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## Global Challenges of Management Control and Reporting



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## Introduction

Contemporary management control and reporting both face challenges. Consequently, a new and more sophisticated scientific approach is needed. From one point of view, interdisciplinary studies and theories are necessary. From another point of view, empirical research and practical issues call for a more specific and specialized approach. This complexity is reflected by the content of this book, which covers topics that emerge from present world's complexity. Therefore, the authors focus on ever-important issues (such as the strategic approach and its support by management control and reporting, survival of companies), and more modern issues (e.g. cultural aspects, measurement and reporting adjusted to branches, spheres and organizations and specific issues of management control and reporting).

The strategic approach to managerial control and financial statements and their role for company's survival is presented in papers by J. Dyczkowska (who addresses the question whether annual reports communicate strategic issues and focuses her study on reporting practices of high-tech companies), A. Bieńkowska, Z. Kral, A. Zabłocka-Kluczka (who explain the role of responsibility centers in strategic controlling), P. Kroflin (who explores the value-based management and management reporting examining impacts of value reporting on investment decisions and company value perception) and A. Reizinger-Ducsai (who discusses bankruptcy prediction and financial statements). The problems of management control and reporting and their adjustment to specific conditions and organizations are undertaken by T. Dyczkowski (who introduces his NGO performance model), Z. Kes and K. Nowosielski (who present the case study of the process of cost assignment in a local railway company providing passenger transportation services), S. Łęgowik-Świącik, M. Stępień, S. Kowalska and M. Łęgowik-Małolepsza (who analyse the efficiency of the heat market enterprise management process in terms of the concept of the cost of capital), and M. Pietrzak and P. Pietrzak (who discuss the problem of performance measurement in the public higher education). The cultural aspect of managerial control and reporting is explored in papers written by M. Nowak (who presents cultural determinants of accounting, performance management and costs problems showing the issue from Polish perspective using G. Hofstede and GLOBE cultural dimensions) and P. Bednarek, R. Brühl and M. Hanzlick (who provide a literature overview of planning and cross-cultural research). The specific problems and concepts of managerial control and reporting are investigated by M. Ciołek (who discusses the lean thinking and overhead costs), E. Nowak (who analyses the role of costs control role in controlling company operation), Ü. Päril, R. Koyte,

S. Näsi (who examine middle managers' mediating role in MCS implementation), R.L. Sichel (who discusses the relevance of intellectual property for management control), J. Paranko and P. Huhtala (who analyse the productivity measurement at the factory level).

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## TOWARDS AN NGO PERFORMANCE MODEL

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### W KIERUNKU MODELU DOKONAŃ W ORGANIZACJACH POZARZĄDOWYCH

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**Summary:** The paper aims at investigating relations between factors that performance of non-governmental organizations (NGOs) is contingent on and those which it influences. The initial conceptual framework considers such concepts as: mission, strategy, financing, management, performance itself, as well as self-evaluation conducted by internal stakeholders and perception of an NGO by external ones. The conceptualized 12 relations are validated using a research model including 31 variables in total. The input data derive from three major sources, including: results of a survey among randomly selected Polish public benefit organizations (PBOs), where 55 organizations responded, obligatory annual activity statements of the PBOs, and opinions of would-be donors participating in an experiment. A quantitative validation of the model proved its general correctness, eliminating one relation and including three new. Nevertheless, encountered limitation of the analysis showed a need to develop a structural model where direct and indirect influences could be disambiguated.

**Keywords:** financing, management, non-governmental organizations (NGOs), performance, relations, stakeholders.

**Streszczenie:** Celem artykułu jest zbadanie relacji między dokonaniem organizacji pozarządowych a warunkującymi je czynnikami oraz ustalenie znaczenia dokonań dla interesariuszy wewnętrznych i zewnętrznych organizacji. Opracowana koncepcja teoretyczna uwzględniła: misję, strategię, politykę finansową, system zarządzania, dokonania, samoocenę i percepcję organizacji przez jej interesariuszy. Weryfikacji 12 relacji ujętych w koncepcji teoretycznej dokonano z wykorzystaniem modelu obliczeniowego zawierającego 31 zmiennych. Dane do modelu pochodziły z ankiet od losowo wybranych OPP, z których odpowiedzi udzieliło 55 organizacji, z ich obligatoryjnych sprawozdań z działalności, a także z eksperymentu z udziałem potencjalnych darczyńców. Przeprowadzona analiza kwantytatywna potwierdziła istnienie 11 z 12 postulowanych relacji, wskazując na 3 kolejne związki. Niemniej ograniczenia metodyczne na etapie tworzenia modelu obliczeniowego wskazały na potrzebę zbudowania modelu strukturalnego, uwzględniającego efekty bezpośrednie i pośrednie oddziaływania poszczególnych zmiennych.

**Słowa kluczowe:** finansowanie, zarządzanie, organizacje pozarządowe, dokonania, relacje, interesariusze.

## 1. Introduction

With the absence of profit or shareholder value, a question of measuring, managing and disclosing performance in non-governmental organizations (NGOs) remains a challenge. Moreover, knowledge and awareness of effects generated by NGOs are limited. Given diverse purposes, activity domains and sizes of conducted social initiatives, performance turns out to be hardly controllable [McDonald 1999, p. 12]. Apparently, it is a role of stakeholders to influence ways how NGOs are managed. However, since neither individual donors, nor corporate sponsors, nor public institutions, nor even founders assume a role of owners, such as that in a for-profit setting, their actual influence is limited.

A complex context of NGO performance is also noted by regulators. The Charity Commission for England and Wales in its guidance entitled “Hallmarks of an effective charity (CC-10)” links effectiveness of an NGO with the following six areas: mission, governance, procedures, improvement, financial control, and accountability [Charity Commission for England and Wales 2008]. Consequently, a charity is expected to be aware of how all its activities support a mission (mission ↔ operations). Its governors should carry their designated roles in pursuing organization’s purposes, and an organization itself should regularly review its structures and procedures so that the latter could foster achievement of the goals (management ↔ performance). A charity should integrate its financial planning with general planning and management (financing ↔ management). It should also consider how to identify, measure and learn for its achievements (performance ↔ management), and involve its beneficiaries or service users in improving its operations (stakeholders ↔ management) [Charity Commission for England and Wales 2008].

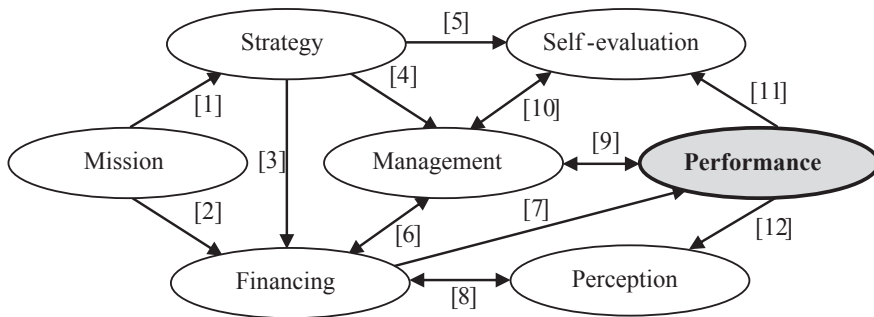
In the foregoing context, the paper aims at validating a conceptual framework of performance management in non-governmental organizations. This objective will be achieved by validating a research model including such factors as: mission, strategy, financing, management, performance, self-evaluation made by internal stakeholders and perception of external ones. The model will be tested using a set of 31 variables (indicators) referring to data obtained from randomly selected 55 Polish PBOs, which responded to the survey, their obligatory annual activity statements, and opinions of would-be donors who participated in the experiment conducted by the author. Ultimately, an output NGO performance model should emerge. In doing this, the author intends to contribute to, still underdeveloped, research methodology of performance measurement and management applicable to non-profit, socially oriented initiatives.

## 2. The conceptual model

The idea of capturing a broad context of NGO performance consists in linking effects achieved by an organization with their preconditions and outcomes. In this respect the author defined four preconditions which directly or indirectly influence performance



and two outcomes of the latter. The first group includes: a mission, a strategy (derived from a mission), financing policy (resulting from a strategy, and being in match with the mission) and management (operationalizing a strategy, and being contingent on and responsible for financial policy). Performance, in turn, is seen as a result of managerial diligence, but also of financial capacities. Finally, positive effects should stimulate two groups of stakeholders: internal (what is captured by a ‘self-evaluation’ concept) and external ones (what is reflected by ‘perception’). Internal stakeholders (management, employees, members or volunteers) satisfied with performance (and seeing that strategic goals are achieved) are willing to continue their efforts, whereas external ones (including individual donors, corporate sponsors or public partners) will sustain their support. The framework assumes that certain relations are reciprocal (apart from the already mentioned link between ‘management’ and ‘financing’). Firstly, managerial efforts contribute to performance, but that performance validates the efforts (in a planning-control cycle). A similar case is that of internal stakeholders. Finally, external stakeholders provide financing which stimulates performance, but performance itself makes them continue their social investments. All the foregoing concepts and links between them are presented in the following primary conceptual framework of NGO performance (see Figure1).



**Figure 1.** The primary conceptual NGO performance framework

Source: own elaboration.

The relations presented in the conceptual framework find their, more or less, direct representation in publications on NGO finance, accounting or management. The first relation [1] (‘mission’ → ‘strategy’) refers to the *raison d’être* of non-governmental activities, and their charitable roots. In their strategy, and any further actions conducted, those organizations need to demonstrate that a social dimension prevails over an economic one. There is no other way to inspire stakeholders, if stakeholders cannot become owners, investors, nor benefit financially from their involvement in an organization in any other way [Henke 1972, p. 51]. NGOs and their beneficiaries can benefit from that purpose-driven model, which is reflected in relation [2] (‘mission’ → ‘financing’). If agency cost is limited, donations and

public subsidies may serve social purposes better. Moreover, despite concerns that commercial operations may override social missions, it was evidenced [Young 1998, pp. 278–280] that self-financing is preferred by those NGOs which are particularly conscious of their missions and which expand their activities. Revenue on commercial activities enable to cover deficits in social programs, and thus to provide support to those who could not afford services under market terms [Young 1998, pp. 278–280].

Another relation [3] ('strategy' → 'financing') represents choices that an NGO needs to make. For example, it may undertake standard or repetitive activities for which donations or grants can be easily obtained [Mataira et al. 2014, p. 238], and thus benefit from financial stability [Jang, Feiock 2007, p. 177]. It may also opt for paid services, targeted at broad social audience, as in the case of sport or education. Or, finally, an NGO may require public subsidies if it interacts with areas belonging to public tasks, such as health care or social security [Jang, Feiock 2007, p. 176].

The general management theory suggests validity of relation [4] ('strategy' → 'management'), where managers pursue strategic objectives by planning, organizing, motivating and controlling regular and irregular processes in an organization. However, in the case of NGOs a challenge results from a reduced 'financial dimension.' A fiduciary perspective is suggested as a substitute. However, with no owners and with a complex structure of stakeholders it becomes unclear whose needs an NGO should ultimately satisfy [Kong 2010, p. 289].

The investigation of relation [5] ('strategy' → 'self-evaluation') leads to the problem of proper feedback mechanism in NGOs, which could stimulate effectiveness, efficiency and growth. In this respect, it is suggested that the most adequate reflection of effects in pursuit of statutory goals is a multidimensional picture. It integrates and confronts various categories, such as: inputs (resources used), activities, results, effects (immediate benefits to a target audience) and long-term impact on a social well-being [Moxham 2014, pp. 709–710].

Relation [6] ('financing' ↔ 'management') attracts attention to the conviction that higher performance of NGOs results from a better cost control, since the latter guarantees purposeful use of resources [Henke 1972, p. 54], given the fact that social objectives of NGOs are in the majority of cases correctly identified and well justified. As suggested by relation [7] ('financing' → 'performance'), a link between financing and performance may be direct. It stems from the fact that reliance on different financing sources, which can be divided into basic, strategic and supplementary ones, may affect financial stability of an organization [Dyczkowski 2012, pp. 158–160]. Moreover, quality of social services and a long-term impact that an NGO has on its target audience requires sufficient and stable resources – both material and human ones. Thus, an NGO must not fail to meet its fundraising objectives if the social ones are to be achieved [Mataira et al. 2014, p. 238].

Relation [8] ('financing' ↔ 'perception') leads towards the stakeholder theory. NGOs are dependent on their supporters – including public institutions, corporate donors and key individual benefactors – since preferences of the latter impact social activities conducted by those organizations [Jang, Feiock 2007, p. 177]. In this respect

an NGO tries to influence their stakeholders by recognizing their expectations, fulfilling them, and providing evidence that the support generated desired effects. If successful, an NGO makes its own operations more effective and sustainable [Knowles, Gomes 2008, pp. 384–387; Wellens, Jegers 2014, p. 224]. On the other hand, stakeholders influence an NGO. For example, the public sector, which provides a lion's share of funds in certain social domains, frames social activities both by its financial priorities and legislation [Chelliah, Boersma, Klettner 2015, pp. 450–451]. But even individual donors may turn away from organizations if they suspect any mismanagement [Yetman, Yetman 2013, pp. 1053–1062].

Relation [9] ('management' ↔ 'performance') reflects challenges of managing performance, where profitability, as the most intuitive performance measure, becomes useless [Barman 2007, p. 110]. Also due to insufficient regulatory support, NGOs focus on funds spent, which does not reflect their social purposes [Epstein, McFarlan 2011, p. 28]. The solution may be to merge economic and social performance into a uniform reporting framework, which – unfortunately – has not yet been achieved in the corporate world [Ryan, Mack, Tooley, Irvine 2014, pp. 392–393].

Relation [10] ('management' ↔ 'self-evaluation') is based on the observation [Sargeant, Hudson, West 2008, pp. 628–629] that in the non-profit world emotions are what matters rather than performance-related facts. Therefore, it is important that internal stakeholders both understand how an organization operates and that they feel a part of a successful story, keeping them energized for further commitment.

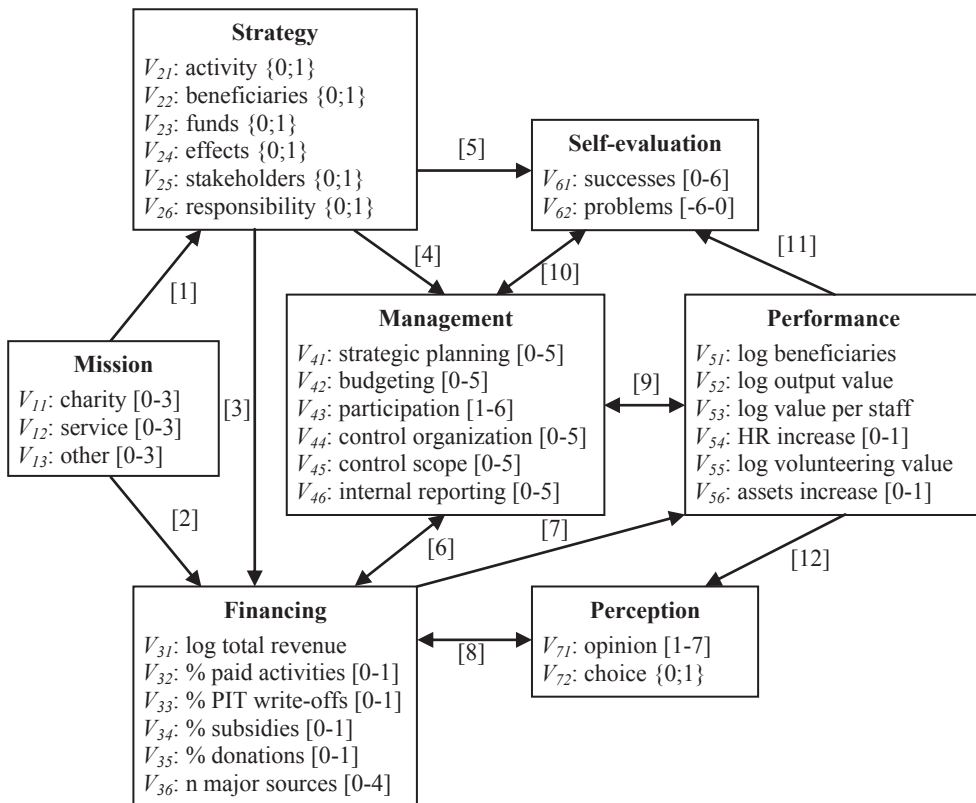
The final two relations [11] ('performance' → 'self-evaluation') and [12] ('performance' → 'perception') address accountability issues. Inside an organization, a lack of clarity about effects may curb an initial enthusiasm which fuels social activities. The intrinsic motivation that drives many non-profit employees is vulnerable [Leonard 2013, pp. 88–89]. An organization needs to identify best practices and promote them in order to sustain social energy [Breen 2013, p. 854]. In the case of external stakeholders, it is essential to disclose not only cost-related information but, most of all, to promote effects [Okten, Weisbrod 2000, p. 257]. One should remember that individual supporters in particular must rely on information provided in annual statements [Connolly, Dhanani, Hyndman 2013, p. 5]. They build their perception of an organization based on what it communicates to the broad public, for example on the Internet and in the social media. Organizations which are considered reliable receive higher donations and donors tend to be less sensitive to fluctuations in a scope of activities conducted by an organization [Thomson 2011, p. 65], which again makes the whole performance management sustainable.

### **3. The research methodology**

#### **3.1. The research hypothesis and variables**

The research hypothesis to be validated in this paper is that the primary conceptual framework of NGO performance (see Figure 1) does include all essential relations

between preconditions of performance, performance itself and its outcomes. In particular, the author hypothesizes that the 12 relations between the seven concepts, including: ‘mission,’ ‘strategy,’ ‘financing,’ ‘management,’ ‘performance,’ ‘self-evaluation’ and ‘perception’ are all valid, and that no other essential link is omitted. The hypothesis will be tested quantitatively by means of the intermediating research model presented in Figure 2. This should lead either to the validation of the framework as the NGO performance model, or to its transformation, or – in the worst case – to rejection.



**Figure 2.** The intermediating research model of NGO performance

Source: own elaboration.

Let us now characterize all the variables (indicators) of the seven concepts included in the primary conceptual framework. First of all, quantification of the ‘mission’ variable was done by analyzing key activity areas of paid and unpaid statutory activities indicated by organizations in their obligatory annual activity statements. Those areas were grouped into three major domains, including: ‘charity,’ ‘services’ and ‘other’,

according to the following principles. Charities included those organizations whose statutory goals were related to: social welfare, support to people vulnerable to social exclusion, philanthropy, support to the disabled, aid to victims of natural disasters and armed conflicts, or prevention of social pathologies. Service-oriented NGOs included organizations active in: health care, science and education, culture and the arts, sport, tourism and recreation, as well as those supporting public order and protection of residents. The ‘other’ group comprised a broad variety of organizations which were either involved in environmental protection or in development programs, or in empowering certain social groups. If an organization indicated areas belonging to different domains, the percentage was shared among those.

The strategy was quantified using binary variables reflecting answers of particular NGOs surveyed to the following question: “Which of the following qualities is prioritized by your organization?”: (1) conducting statutory activities regardless of circumstances; (2) addressing needs of as many beneficiaries as possible; (3) maximizing funds raised for statutory purposes; (4) efficient operations and effective use of resources; (5) satisfaction of stakeholders (beneficiaries, members, employees, volunteers); and (6) social responsibility. In the case of more than one priority, an organization was qualified to all respective groups.

The quantification of ‘financing’ variables was done with a reference to disclosures included in obligatory annual activity statements. For variable  $V_{31}$  a common logarithm of total annual revenue was computed to reflect a scale of funding available to an NGO. The next four variables  $V_{32}$ – $V_{35}$  reflected percentage contribution of: paid and commercial activities, 1% PIT tax write-offs, subsidies from obtained public funds, and individual or corporate donations to an annual revenue stream. Finally,  $V_{36}$  represented the number of the aforementioned four funding sources which exceeded the 10%-threshold in total annual revenue of an NGO.

The variables characterizing ‘management’ reflected answers to the following six questions included in the survey, and response options, quantified using a scoring system.

The strategic planning variable ( $V_{41}$ ) referred to the question: “Does your organization draw up strategic (long-term) plans?” It included the following six answer options, with scores assigned as indicated: (+5) “we have a regularly updated strategy covering all areas of our social activities”; (+4) “we have formulated a strategy and we refer to it while drawing up annual action plans”; (+3) “we intend to be consistent in fulfilling our statutory goals”; (+2) “we develop plans covering one year or shorter periods”; (+1) “we plan current actions”; and (0) “in our situation, it is difficult to plan for the future”.

The next variable ( $V_{42}$ ), characterizing the budgeting process, was linked to the question: “Does your organization draw up budgets (financial plans) for a year to follow?” The available options included: (+5) “yes, we need a budget to conduct our social activities”; (+4) “yes, we are obliged to have it due to requirements of external parties”; (+3) “no, but we plan expenses related to particular social projects”; (+2)

“no, but we calculate rough estimates of revenue and cost”; (+1) “no, but we analyze whether particular expense are rational”; and (0) “no, we focus on our current social activities”.

Participation of stakeholders in planning processes ( $V_{43}$ ) corresponded to the question: “Who is involved in the planning process in your organization?” The following non-exclusive response scenarios, assigned one point each, were available: the board and the management, members and employees of an organization, volunteers (who are not members of an organization), external partners, donors or sponsors, and beneficiaries, local community members.

Organization of control in examined NGOs ( $V_{44}$ ) was characterized by answers to the question: “Who is involved in internal control in your organization?” Points were assigned as follows: (+5) “a specialized unit or a person”; (+4) “the board or managers”; (+3) “control activities are conducted by various people when needed”; (+2) “everyone controls their own operations”; (+1) “there is no control except for external one.” An NGO scored no points if it conducted no control activities whatsoever.

A control scope variable ( $V_{45}$ ) was related to the question: “What issues does an internal control in your organization focus on?” The non-exclusive answer options, assigned one point each, included: execution of budgets, performance and cost, compliance with legal regulations and internal procedures, quality and satisfaction of beneficiaries, and organization of work. As before, zero points was given to an NGO which had no internal control.

Finally, internal reporting ( $V_{46}$ ) was linked to the question: “How often does your organization prepare analyses and reports for internal purposes?” The responses were scored as follows: (+5) “regularly – several times a year”; (+4) “when particular social projects are finalized”; (+3) “once a year – as a summary of a period”; (+2) “when there is a need”; (+1) “only obligatory statements.” No points were assigned if an NGO declared that it prepared no internal reports.

‘Performance’ related variables – referred to primary effects ( $V_{51}$ – $V_{53}$ ), supplementary ( $V_{54}$ – $V_{55}$ ) and internal ones ( $V_{56}$ ) – were estimated using the formulas defined below. The formulas included exclusively figures disclosed in obligatory annual activity statements of examined NGOs.

$$V_{51} = \log(n_{ind} + 100 \times n_{inst}),$$

where:

$n_{ind}$  – total annual number of individual beneficiaries,

$n_{inst}$  – total annual number of institutional beneficiaries.

$$V_{52} = \log[(C_{unp} + C_{paid} + E_{vol}) / (n_{ind} + 100 \times n_{inst})],$$

$$E_{vol} = \frac{FTE_{vol}}{FTE_{emp}} \times C_{rem},$$

$$FTE_{vol} = \frac{n_{v30d}}{52} + \frac{n_{v6m}}{6} + n_{vlong},$$

$$FTE_{emp} = FTE \times \left(1 + \frac{n_{PT}}{n_{FT}}\right),$$

where:

- $C_{unp}$  – total annual cost of unpaid statutory activities,
- $C_{paid}$  – total annual cost of paid statutory activities,
- $E_{vol}$  – total annual equivalent cost of volunteering (if  $FTE_{emp} = 0$ , then  $E_{vol} = FTE_{vol} \times 12 \times$  minimum monthly salary),
- $FTE_{emp}$  – average employment in full-time equivalents (if  $FTE = 0$ , then  $FTE_{emp} = n_{PT} / 2$ ),
- $FTE_{vol}$  – total volunteering in full-time equivalents (in small NGOs  $FTE_{vol} =$  volunteers / 6),
- $C_{rem}$  – total annual remuneration cost,
- $n_{v30d}$  – total number of volunteers supporting an NGO for less than 30 days,
- $n_{v6m}$  – total number of volunteers supporting an NGO for less than 6 months,
- $n_{vlong}$  – total number of volunteers supporting an NGO for more than 6 months,
- $FTE$  – number of full-time posts,
- $n_{FT}$  – average number of salaried employees,
- $n_{PT}$  – average number of contract-based employees.

$$V_{53} = \log \left[ \frac{(C_{unp} + C_{paid} + E_{vol})}{(FTE_{emp} + FTE_{vol})} \right]$$

$$V_{54} = \frac{(FTE_{emp}_y + FTE_{vol}_y)}{(FTE_{emp}_{y-1} + FTE_{vol}_{y-1})} - 1,$$

where:

- $y$  – current year,
- $y-1$  – preceding year.

$$V_{55} = \log E_{vol}$$

$$V_{56} = \frac{Assets_y}{Assets_{y-1}} - 1,$$

where:

$Assets$  – total assets.

‘Self-evaluation’ variables included information on major successes achieved ( $V_{61}$ ) and problems encountered ( $V_{62}$ ) by examined NGOs in a preceding year. Among successes the following six non-exclusive options, assigned one point each, were listed: continuation of activities, launching new projects, recruiting new members, employees or volunteers, obtaining extra resources for statutory activities, positive accounts on NGO’s activities in the media, or satisfaction of beneficiaries and internal stakeholders. In the case of problems, the following difficulties were mentioned: shortage of funds for statutory activities, no funds for development, bureaucracy, lack of time of people involved in statutory work, difficulty in finding volunteers and difficulty in recruiting qualified staff. Every obstacle reported was assigned -1 point.

Finally, the ‘perception’ variables indicated an overall opinion ( $V_{71}$ ) of participants of the experiment on particular NGOs assigned to them, using a 7-grade scale, and

their decision ( $V_{72}$ ) whether an organization was the most appropriate donee of their 1% tax write-off among the three compared.

### 3.2. The research sample and data sources

Results of the research presented in subsequent sections of the paper stem from the three data sources.

The first one includes 55 returned questionnaires of 525 sent to Polish public benefit organizations (PBOs) randomly selected from the register of entities entitled to benefit from 1% tax write-offs, kept by the Department of Public Benefit (DPB) at the Ministry of (Family,) Labor and Social Policy. The questionnaires in the electronic form were sent in three rounds: in November 2014 (to 177 PBOs), April 2015 (to 177 PBOs) and in November 2015 (to 171 PBOs) at e-mail addresses of organizations included in the said database and validated at websites or at social media profiles of each organization. If no answer was obtained, e-mails were repeated once – two weeks after initial messages. The answers provided in the surveys enabled quantification of variables depicting ‘strategy’ ( $V_{21}$ – $V_{26}$ ), ‘management’ ( $V_{41}$ – $V_{46}$ ) and ‘self-evaluation’ ( $V_{61}$ – $V_{62}$ ).

The second data source included obligatory annual activity statements of the 525 selected organizations, and in particular the 55 which responded to the survey. The statements were downloaded from the database of DPB. The information included in activity statements was used to compute values of variables in ‘mission’ ( $V_{11}$ – $V_{13}$ ), ‘financing’ ( $V_{31}$ – $V_{36}$ ) and ‘performance’ ( $V_{51}$ – $V_{56}$ ) domains.

Thirdly, values of ‘perception’ variables ( $V_{71}$ – $V_{72}$ ) were obtained experimentally, with the help of participants with financial and accounting literacy. The author’s experiment included 175 participants (59, 59 and 57 participants for the three abovementioned rounds of the experiment) – master level students of a finance and accounting major at the parent university of the author. Each participant was asked to evaluate and compare three PBOs from the aforementioned samples. Finally, based on the information disclosed in obligatory annual financial and activity statements, as well as on the information available at PBOs’ websites a choice of the most appropriate donee of the ‘1% of PIT’ was to be made [Dyczkowski 2015, pp. 137–140]. This paper includes opinions and choices referring to those PBOs only which took part in the survey and returned completed questionnaires.

## 4. Results of the research

### 4.1. Validation of the conceptualized relations

The examination of relations between variables depicting seven investigated domains related with non-profit performance, including: ‘mission,’ ‘strategy,’ ‘financing,’ ‘management,’ ‘performance’ itself, ‘self-evaluation’ and ‘perception,’ was conducted using Goodman-Kruskal’s gamma correlation. The non-parametric test was chosen,



since variables in ‘mission,’ ‘strategy,’ ‘management,’ ‘self-evaluation’ and ‘perception’ areas were either binary or quantified using an ordinal scale. For the reason that the same values of variables appeared frequently, gamma correlation was more appropriate than Spearman’s rho or Kendall’s tau [Stanisz 2006, pp. 314–318]. Nonetheless, the results of the other aforementioned tests – conducted by the author in order to spot possible inconsistencies – did not differ structurally from those obtained using gamma correlation. In fact, both gamma and tau tests indicated exactly the same 123 valid relations between all the examined 31 variables, whereas the rho test was less sensitive than the gamma one and indicated 90 relations (89 in common with the gamma test, and only one different). Finally, the research sample consisting of 55 objects in total, and divided into subsets according to their ‘missions’ or ‘strategy,’ was too small to be examined using parametric statistics and was not fit for structural modelling.

Tables 1–5 present results of gamma correlation and show which variables (indicators) of the concepts included in the research model derived from the primary conceptual framework proved to be statistically linked. For those relations where no or almost no statistically valid correlations were detected, instead of a table, a short comment is provided.

For relation [1] (‘mission’ → ‘strategy’), gamma correlation did not confirm any existence of a link. The only valid relation was that ‘other’ organizations paid attention to effectiveness ( $V_{13}$  linked  $V_{24}$  at  $p < 0.05$  level). Other results did not demonstrate any inclination of charities or service-oriented PBOs toward any of the six strategies. Consequently, the existence of relation [1] was rejected.

**Table 1.** Gamma correlations matrix for relation [2]

Variables		Mission		
		$V_{11}$	$V_{12}$	$V_{13}$
Financing	$V_{31}$	-0.043	-0.052	0.153
	$V_{32}$	** <b>-0.238</b>	** <b>0.295</b>	-0.086
	$V_{33}$	*0.186	-0.156	-0.094
	$V_{34}$	** <b>0.228</b>	*-0.192	-0.083
	$V_{35}$	-0.133	0.114	0.147
	$V_{36}$	-0.144	0.178	0.026

\*\* significant at 5%; \* significant at 10%.

Source: own elaboration.

In the case of relation [2] (‘mission’ → ‘financing’) some positive signals were noted (see Table 1). Firstly, charities did not prefer achieving their goals by relying on paid or commercial activities, unlike service-providing PBOs. On the contrary, to finance their operations charities looked for public support, and to some extent relied on tax write-offs ( $V_{11}$  and  $V_{33}$  correlated at  $p < 0.1$  level only), which was not true

for service providers ( $V_{12}$  and  $V_{34}$  correlated at  $p < 0.1$ ). The said conclusions are in agreement with the common sense concept of a financing policy adopted by charities vs. service-providers. The observed links entitle to accept validity of the relation [2] in the output model, as a weak link, though.

**Table 2.** Gamma correlation matrix for relations [3–5]

Variables		Strategy					
		$V_{21}$	$V_{22}$	$V_{23}$	$V_{24}$	$V_{25}$	$V_{26}$
Financing	$V_{31}$	0.034	** <b>0.321</b>	0.063	0.121	** <b>0.300</b>	0.100
	$V_{32}$	0.139	0.220	-0.287	0.015	0.194	-0.198
	$V_{33}$	-0.186	-0.068	*0.283	*-0.258	** <b>-0.285</b>	-0.050
	$V_{34}$	-0.184	0.100	** <b>0.308</b>	-0.212	0.159	0.062
	$V_{35}$	-0.004	0.105	-0.012	*-0.263	-0.125	-0.234
	$V_{36}$	-0.099	0.225	0.134	-0.232	0.013	-0.243
Management	$V_{41}$	-0.096	0.199	0.010	0.079	** <b>-0.284</b>	*-0.271
	$V_{42}$	0.049	*** <b>0.521</b>	-0.180	-0.182	-0.073	0.058
	$V_{43}$	-0.012	** <b>0.409</b>	*** <b>0.440</b>	0.142	** <b>0.387</b>	** <b>0.361</b>
	$V_{44}$	-0.051	0.002	0.027	-0.160	*-0.254	*0.308
	$V_{45}$	-0.077	** <b>0.343</b>	0.181	-0.016	*** <b>0.629</b>	0.265
	$V_{46}$	-0.093	0.086	-0.159	-0.210	-0.101	-0.119
SE	$V_{61}$	*0.251	0.243	0.121	** <b>0.383</b>	*** <b>0.530</b>	0.210
	$V_{62}$	0.118	-0.009	-0.204	*** <b>-0.556</b>	*** <b>-0.752</b>	-0.114

\*\*\* significant at 1%; \*\* significant at 5%; \* significant at 10%; SE – self-evaluation.

Source: own elaboration.

With regard to relation [3] ('strategy' → 'financing') the following substantive observations were made (see Table 2). Firstly, organizations maximizing a number of beneficiaries served, as well as those prioritizing stakeholder's satisfaction, proved to have higher total revenue. Those two signals show that both an increased activity scope and a focus on quality require additional financing. Secondly, organizations focused on fundraising activities tended to look for public financing, which is both stable and considerable in size. Finally, those organizations which focused on stakeholders' satisfaction used 1% PIT write-offs less often. This may suggest that they preferred to build permanent relations with key founders, which could reduce their financial volatility. However, since no valid link between unconditionally action-driven, and responsibility-bound strategies and financing was found, and in the case of effect-oriented ones only a slight reluctance towards private financing was found, examined relation [3] was accepted in the output model as a weak link.

While investigating relation [4] ('strategy' → 'management'), three strong links were detected (see Table 2). Firstly, PBOs which maximized a number of beneficiaries

developed more sophisticated budgeting solutions. Given the fact that they had also higher budgets, the signal of sound financial management in such a situation was welcome. Secondly, organizations which raised their funds intensively allowed their stakeholders to have more control on their planning, as suggested in the stakeholder theory. Finally, PBOs which prioritized stakeholder's satisfaction exercised more intensive control on their operations, presumably to eliminate problems affecting results and image of organizations. Moreover, the correlation analysis showed 5 other significant relations between a strategy and management. Maximizing activity scope required participation of stakeholders and sound control, prioritizing stakeholder's needs entailed participation of theirs in planning, just as in the case of a focus on social responsibility. The only signal which is difficult to interpret is that stakeholder orientation was negatively correlated with a scope of strategic planning. Though, given stakeholder's involvement in planning and a more intensive control, strategic planning could have been more obvious and less in focus. To conclude, it turns out that the link between a 'strategy' and 'management' in NGO was a strong one.

Another confirmed conceptual link was the one represented by relation [5] ('strategy' → 'self-evaluation') (see Table 2). Those PBOs which focused on effects or on stakeholders' satisfaction were able to name more successes and observed fewer problems. One can say that both effectiveness and stakeholders' satisfaction are the ultimate goals of a PBO. It is obvious, therefore, that neither social activities on their own, nor the number of beneficiaries served, nor funds raised, nor general responsibility to society prove successful achievement of strategic goals. They represent intermediate objectives, leading to the ultimate mission fulfilment. Relation [5] should be seen as a strong link in the output model.

Regarding the relation [6] ('financing' ↔ 'management'), it can be noted (see Table 3), first of all, that a broader control scope was observed in those PBOs where annual total revenues were higher, as well as in situations where paid activities or public subsidies contributed to annual budgets to a greater extent. Higher tax write-offs, on the contrary, might have led to less rigorous budgeting and control practices. Finally, higher total revenue and a higher contribution of public subsidies to annual budgets stimulated the scope of internal reporting in the examined organizations. The only relation which was hardly explicable was that PBOs with higher annual revenue tended to institutionalize their control in the form of a department or a single post less often. Nevertheless, a higher control scope implied that awareness of control was present in the said organizations. Considering all the foregoing observations, the relation [6] may be seen as a strong link in the output model.

When the relation [7] ('financing' → 'performance') was examined, three signals were detected (see Table 3). Firstly, a higher budget definitely increased possibilities to offer services or support to more beneficiaries. Meeting fundraising goals appeared to be a prerequisite of meeting social ones. Secondly, reliance on public financing enabled to offer service of a higher unit value to beneficiaries. This is so, since public

donations contribute significant amounts to PBOs' budgets, and since donations are granted to pursue specified social goals with specified target audiences. Consequently, the said signal should be interpreted as a positive effect of public-private partnership model. Finally, financial diversity enabled to build potential of an organization, represented by an increase in assets. Some other weak links observed may suggest that private financing (tax write-offs and donations) might not have guaranteed the highest performance (negative correlations of  $V_{33}$  with  $V_{51}$  and  $V_{35}$  with  $V_{52}$  at  $p < 0.1$  levels, though). There was no wonder, either, that paid activities and involvement of beneficiaries were contradictory (correlation of  $V_{32}$  with  $V_{53}$  at  $p < 0.1$  level). The existence of several but weak correlations suggests acceptance of the relation [7] in the output NGO performance model as a weak link.

**Table 3.** Gamma correlation matrix for relations [6–8]

Variables		Financing					
		$V_{31}$	$V_{32}$	$V_{33}$	$V_{34}$	$V_{35}$	$V_{36}$
Management	$V_{41}$	0.064	-0.079	-0.156	-0.050	-0.076	-0.100
	$V_{42}$	<b>**0.225</b>	0.035	<b>**−0.211</b>	*0.177	-0.002	-0.007
	$V_{43}$	*0.199	0.004	-0.142	0.019	-0.127	0.028
	$V_{44}$	<b>***−0.290</b>	-0.025	0.050	-0.076	0.057	0.022
	$V_{45}$	<b>***0.417</b>	<b>**0.254</b>	<b>***−0.307</b>	<b>**0.233</b>	-0.071	0.149
	$V_{46}$	<b>**0.196</b>	-0.056	-0.054	<b>**0.211</b>	-0.065	0.048
Performance	$V_{51}$	<b>***0.267</b>	0.068	*−0.180	-0.049	0.128	0.059
	$V_{52}$	*0.153	-0.082	-0.063	<b>**0.201</b>	*−0.156	-0.080
	$V_{53}$	*0.176	*−0.180	-0.086	0.039	-0.042	-0.126
	$V_{54}$	0.001	0.094	-0.051	0.021	-0.079	0.033
	$V_{55}$	0.106	*−0.202	-0.102	0.044	-0.028	-0.167
	$V_{56}$	0.038	0.156	0.058	-0.055	0.091	<b>**0.256</b>
PE	$V_{71}$	0.095	-0.202	0.076	-0.062	0.155	-0.023
	$V_{72}$	-0.048	<b>**−0.315</b>	<b>***0.362</b>	-0.093	0.147	-0.050

\*\*\* significant at 1%; \*\* significant at 5%; \* significant at 10%; PE – perception.

Source: own elaboration.

In the case of the relation [8] ('financing' ↔ 'perception'), a positive observation was that no financing form affected perception of PBOs performance by would-be donors in a negative way (see Table 3). It was not financial policy that mattered, but effects. However, when choosing an organization to support with their 1% of income tax, participants of the experiment preferred those which other taxpayers already supported, and did not decide to finance PBOs conducting paid or commercial

activities. Commercialization may suggest that support of individual donors is less needed. In conclusion, the relation [8] entered the output model as a weak link.

**Table 4.** Gamma correlation matrix for relations [9–10]

Variables		Management					
		$V_{41}$	$V_{42}$	$V_{43}$	$V_{44}$	$V_{45}$	$V_{46}$
Performance	$V_{51}$	0.078	-0.002	0.028	-0.003	0.173	0.018
	$V_{52}$	0.066	*0.173	0.131	-0.132	0.024	0.094
	$V_{53}$	-0.124	0.023	<b>**0.248</b>	-0.001	*0.186	0.068
	$V_{54}$	0.027	*0.193	-0.054	0.083	0.092	0.086
	$V_{55}$	<b>**0.224</b>	0.141	-0.019	0.085	0.021	0.077
	$V_{56}$	0.117	0.049	0.046	0.006	0.043	0.058
SE	$V_{61}$	0.015	*0.205	<b>***0.482</b>	-0.060	<b>***0.523</b>	0.063
	$V_{62}$	0.031	0.078	<b>**−0.332</b>	<b>**0.299</b>	<b>***−0.614</b>	0.088

\*\*\* significant at 1%; \*\* significant at 5%; \* significant at 10%; SE – self-evaluation.

Source: own elaboration.

Considering the relation [9] (‘management’ ↔ ‘performance’) few valid links, which were not obvious in their interpretation, were spotted (see Table 4). Firstly, stakeholders’ participation in planning ( $V_{43}$ ) was correlated with a higher value of output per staff member ( $V_{53}$ ). That might suggest that when stakeholders, representing various perspectives, are involved in planning, social work is organized better, and leads to higher efficiency. The second relation was that with more robust strategic planning ( $V_{41}$ ) the value of voluntary output increased ( $V_{55}$ ). This may imply a focus on volunteering as a strategic issue for PBOs. Apart from the two aforementioned relations, budgeting was positively correlated with the output value and with increases in human resources, and a control scope was linked with the output value per staff member. However, all the relations were weak (determined at  $p < 0.1$  significance level). Consequently, the link between management and performance in the output model should be weak as well.

The examination of the conceptualized relation [10] (‘management’ ↔ ‘self-evaluation’) proved the existence of 5 strong correlations (see Table 4). Firstly, participation of stakeholders in planning led to making successes of an organization more visible and problems less severe. Clarity on objectives, gained in the planning processes, worked as an assurance to internal stakeholders. The intensified control enabled to spot more successes and reduce numbers of failures, which was its major goal. Interestingly, internal control institutionalized in the form of a department or a control post proved to be less sensitive to problems than that performed by managers or various employees, if needed. Nevertheless, the analyzed link may be treated as a strong one in the output NGO performance model.

**Table 5.** Gamma correlation matrix for relations [11–12]

Variables		Performance					
		$V_{51}$	$V_{52}$	$V_{53}$	$V_{54}$	$V_{55}$	$V_{56}$
SE	$V_{61}$	0.006	*** <b>0.302</b>	0.091	0.154	*0.195	*0.187
	$V_{62}$	0.047	** <b>-0.285</b>	-0.109	-0.024	-0.038	-0.107
PE	$V_{71}$	** <b>0.271</b>	-0.109	-0.039	0.050	** <b>0.303</b>	0.021
	$V_{72}$	0.112	-0.039	-0.084	*0.249	0.131	*0.221

\*\*\* significant at 1%; \*\* significant at 5%; \* significant at 10%; SE – self-evaluation; PE – perception.

Source: own elaboration.

Finally, as the pinnacle of the analysis, the relations [11–12] (‘performance’ → ‘self-evaluation’ and ‘performance’ → ‘perception’) were examined (see Table 5). Their existence would prove that discharging accountability of a PBO to their internal and external stakeholders is a matter of the highest importance. And, indeed, there appeared signals that the conceptualized links existed. Firstly, PBOs whose value of output was higher tended to report more successes and fewer problems. Higher value of volunteering and increased assets might have been treated as auspicious signals (though at  $p < 0.1$  level only). On the other hand, the participants of the experiment considered those organizations more attractive which provided support or services to more beneficiaries and where voluntary involvement contributed more to the ultimate success. The choice of a PBO to be supported with 1% tax write-off was only slightly conditioned by increased human and material potential of it ( $V_{72}$  correlated with  $V_{54}$  and  $V_{56}$  at  $p < 0.1$  level). To conclude, although the propounded relations did appear, they should be treated as weak ones in the output model.

#### 4.2. Exploration of links unforeseen in the conceptual framework

Once the primary conceptual framework of NGO performance is, in most cases, positively validated, it is worth considering whether some relations not included in it turned out to emerge in the analyzed intermediating research model. In this section the remaining 8 relations will be scrutinized and, if valid, a possible theoretical foundation will be provided.

The first analyzed relation [A] was the one between ‘mission’ and ‘management.’ It turned out that no correlation at any confidence level between  $V_{11}$ – $V_{13}$  and  $V_{41}$ – $V_{46}$  was observed. Charitable or service-oriented character of a PBO did not determine whether planning or control processes were more or less robust, which was a positive signal. The relation did not exist – as foreseen in the conceptual framework.

Secondly, a direct relation [B] between ‘mission’ and ‘performance’ was searched for. The correlation coefficients were statistically insignificant both for  $V_{11}$  (charities) and  $V_{12}$  (service-oriented PBOs) with any of performance variables ( $V_{51}$ – $V_{56}$ ). The only

minor exception was that charitable organizations tended to witness decreases in their asset values (significant at  $p < 0.1$  level only). The examined relations did appear in the case of ‘other’ organizations, whose participation in the research sample was the lowest, and whose activity domains were the most diverse. Therefore, the adjustment of the output model appears unjustified.

In case of relations between ‘mission’ and ‘self-evaluation’ [C], as well as between ‘mission’ and ‘perception’ [D], the only valid correlation was that service oriented PBOs were less frequently selected by would-be donors to be supported financially (for  $V_{12}$  with  $V_{72}$   $\gamma = -0.311$  at  $p < 0.05$  level). However, since the opposite effect was not detected in the case of charities, the relation is not going to be introduced to the output performance model.

**Table 6.** Exploration of relations [E] between strategy and performance and [F] between strategy and perception in the examined PBOs

Variables		Strategy					
		$V_{21}$	$V_{22}$	$V_{23}$	$V_{24}$	$V_{25}$	$V_{26}$
Performance	$V_{51}$	0.070	0.129	-0.168	*0.272	-0.121	0.003
	$V_{52}$	-0.185	0.077	*0.267	-0.056	**0.273	0.123
	$V_{53}$	** <b>-0.294</b>	-0.013	*** <b>0.383</b>	0.118	** <b>0.284</b>	0.237
	$V_{54}$	0.076	0.131	-0.119	0.154	** <b>0.281</b>	-0.124
	$V_{55}$	0.036	-0.057	0.093	** <b>0.290</b>	-0.069	0.176
	$V_{56}$	-0.019	0.022	-0.193	0.105	0.121	-0.240
SE	$V_{71}$	-0.096	0.197	-0.017	0.098	0.234	0.063
	$V_{72}$	*** <b>-0.481</b>	0.210	-0.238	** <b>0.449</b>	** <b>0.379</b>	-0.053

\*\*\* significant at 1%; \*\* significant at 5%; \* significant at 10%; SE – self-evaluation.

Source: own elaboration.

The next possible link [E] was that between ‘strategy’ of a PBO and its ‘performance.’ In that case six significant correlations (given  $p < 0.05$  level) were detected, as seen in Table 6. In particular, a focus on stakeholders’ satisfaction was related to higher primary ( $V_{52}$ – $V_{53}$ ) and supplementary ( $V_{54}$ ) effects achieved. The focus on conducting activity regardless of a situation was, on the other hand, negatively correlated with the output value per staff member. The examined relation may be considered a new link in the outcome model. A possible explanation of that link is that what actually stimulates performance of NGOs is a consistency of activities performed with ultimate goals that an organization pursuits [Whitman 2009].

Another possible link [F] was the one between ‘strategy’ and ‘perception’ of a PBO. Table 6 shows that, indeed, strategy might have had an impact on would-be donors in their decision making, since the latter preferred those PBOs which focused on effects and stakeholders rather than those which acted regardless of a situation. The literature

suggests that with diverse needs of beneficiaries and limitless methods of conducting social activities applied by NGOs, qualitative disclosures and narrative information – for example on strategic orientation – may help donors evaluate performance of NGOs much better [Adams, Simnett 2011, p. 298]. For that reason, the explored link will be included in the output model.

**Table 7.** Exploration of relation [G] between financing and self-evaluation in the examined PBOs

Variables		Financing					
		$V_{31}$	$V_{32}$	$V_{33}$	$V_{34}$	$V_{35}$	$V_{36}$
SE	$V_{61}$	*** <b>0.433</b>	0.154	-0.145	0.045	0.000	0.102
		0.000	0.218	0.182	0.690	1.000	0.424
	$V_{62}$	*** <b>-0.387</b>	*** <b>-0.366</b>	*** <b>0.305</b>	*** <b>-0.389</b>	** <b>0.275</b>	-0.071
		0.000	0.004	0.006	0.001	0.014	0.577

\*\*\* significant at 1%; \*\* significant at 5%; SE – self-evaluation.

Source: own elaboration.

Another possible relation explored [G] was the one linking directly ‘financing’ with ‘self-evaluation’ of a PBO. Table 7 shows that the link did appear valid in the examined sample. Firstly, more funds raised corresponded to the overall level of success, secondly, a higher budget, higher revenue from statutory activities and a higher level of subsidies reduced the number of reported problems. Thirdly, dependence on individual support (tax write-offs and donations) appeared to increase the level of difficulties that a PBO had to face. The relation [G] seems to be the strongest one of all explored so far. It also finds its theoretical explanation. As already mentioned, the quality of social services and a long-term impact that an NGO has depend on stable resources [Mataira et al. 2014, p. 238]. Thus, from the perspective of internal stakeholders, successful fundraising is already a success in itself, since it offers a promise of achieving social goals, as well.

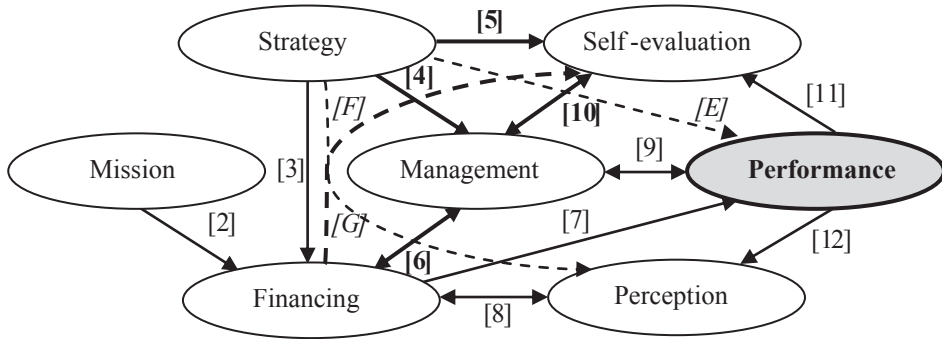
Finally, a link [H] between ‘management’ and ‘perception’ of organizations was explored. As foreseen in the conceptual model, no correlation was detected. External stakeholders have little knowledge of management practices within an organization, and so they cannot take this factor into account while evaluating a PBO.

## 5. Conclusion

As mentioned in the introduction, the paper aimed at validating a conceptual framework of performance management in non-governmental organizations, including such factors as: ‘mission,’ ‘strategy,’ ‘financing,’ ‘management,’ ‘performance,’ ‘self-evaluation’ made by internal stakeholders and ‘perception’ of external ones. The quantitative analysis with the help of an intermediating research model including



31 variables, testing 12 conceptualized and exploring 8 other possible links lead to formulate the output NGO performance model as seen in Figure 3.



**Figure 3.** The output NGO performance model

Source: own elaboration.

It should be pointed out that only one link [1] of the primary conceptual framework did not prove valid. Therefore, the hypothesis that the primary conceptual framework of NGO performance (see Figure 1) did include all essential relations between preconditions of performance, performance itself and its outcomes proved, in general, valid. However, some limitations of the initial framework did exist. Firstly, it did not include 3 relations [E; F; G] presented in Figure 3 with dotted lines. Secondly, certain relations turned out to be weak. In fact, the most essential relations around the investigated performance concept did not appear strong in any direction. In particular, a very weak link between ‘management’ and ‘performance’ should be considered a major weakness of the model. It is reasonable to believe that performance-related variables of the intermediating research model, based exclusively on obligatory annual activity statements, were far from perfect. Another evident limitation of the research was a small sample which provided data for the model.

Nonetheless, the presented output model goes already beyond the intuition level and opens further research possibilities, giving hints which links are particularly worth examining. The author will attempt to use the output model both with regard to theory and practice, including the planned research on Polish, British and German NGOs, and in reference to case studies. For a larger sample and better framed research, there may exist, however, a possibility of developing a structural model, which simplifies relations and presents them more accurately, as direct or indirect effects of some variables on other.

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