiri daripada kewangan dan proses dalaman daripada Kad Baki Skor; penurunan kuasa, dorongan dan komitmen petugas daripada teori persekitaran matlamat; kepimpinan daripada teori di luar jangkaan; dan pentadbiran kemanusiaan daripada pandangan para responden. Hasil dapatan kajian menunjukkan tiada keperluan untuk badan sukarela bergantung dengan atribut yang terdapat dalam Kad Baki Skor tetapi atribut yang lebih ketara diperlukan ialah kepimpinan dan komitmen petugas. Dapatan kajian juga memberi tanggapan bahawa badan sukarela menghadapi beberapa kekangan untuk menjalankan penilaian prestasi kerana tiada bimbingan daripada pihak yang berkuasa dan badan sukarela tidak diberikan peranan penting untuk melaksanakan aktiviti seperti yang dilakukan oleh badan bukan kerajaan di Malaysia sepertimana yang berlaku di negara-negara maju.

Kajian ini menunjukkan keperluan mewujudkan rangka kerja pelbagai dimensi dengan tujuh elemen yang terdiri daripada kewangan, proses dalaman, pentadbiran kemanusiaan, kepimpinan, penurunan kuasa, dorongan dan komitmen petugas sebagai alat dimensi baharu yang boleh dijadikan alat untuk menilai prestasi badan sukarela. Alat pengukuran prestasi pelbagai dimensi ini memberikan skop yang lebih luas kepada badan sukarela untuk menilai prestasi pelaksanaan aktiviti dan berupaya untuk menyelaraskan misi organisasi mereka sendiri. Pemboleh-ubah yang dikenalpasti dinilai dan diaplikasi di dalam badan sukarela untuk mengesahkan kesesuaian dan memberi maklum balas yang positif. Kajian ini telah dapat merapatkan jurang pengetahuan kerana alat ini dihasilkan atas dasar budaya dan masyarakat Malaysia. Kajian ini bukan sahaja memberi sumbangan kepada badan sukarela tetapi juga jabatan yang berkaitan dengan kebajikan masyarakat. Alat ini juga boleh diintegrasikan dengan badan sukarela agar ia dapat memainkan peranan yang penting dalam membangunkan sosio ekonomi dan kesejahteraan negara ini.

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I certify that a Thesis Examination Committee has met on 10 October 2019 to conduct the final examination of Maniyarasi Gowindasamy on her thesis entitled “Multi-Dimensional Performance Measurement Framework for Nonprofit Organisations” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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LIST OF ABBREVIATIONS

SEED	Self Empowerment and Educational Development
WWF	World Life Foundation
KPI	Key Performance Indicators
NPO	Non Profit Organisation
NGO	Non Governmental Organisation
BSC	Balanced Scorecard
EWRP	Educational, Welfare and Research Foundation
PDCA	Plan, DO, Check and Act
IT	Information Technology
ARROW	Women Movement in Malaysia

CHAPTER 1

INTRODUCTION

1.1 Introduction

Since the 1960s, performance management has been used in private and public organisations. Only recently, it is introduced in Non-Profit organisations (NPO), not only to address challenges faced by these organisations, but also in terms of improving their productivity and service delivery. Melynk et al. (2013) mentioned that performance measurement is closely related to the improvement in performance management and effectiveness. Poister et al. (2014) mentioned that performance measurement is the process of quantifying action, where measurement is the process of quantification and action correlation with performance.

Performance measurement involves the process of collecting, analysing and reporting information with regards to the performance of an individual, group, organisation, system or component (Schwartz & Deber, 2016). Based on the Balance Scorecard Institute, performance measurement monitors the implementation and effectiveness of an organisation's strategy; focuses on the gap between actual and targeted performance, and later determines the effectiveness and operational efficiency of the organisation. Melynk et al. (2013) stated that performance measurement system encompasses the process of collecting, analysing and interpreting data for an organisation. Wolk et al. (2016) stated that performance measurement is the collection and analysis of program and operational data, and the use of that information to continually develop, test, and hone organisational strategies. He added that performance measurement has become increasingly ingrained in the strategic functions of organisations, resulting in substantive literature on the topic for private industry and non-profit organisation in general.

According to Arvidson & Lyon (2014), performance measurement is an ongoing monitoring and reporting of a program accomplishment, particularly the progress towards established goals. He also added that it also addresses the type or level of program activities, conducts (process) and/or result of those products and services which eventually become the outcomes of the whole process. From the view of quality management, performance measurement is a fundamental building block of total quality management and total quality organisations. It has also been viewed historically that organisations have always measured performance in some way through financial performance, either with success by profit or failure through liquidation.

Soysa et al. (2016) mentioned NPOs are totally different from profit organisations since the objectives of the two organisations are different. Saunah Zainon et al. (2013) added that NPOs are keener to provide services to the community without hoping for any returns, rewards or profits. They added that, these organisations are also keen on

the mission, size, mode of operation and impact. Arena et al.,(2015) also mentioned that NPOs have different functions for different purposes, whether charitable, educational, literary, scientific or humanitarian. Therefore, when designing the mission statement, they make a clear objective in order to describe the purpose of the organisation. To complete the functions of the NPO, a performance measurement tool can be used to evaluate the management of the organisations (Ferreira & Otley, 2009).

The non-profit sectors seem to be gaining vast attention since the 1980s (Yap and Ferreira, 2011). NPO is classified as an effective agent of change in socio-economic sectors and international development, having evolved from relief and welfare organisations to current sustainable development systems. Sawhill et al. (2011) suggest that the non-profit sector comprises of organisations that are self-governing, private, voluntary and non-profit distributing. The operation focuses on public benefits. Performance management is gaining growing importance since funding comes from corporate donors, governments and individual contributors who are the stakeholders. Therefore, demonstrating effectiveness in NPOs is critical due to its contribution to the national economic and social welfare, as well as intensive competition for funding and resources in the sector.

Bourne et al. (2017) mentioned performance measurement can be defined as a formal and informal mechanism, process, system, and network used by an organisation in conveying the key objectives and goals elicited by the management. It assists the strategic process and ongoing management process through analysing, planning, measuring, controlling, rewarding, managing performance broadly, and for supporting and facilitating organisational learning and change (Ferreira & Otley, 2009). There are many other terms; the third sector, voluntary sector or charitable sectors, which are used to refer to the non-profit sector (Bryson, 2011). However, in Malaysia non-profit sectors are defined and named as “non-profit” by the Registrar of Society Malaysia (ROS). Regardless of the NPO recent growth and importance in the sector, particularly in developing countries, there is still lack of research (Arena et al., 2015).

The main challenges of NPOs have been identified as lacking government support, bureaucracy, flexibility and grass roots support. This is due to the nature of their activities, which are impacted, emphasizing on self-sustainability and community participation (Schwart & Deber, 2016). Most of the NPOs have implemented many programs and activities. However, the effectiveness of the activities with reference to the mission statement is still questionable. NPOs’ in developing countries perceive internal self-performance evaluation as irrelevant due to the low performance pressure and emphasis on external performance evaluation processes (Schwart & Deber, 2016).NPOs in developing countries also face institutional, financial and program sustainability problems, incoherent and ineffective regulations, and unpredictable funding and donor dependency. Apart from sustainability, there are other constraints which include poor public culture, institutional fragmentation, and influence of international organisations, lack of institutionalised training, incentives and sanctions system (Chenhall et al., 2007).

The non-profit sector is emerging as a very important sector in our society. Not all public services can be provided by the government. NPOs too need to measure their performance to ensure that they remain viable, can sustain themselves in the face of changing external environment, even with very little understanding on the performance measurement in NPOs. The current research is able to add a new knowledge by a practically validated performance measurement framework.

1.2 Why Performance Measurement in NPOs

The researcher was first involved with “Anbeysivam” a non-profit organisation after completing her first degree. Since her first degree is on economic development, she is interested in looking at the development of NPOs in the rural areas especially in her own community. She always wanted to contribute to her own society. During the researcher’s final year, she did a research project on the development of Indian Small Entrepreneurs in the Klang Valley. It was then that she met with several people who lead her to be involved with the non- profit organisation.

Since then, doing charity work became part of the researcher’s life. She has been engaged with giving free tuition classes for rural area children and those in charity homes. From there, she moved on to participate in and organise events under a society known as “Anbeysivam”. As a committee member of the society, she understands the process of registration of a society, seeking for donors and managing the NPO. This has aroused her interest in working with non-profit organisations.

In the beginning, the researcher was so enthusiastic to be involved in an education program organised by the NPO. However, she eventually realised that the volunteers and even the donors could not sustain the program in the long term. The aim to strengthen the well-being of the community outlined by the NPO started to deviate from its original purpose and mission. It could not be re-aligned to its original purpose. The researcher is determined to find the answers to this problem.

The researcher then enrolled herself in the MBA program with Universiti Putra Malaysia (UPM) in the year 2007 in order to improve herself and build up her career path. One of the subjects in the course that she attended during her MBA tenure was the Strategic Management course. This became an eye opener for the researcher to embark on a case study on performance measurement. The researcher began to understand that performance measurement provided visibility to the measures which are linked to strategy and it also emphasises on performance by looking at several factors, such as the driving actions, provision of close loop control, strengthening organisational objectives, rendering framework of decision making and controlling employees’ behaviour.

However, the researcher is sceptical whether performance measurement could be applicable in NPOs. Moreover, due to work commitments and other family commitments, the researcher’s involvement in the NPO decreased. After completing

her MBA, the researcher was assigned to teach Strategic Management and the topic on performance management became her most favourite topic. After 8 years of teaching the same subject, finally the researcher decided to pursue her PhD and started to look for options. Consequently, one of the researcher's cousins who works in UNICEF invited her to join one of their programs as a volunteer. The researcher was really impressed with the way they handled the program. She learned from the administrator that Balanced Scorecard is applicable and workable for NPOs and UNICEF. It has been implemented for the past few years.

This became an eye opener to answer the researcher's long quest on how workable the Balanced Scoreboard is on evaluating the performance of NPOs. So, the researcher decided to write a research proposal and submitted it as her PhD research topic. In the early stage, during her Methodology class, the researcher was criticized for choosing the topic. The feedback given was that it is not workable, and she may not be able to progress with the topic. She was even criticized that the Balanced Scorecard is only applicable to measure financial and three other indicators in profit-making organisation rather than non-profit organisations. The researcher felt that her work for the past one year was just wasted. However, the researcher's supervisor who has valuable experience on the qualitative research method suggested that this could be an interesting topic and advised her to study on performance management from the qualitative perspective. This gave the researcher the confidence to pursue this topic, as she felt positive criticism would lead to a better research and spent more time in exploring the possibilities through reading. The researcher was even encouraged by another professor to read on the "Zakat Institution" as it is also a non-profit "faith-based organisation". After gathering and compiling knowledge related to the topic, the researcher's mission and quest on exploring and creating a framework for evaluating performance measurement in NPOs in Malaysia was ready to take off.

1.3 Problem Statement

NPOs have become influential development players in the developing world, especially in the recent decade (Asgari & Darestani, 2017). Even though the term "non-profit" was introduced in the 19th century and has been widely used in many articles and books; its contributions is not widely recognised and given priority as compared to profit-making organisations. Since globalisation and the world focuses on competitive profit making businesses, many researchers identify that NPOs are losing their focus, and therefore its importance has been neglected (Asgari & Darestani,2017).The rapid growth of NPOs in Malaysia proves and shows that these NPOs need to be focused and managed systematically by the Registrar of Societies Malaysia (ROS, 2016).

NPOs in Malaysia are in the form of either charitable corporations or societies. The societies which are registered, monitored and controlled by the Registrar of Societies (ROS) are governed by the Societies Act 1966 and Societies Regulation 1984 within the Ministry of Home Affairs (Saunah Zainon at el., 2013) Since 2005, there is a rapid growth of 5% to7% in number of NPO in Malaysia, and currently these organisations

are registered with the ROS (ROS, 2015). Based on ROS, (ROS, 2015), even though there is a rapid growth of NPOs in Malaysia, however, 83.5% of NPOs are unable to sustain their organisations and are facing failures in management. This inability is due to the lack of knowledge in effective management in the organisation (Rodzi et al., 2014). It has been recorded that the highest number of registrations and withdrawals were from the states of Selangor, Federal Territory of Kuala Lumpur, followed by Penang and Johor (ROS, 2016).

In Malaysia, the growth of NPOs is monitored by the Department of Social Welfare and the Ministry of Women and Community Development since 2008. The reason behind the support and encouragement for NPOs is due to the National Integrity Plan (NIP) which was drawn out to constitute the principles of “Rukun Negara” as well as to achieve Vision 2020. Datuk Dr Mohd Tap Salleh, the Ex-President of The Malaysian Institute of Integrity (MII) developed the National Integrity Plan (NIP) to transform Malaysia to become a fully developed nation on its own by 2020. This transformation was not solely based on economic and technology, but progress in social, culture, intellectual and spiritual aspects as well. To achieve this, the enhancement of ethics and integrity is vital to ensure that it becomes part of the society’s culture. Therefore, The Malaysian Institute of Integrity (MII) later developed a simple plan called NIP in 2008, which was later redesigned in 2018. The aim of the plan is to establish a fully moral and ethical society whose citizens are strong in religious and spiritual values, and imbued with the highest ethical standard (NIP, 2008). There are five target areas, and the most significant importance for this research is target four and five. Target four is to strengthen the family institution and target five is to improve the quality of life and people’s wellbeing. The steps taken to build up on the wellbeing of society is to have reduction in the incidence of crimes in the society, no sexual abuse and drug addition, illicit sexual relationship, curbing HIV, reduction in road accidents, reduction in the misconduct or delinquency among the students and reduction in environmental degradation. In order to achieve these steps, everyone in the society needs to impart “Rukun Negara” as part of their life philosophies. Due to this, the Ex-President of MII urged the non- governmental organisation (NGO), non-profit organisation (NPO), Malaysian Welfare Department, Ministry of Women, Family and Development, universities, schools and profit organisation to work together. He also added that to achieve target four and five, NGOs and NPOs have to play effective roles in the society.

However, this is not possible as non-profit organisations are not able to sustain and struggle internally. Rodzi et al., (2014) mentioned the reason this is not viable is because as claimed by many researchers, NPOs lack of time to monitor its progress, because they are busy looking for funds. Due to the above seen issue, NPOs need to play their role effectively in curbing and imparting “Rukun Negara” to create a wellbeing society. The Star (2014, April 8) reported that many volunteers and donors are not happy and satisfied with the performance of the non-profit based organisations due to the fact that most of them are not serious with their management, and some are not able to sustain themselves. The article also added that if there is a proper system to evaluate the effectiveness of each non-profit organisation, then it would be beneficial, and this will be able to add on the required support for the National Integrity

Plan.

Sawhill and David (2011) argue that many NPOs, especially in developing countries have difficulties in measuring their progress in terms of realising the vision of the organisation. This statement is further supported by Sosya et al.(2016). Normally, NPOs focuses on two main areas, namely measuring the effectiveness and efficiency of the organisation in using and mobilizing the resources; and the efficiency of volunteers to progress in achieving the vision. Both of them also added that a clear performance measurement tool would help to monitor and create continued success for NPOs. Mostashari (2005) stated that NPOs in Malaysia are unable to sustain their existence due to the lack of performance management tool and this was supported by Saunah Zainon et al.,(2013) and Khalil et al.,(2014). He mentioned that even though there are some NPOs using performance tools to evaluate their performance, but these organisations still could not be sustained due to the lack of managerial experience in handling the evaluation tools. Nik Hayuden, President of Malaysian Institute of Accountants (2009) wrote an article in the Edge Malaysia (2013, October 19) and in this article, he mentioned that NPOs are required to pay attention to their performances to achieve their mission.

One of the most appropriate tool or method that has been widely used in performance measurement for NPOs is the Balanced Scorecard (BSC) which was introduced by Kaplan & Norton (2001). There is evidence within the literature that the BSC has been employed in US and Canada (Chan, 2004), Great Britain (Worth, 2012) and New Zealand (Askim, 2004) and widespread in the developed countries. However, there is little evidence reported in the literature of the application of BSC and other relevant tools in developing countries (Arena et al., 2015). Kaplan and Norton (2002) argued that NPOs often have unstructured goals pertaining to delivery of intangible service which limits the use of quantitative measure to be used in the performance measurement in the profit sector.

Rodzi et al., (2014) mentioned that due to the classification differences of groups in NPOs, differences in the terminology used, different cultures and different variables of international non-profit organisations, it may not fit and be suitable in the Malaysian culture. Therefore, a new perspective of measurement is needed. Besides this, most of the time, a performance measurement always focuses on a single dimension of ‘finance’ exactly as the profit organisation. This may not be acceptable in non-profit organisations, due to their ‘societal values’, therefore, building a multi- dimensional tool which will be focusing on more than a single variable is needed. Moreover, the challenges and complexities of measuring performance in NPOs and a dearth of scholarly work are justifiable reasons to undertake this academic study. The motivation for this study besides the researcher’s personal motivation is triggered by two other reasons. First, is the phenomenal growth and decline in the non-profit sector due to its ineffectiveness of internal management. Secondly, it is important to strengthen the management of NPOs through performance measurement in order to constitute the principles of ‘Rukun Negara’ within these organisations to support the National Integrity Plan. This thesis aims to gain deeper understanding of this topic.

The aim of this study is to create an in-depth understanding of non-profit organisational performance measurement, thus overcoming the current ineffectiveness issues.

1.4 Research Questions

The research will be based on the following questions:

- 1.3.1 What are the current performance management practices used by NPOs in Malaysia?
- 1.3.2. To what extent does the minimum requirements of the proposed measurement tool fulfil the NPOs expectations during the interview?
- 1.3.3 What are the major obstacles and lacking indicators in implementing the performance measurement tool?
- 1.3.4 What are the variables used to develop a multi-dimensional performance evaluation system that suits the nature of NPOs in Malaysia?

1.5 Research objectives

The main objective of this research is to develop a multidimensional performance measurement tool to help the non-profit organisation in improving its effectiveness. The researcher has outlined the following objectives to be achieved:

- 1.4.1 To identify the current performance management practices in NPOs in Malaysia,
- 1.4.2 To explore the minimum requirements of the proposed measurement tool required by the NPOs to be used during the interview;
- 1.4.3 To explore the major obstacles and lacking indicators faced by the NPOs in applying the measurement tool.
- 1.4.4 ~To develop a multi-dimensional performance evaluation system that suits the nature of the NPOs in Malaysia.

1.6 Scope of the study

As discussed later in Chapter Three (Methodology), the scope of the study is focusing on non-profit organisations in two major states of Malaysia. The study will be focusing the non-profit organisations from Selangor and Federal State Kuala Lumpur. The main reason is that both states have witnessed a huge growth and shutting down of non-profit organisation from 2010 to 2015.

Table 1.1 : Statistics of growth and close down of non-profit organisations from 2010 to 2015

	2010	2011	2012	2013	2014	2015
Growth %	4%	5.5%	6%	6%	6.5%	6.5%
Shutdown %	11%	14%	14%	19%	20%	21%

(Source: ROS,2016)

As recorded by the Registrar of Societies Malaysia (ROS) there are numerous categories of non-profit organisation such as child care, education, health and sports, etc. Since the study aimed to come up with a multi- dimensional evaluation system, various non-profit organisations from different categories have been involved. The study focused on the qualitative method which enabled the researcher to do a cross examination, to get right to the main factors that were lacking in the current system, and the enabling factors that led to the building of a new performance dimension which suits the nature, culture and environment of Malaysia.

The study will have certain selection criteria to choose the non-profit organisation to participate in the study. One of the main criteria is the selected non-profit organisation must be established for more than five years and be actively engaging with the society. Next, the selected respondents will be the administrator of the non- profit organisation. Data will be gathered by interviewing the administration head or those experienced in running the activities. One of the major obstacles or limitation for the researcher was getting the right non-profit organisation to participate in the study and getting them to understand the evaluation system and its importance.

1.7 Significance of the Study

The significance of the study can be divided into four different categories, namely theory building, organisation and government and policy creator as well as individual researcher.

1.7.1 Theory building

As for theory building, it is clearly shown that the numbers of researchers who focus on performance measurement tool for the NPOs are very few especially in Malaysia (Rodzi, 2014). Therefore, this study contributes to the existing literature on the BSC and performance, hence paving the way for a more in-depth study to be conducted in the future. BCS is widely used in the developed countries as compared to the developing countries. It has also been used in a few non-profit organisations such as the Zakat Centre and the mosques in Selangor. Zakat Centres and mosques in Selangor used “religion” as an added element. These two institutions may not reflect the nature of the other non-profit organisation as the nature of these organisations may differ. These new dimensions may help to fill the gap in the literature, especially in discovering the effects and impact of using the performance measurement on NPOs in

order to maintain its sustainability and effectiveness. Therefore, the current study may contribute in adding new elements into improving the performance measurement of non-profit organisations.

This study addressed a few areas from Garner (2008) as the proposed elements in the goal setting theory have not been tested in NPOs in Malaysia. This research adds value to the existing literature regarding the performance measurement practices from the managers' perspectives by identifying the dimensions that are lacking and the enabling dimensions to develop a multidimensional framework. There are several contingency factors which have not been investigated in the non-profit sector; particularly environmental uncertainty, environmental dynamism, organisational structure, strategy, and technology. All these factors have been ignored. Therefore, this study would strengthen the knowledge of conceptualization and empirical measurement of NPOs' effective domains. In the literature, the influence of performance measurement on organisational effectiveness remains contested due to conflicting findings in the existing studies. Thus, this study would demonstrate that performance measurement variables can predict organisational effectiveness domains. Identifying this variable is important as it would add new value to the subject of performance measurement.

It has been understood that there are some obstacles in implementing the evaluation system, but none of us are aware of the actual situation behind each of the non-profit organisations and their actual obstacles in implementing the system (Muller, 2007). Therefore, gaining a new insight on the performance measurement could be helpful in developing a new dimension of performance measurement to the non-profit organisation.

1.7.2 Government and donors

At the practical level, the study findings will benefit the Malaysian government, NPOs, donor agencies and other stakeholders. The findings of this study would be useful to the stakeholder in implementing policies that address the performance measurement, accountability, regulatory and annual reporting challenges faced by the third-party sector. These results would provide the required knowledge to design an integrated performance management system suitable for the non-profit sector.

The IIM was established by the government as a mechanism to promote and coordinate the implementation of several programs, in order for the nation to support the growth of literacy; to curb the health issues such as drug and cigarette consumers at an early age, to strengthen the family institution and to improve the quality of life of the citizen (NIP, 2008). IIM has worked and promoted several programs by coordinating with NPOs in order to achieve and support the National Integrity Plan. Therefore, such measurements would assist the Institute to easily coordinate and monitor the progress of the organisations, which works like a checklist to be aligned to the national plan of "Vision 2020". For donors, sustainability would attract them to engage more with their NPO of choice. The measurement will help the NPOs to sustain and work far

more efficiently, which may lead to the funders and donors to continuously support the movements.

1.7.3 Non-profit Organisation

Most NPOs failed to sustain because they were not effective due to the lack of managerial approaches and skills. Thus, the measurement identified in this study would help them to address the weaknesses and improve on the weak points in order to be effective. The measurement tool will also help in the evaluation of the operational efficiency and effectiveness of the utilization of the resources.

Most of the time, the non-profit organisation in Malaysia was being criticized for their ineffectiveness, not able to manage themselves and also due to lack of funding (Rodzi, 2014). Most of the non-profit organisations start with high enthusiasm, but then they also end or give up easily and shut down their operation due to the lack of managerial skills (Muller, 2007). Somehow this is also similar to what has been mentioned by Rodzi (2014) that non-profit organisations in Malaysia are not able to sustain and easily shut down their operation. From the explanation in the problem statement, there is an evidence to show that 80% of non-profit organisations fail to sustain themselves due to the lack of managerial skills, and to overcome this situation a measurement tool is needed (Nik Hayudeen, 2009). Therefore, by developing a performance measurement, it can help to overcome this problem. The overall idea and aim of this study is to identify the lacking factors and enabling factors which can be used to develop a multidimensional framework tool which will help the non-profit organisations to measure and improve themselves. According to Yap and Ferreira (2011) a measurement tool will help the non-profit organisation to improve their management. Therefore, the new dimensional tool will enable NPOs in preparing themselves in managing and sustaining themselves. Other than this, internal management by applying performance measurement will also help them in managing their finance and gives more opportunities in gaining donors' attention.

1.8 Thesis Organisation

This thesis is organized into six chapters. Chapter One provided the problem statement and objectives of the study. Chapter Two provides a review of the literature on performance measurement relevant to the context of the NPOs. This chapter demonstrates the organisational performance and its relation to NPOs. The chapter explains the variables from the balanced scorecard, goal setting and contingency theories. A proposed research framework is developed based on the literature review.

Chapter Three discusses the research methodology used in this study. The explanation starts from the philosophical foundation to research design. Then, data sampling method and data collection was included. This chapter also included selection criteria of non-profit organisation for this study and data analysis method.

Chapter Four presents the data gathered from interviews and provide the lead to emerging themes. This section was presented according to the objectives of this study. Overall there are four themes and eleven sub themes.

Chapter Five will be the overall analysis of the themes. The result in view of the research questions, previous studies and implications for practice are presented in Chapter Five. This chapter also shows the framework developed before and after the implementation and testing. The overall variables were tested in EWRF. One of the non-profit organisations which were explained thoroughly and step by step is also included in this chapter.

The final chapter, Chapter Six, concludes the thesis, summarizing the empirical findings, as well as highlighting the thesis's contribution to the field of management. This chapter also explains the contribution of the research to the non-profit organisation and how non-profit organisations are able to improve and sustain themselves.

1.9 Summary

Performance measurement is not new to NPO management. This chapter has discussed the problem and research questions. The overall aim of the study was discussed in this chapter. Next chapter will be discussing in detail on the variables from Balanced Scorecard, Goal setting theory and Contingency theory.

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