

Impact-Oriented NPO-Controlling

**Guidelines on setting objectives, planning and control
in non-profit organisations**

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Preface

The International Group of Controlling (IGC), founded in 1995, has the aim to promote the function and role of the controller and to establish and develop further a commonly accepted concept of controlling, as well as a unified controlling terminology.

Amongst other things, the IGC published a uniform Mission of the Controller as early as 1996:

CONTROLLERS DESIGN AND ACCOMPANY THE MANAGEMENT PROCESS OF
SETTING OBJECTIVES, PLANNING AND CONTROL AND THUS HAVE A JOINT
RESPONSIBILITY WITH THE MANAGEMENT TO REACH THE OBJECTIVES.

This mission – although originally developed for for-profit organisations – is in our opinion generally also valid for controllers in non-profit organisations (NPOs), although this doubtless requires some adaptations and specifications.

In the NPO sector, controlling faces organisational structures that often lack clearly defined objectives. Thus, an initial task for controllers normally is to ensure that there are objectives in the first place. The controllers have to accompany the process of finding and formulating objectives and targets until degrees of operationalisation have been developed that can be processed methodologically.

Without a clearly defined mission bundling task, nature and objectives of the NPO, there is no sensible controlling. The IGC working group has developed a spiderweb model describing, as a first step, the actual position of the respective NPO. We believe that the spiderweb dimensions developed in the model are sufficient to characterise the self-concept of any NPO. In the spiderweb model, the NPO controller can depict the difference between the actual position and the planned values derived from the NPO's mission. This book will be concerned mainly with impact controlling for an NPO's rich variety of stakeholders.

The main objective of this book was to provide guidelines for the further development of controlling in the various fields of NPOs. The Managing Committee of IGC would like to thank all members of the working group active in this area, particularly its leader, Prof. Dr. Bernd Halfar.

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Impact-oriented NPO-Controlling: characteristics and requirements

Controlling is entering a new area, the NPO sector:

- borders are open,
- reservations about the business logic in goal-oriented organisations are decreasing,
- whether controlling is accepted is influenced by the willingness and ability of controlling to understand the NPOs' definition of success, as well as to translate this into measurable targets, to align them and to analyse the degree to which the targets are met.

For systematic controlling to improve the rationality of making decisions, it is necessary for controlling to know about the special characteristics of NPOs. The NPOs on the other hand need to be informed by the controller that the character of NPOs, which is driven by values and needs, improves if the impact of the NPO is not just hoped for and presumed, but observed systematically and analysed.

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1 A comparison with controlling under profit orientation

“Controllers design and accompany the management process of setting objectives, planning and control and thus have a joint responsibility with the management to reach the objectives.

This means:

- Controllers ensure the transparency of strategy, business results, finance and processes and so help increase profitability.
- Controllers coordinate sub-targets and sub-plans in a holistic way and organise a reporting system that is oriented towards the future and covers the enterprise as a whole.
- Controllers moderate and design the management process of setting objectives, planning and control so that every decision-maker can act in accordance with agreed objectives.
- Controllers render the necessary service of providing all relevant data and information to managers.
- Controllers develop and maintain the controlling systems.”¹

Is the IGC mission of the controller also valid for NPOs? Is it actually necessary to develop a separate “NPO-Controlling” that is significantly different from the tasks, procedures and methods of “normal” controller work outlined above?

Our arguments in favour of a distinct NPO-Controlling are tied to some central elements of the IGC’s mission of the controller:

- setting objectives,
- planning,
- control,
- transparency of results,
- profitability,
- reporting,
- target orientation,
- provision of business information
- etc.

¹ The IGC’s mission of the controller is available at www.igc-controlling.org_leitbild/leitbild.php.

1.1 Missing target definitions

In the NPO sector, controlling is often confronted with organisational worlds where any control by means of differences between planned and actual values is frequently impossible because no target has been defined, or the organisations' objectives have been formulated in such a normative and abstract manner that no reasonably precision-oriented controlling can build on this. In these organisational worlds, one of the controllers' initial tasks in general simply is to make controlling possible from a methodological point of view.

A basis for controlling has yet to be created

In our view, controllers in such organisations with a rather vague understanding of objectives are partly responsible for setting objectives in the first place. The controllers provide the methodological hint that management that has been fed data can only operate meaningfully and can only make practical suggestions to the organisation regarding its efficiency and effectiveness if there are objectives and targets as points of reference. The controllers also accompany the processes of defining targets for as long and as intensively as degrees of operationalisation have been developed that can be processed methodically. Now controlling is able to inform the organisation whether the goals have been attained.

Without objectives, there is no efficient and effective control

Especially in non-profit organisations, controlling must not be restricted to its typical methodological operations: rather, it first has to, quasi as an authority that has been defined as goal-oriented, safeguard that controlling as a leadership task becomes compatible with the organisation in the first place. This is achieved by means of

Controlling creates a balance between goal-orientation and profitability

- formulating objectives,
- operationalising targets and
- making strategic decisions.

By consistently referring to operationalised target systems, the controlling philosophy in the NPO sector becomes not just comprehensible, but also the starting point for valuable core processes in the organisation.

Example: Balanced target system for a museum

The **museum** is encouraged by its controller to balance out potentially conflicting goals of museum-pedagogical programmes, scientific processing, the aim of building a collection and profitability.

- What are the planned visitor numbers?
 - What contribution margin?
 - Is it compatible with the museum's philosophy if the art historians employed publish popular texts rather than scientific treatises?
 - Does the museum focus on its original task as an academic centre or, following the expectations of cultural policy, on being an urban event location?
-

Example: Systematic controlling in an aid organisation

Through systematic controller work, an **international aid organisation** learns that a long-term development programme is likely to encounter great dissatisfaction of various stakeholder groups in the short run, which might even result in obstruction. The long-term effectiveness of the programme might thus be ensured by providing short-term benefits for some obstructing stakeholders, but at the same time reduced in its impact. And what effects will these "transaction costs" in turn have on the stakeholder group of "donors/sponsors"? Can all donation targets be reached as planned if a part of the money is used in the form of "rent seeking" in order to influence political stakeholders?

Example: Measuring effectiveness in a church parish

How does a **church parish** measure its activities?

- By its unpaid voluntary work?
- By its output:
 - Number of masses?
 - Number of people attending masses?
 - Number of visits to ill people?
 - Percentage of young people organised in groups?
- By the satisfaction of the parishioners?
 - All of them?
 - The believers?
 - The active members?

- Are there qualitative objectives for liturgy, church music or diaconal services?
- Is the parish's budgetary planning oriented towards quantitative and qualitative targets or is the system without an effect following a cameralistic logic regarding expenses?

NPOs tend to formulate their organisation's mission in a normative manner as a task. As the normative impulse to create an organisation becomes particularly important, the functional, i.e. goal- and impact-related, rationale of the current organisation tends to be underestimated. In this respect, and this is our starting point, the NPO controller has to understand the logic of organisations that so far have functioned without target systems and hence without transparent knowledge about impacts.

So far little is known about the impact of activities

We argue from an impact controlling perspective and do not deny that many NPOs have established a good operational controlling, which, however, generally has to make do with definitions of objectives that are often unconscious or little operationalised.

1.2 Common features

The methodological difficulty to observe the various impacts of an organisation in controlling, and even to translate them into an impact matrix, is not particular to the non-profit sector. Even though the topic of "impact controlling" has found no separate place in the literature on "profit controlling", also controlling in profit organisations does not focus solely on economic impacts, but also on

Controlling focuses on the economic and non-monetary measurement of impact

- customer satisfaction,
- producer's pride,
- ecological sustainability or
- acceptance in society.

And yet such "soft" organisational impacts are characterised by their instrumental character for the "real impact target of profitability", while in the NPO field such stakeholder-related impacts are not (or need not be) stratified under the central aim of controlling the company's top KPI.

Put archetypically, profit organisations only watch out for those effects that show a plausible impact relation to the top KPI. And yet, we can find indications that in the profit sector the instrumental character of targets – for instance by balancing targets relationally in a BSC – is diminishing; and we can see that also in the

non-profit sector efforts are made to determine a “top KPI” – for example, by calculating a social return on investment (SROI).²

2 Need for development in the area of impact controlling

In the area of impact controlling in NPOs there is a need for methodological development. As soon as the task to include impact and effectiveness into controlling is identified, controllers see themselves rather in the role of pioneers who have to select their equipment for exploring an unknown area, draw a map and write up the report on their travels themselves.

Developing a methods package is pioneer work

There are no

- tool kits for measuring,
- maps with impact indicators and
- standards for reporting.

Such controlling packages would be extremely helpful for the individual NPO industries, but also for industry-specific solutions alone.

By means of industry standards for controlling it would then finally be possible, in the subsequent steps, not only to shed light on the measurability of impacts and the validity of the controlling indicators, but also to conduct NPO industry-specific productivity research. We know little about the quality and effectiveness of the specific efficiency patterns, and therefore about the specific production function in NPOs. Controlling in NPOs has to establish if and in how far existing controlling software is suitable for impact-oriented controlling or what the software architecture should look like to ensure flawless interfaces also with “researching impact controlling”.

Existing concepts and software must be checked for practicability

Although the controller might be unfamiliar with the idea, it is essential in individual cases to develop concepts for integrating “non-numbers” (for example “evidence-based” texts), which have been gathered by means of qualitative methods, into the controlling system. Generally, elegant impact controlling requires including the procedures and methods of empirical social research, on an equal footing with the classic cost accounting features, in their own methodological tool kit.

Integrating the methods of empirical social research into controlling

² On the use of the BSC see: Horváth & Partners (eds.), 2007, Halfar/Borger, 2007; on the concept of the SROI see: Laskowski/Loidl-Keil, 2005.

Potentially this raises another problem for NPO-Controlling, as there is a demand for manageable, standardised, industry-specific impact controlling instruments particularly at smaller NPOs. One task, therefore, is to construct impact controlling methodologically in such a way that there are also second-best solutions regarding research and survey costs and efforts.

One task is to develop NPO-specific reporting that documents the results provided by impact controlling. The NPOs are also interested in control-oriented impact diagrams, which they can use in addition to the accountability-oriented annual reports. Besides the empirical research requirement to develop such impact diagrams in the first place, as mentioned above, as existing impact factors are still suspected of eclecticism and plausibility, it is still unclear what impact-oriented internal and external reporting might look like. First attempts have been made already, such as the political guideline in Switzerland described below, "Controlling and external accounting for NPOs according to Swiss GAAP FER 21".

First attempts towards NPO-specific reporting have already been made

In order to be able to present the effectiveness of an NPO's activities to the outside world, also external accounting is particularly important. In Switzerland, charitable, social non-profit organisations³ certified by ZEW (Zentralstelle für Wohlfahrtsunternehmen / central foundation for charities) are obliged to adopt a certain standardisation in their external reporting:

External accounting is gaining importance in reporting

- The annual statements include – apart from the classic elements such as balance sheet, income statement and cash-flow statement – also a performance report. It shows the effectiveness and efficiency of a charitable, social non-profit organisation and so represents the qualitative element of the annual statements.
- The performance report includes, amongst other things, the organisation's objectives, a description of the services provided and the use of available resources in order to achieve the objectives of the non-profit organisation. The performance report is intended to take the non-profit oriented, charitable nature of a non-profit organisation into account and thus to increase transparency. The performance report is not subject to mandatory auditing and its design in practice varies considerably.

³ These are charitable organisations providing social services, irrespective of any entitlement of third persons and/or membership, in the public interest; additionally, they publicly address an undetermined number of donors or receive donations and/or are financed by dedicated public funds.

Development tasks for NPO-Controlling include:

- Developing industry-specific tool kits with measuring systems, empirical instruments, valid scales, software packages.
- Integrating “non-number” information from qualitative social research into controlling.
- Preparing a valid and practicable set of indicators for individual areas of an NPO.
- Developing an industry standard for systemising impact controlling.
- Developing patterns for value-added calculations, funding statements and social returns of investment.
- Preparing standards and models for performance reports.
- Communicating the effectiveness of controlling for NPOs.
- Communicating the effectiveness of NPOs for society.
- Communicating the measurement of intangible impacts as a methodological template for social responsibility programmes of businesses.

The conclusion that NPO-Controlling has development tasks is not the only one. At least as important is the conclusion that NPOs cannot attain legitimacy simply due to their importance – however this is substantiated – but also have to know and prove their impacts. This cannot be achieved without the help of “classic controlling”, but controlling also must add specific logic, procedures and methods in order to be able to effectively perform in the NPO sector.

NPOs must know their impacts – controlling makes these transparent

Obstacles to measuring impact and effectiveness of NPO activities

Non-profit organisations (NPOs) are economically relevant, but at their core not economically oriented. Their primary coding follows social, political, cultural, ecological, religious or medical motives; economic factors are mostly secondary codings, which are merely accepted rather than integrated into the system of objectives. Therefore, an important task for controlling in NPOs is to record impact and effectiveness of NPO activities as central indicators of success and to connect them to information derived from cost accounting.

Measuring impact and effectiveness in the NPO sector is gaining importance because both its legitimisation in society (and thus also the allocation of resources) and NPOs' self-legitimation cannot be restricted to motivation, input and documentation of social responsibility anymore, when the typical fields of NPO activities are increasingly seen as competitive.

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1 Neglecting the impact perspective of NPO activities

Controlling meets a sector where the topic of impact has arrived, though there are hardly any reference examples yet. One reason for the frequent neglect of the impact perspective is the strong influence of the classic Donabedian model¹ of quality management in NPOs. Focusing on structural quality, which can be determined relatively easily, (and ideally also on the slightly more complicated process quality) was based on the conviction that the right methods also result in the right impacts. In a way, the idea of putting one's focus on impact as such, and hence to check the link between method and impact empirically, is quite new to most NPOs.

Focusing on structural quality distracts from the quality of the results

2 Insufficient and confusing definitions of impact and success in NPOs

When observing targets and analysing impacts and effectiveness, controlling in the NPO sector faces the particular problem that NPOs have to deal with the expectations of a rich variety of stakeholders, which cannot – or at least not easily – be grouped into hierarchies of objectives. The expectations of the stakeholders follow their own respective logics, which partly contradict each other and cannot be aligned properly as they are part of different benefit scales.

Not only can the value added of the individual NPOs be assessed very differently, but impacts are actually desired to various extents, because the individual stakeholders vary in their perception of the NPO performance as a merit good². In this specific structure, NPOs, in contrast to businesses, generally have more important stakeholders, both internally and in the nearer and further environment. They cannot easily avoid local stakeholders through mobility, as NPOs in many cases are tied to a specific location. The task of NPO management, to identify and prioritise the stakeholder groups, involves perceiving potential, multidimensional goal conflicts.

Expectations without target hierarchies with their own logic

This task is made more difficult for NPOs, in that customers are not clearly distinguished from other stakeholders and the term customer itself is not clearly defined either. The customer as a

- rational demander,
- ready to pay,

¹ Donabedian, 1980.

² For the explanation of private, collective, political and merit goods see: Blankart, 2008, p. 52 ff. Merit goods are those whose provision is desired by the public, irrespective of any resulting individual benefits. These can be public, private or a mix of these goods.

- willing to pay,
- with a stable scale of preferences and
- as a potential user of the service or good

is the absolute exception in NPOs. The roles of user, demander and payer are often separated in the social field. In many cases, customers show a lack of

- rationality,
- ability to pay,
- preference patterns and
- willingness to pay.

Whether it is a church, psychiatric hospital, school or museum pedagogy – some NPOs practically thrive on the fact that a majority of their customers are disinterested. Besides disinterested customers (as an important stakeholder group of the NPO sector), NPOs also have to focus on stakeholders whose interests and expectations (can) change rapidly. Especially the demands of the political system from NPOs tend to be unstable over time.

Restricted consumer sovereignty of users

From the point of view of the theory of goods, the stakeholder analysis is particularly complex as NPOs frequently produce public and/or merit goods. Characteristics of these special goods are the “non-excludability” in their use and a high percentage of external effects. External effects and “non-customer users” bring impacts to controlling that are methodologically difficult to assess and determine.

Unstable demands of the political system from NPOs

3 Difficult integration of impact problems into controlling

Besides the identification of the stakeholders’ expectations from the NPO and the NPO’s impacts on the individual stakeholders, measuring the impacts of the NPO is a further obstacle for controlling.

While in the profit sector profitability is a universally valid goal for measuring success, every NPO organisation has to find its own targets. In addition to the typical accounting KPIs, reference values from the impacted area have to be determined for controlling, which allow statements on the NPO-specific efficiency and effectiveness for organisational and programme control.

Lacking a universally valid success factor

In the profit sector, impact has more of an instrumental character – whether measures and programmes have an effect is eventually shown directly in economic success factors – and hence impact orientation in profit controlling is only limited.

As profitability and profit are for businesses, impacts are NPOs' *raison d'être*. For controlling, integrating the impacts is a central task, though it is enormously difficult given the different NPO-typical construction of objectives. As the NPOs do not succeed in measuring their impacts and putting them into relation with economic variables, control is used rather defensively, following the cameralistic auditing approach. Control is thus focused on

- the legitimacy of the use of resources,
- parsimony and, at the most,
- on output.

The task of controlling in the NPO sector is always defined as measuring impact, normally organisation-specific, ideally industry-specific:

Impacts as *raison d'être*

- the quality of life of cancer patients,
- the spirituality of church members,
- the competence of school graduates,
- the sociality of tram passengers,
- the delight of breathing fresh air,
- the increase in autonomy of mentally handicapped people,
- societal responsibility,
- the chances of course participants in the labour market,
- the loyalty of members of a court of appeal,
- the quality of a "Magic Flute" performance,
- the health of marathon runners,
- the medium-term readiness for action of recipients of development aid,
- the protection of 50 types of butterfly or
- improving the townscape by renovating a Romanesque church.

4 Societal concerns versus efficiency and effectiveness: the fear of controlling

Controlling in the NPO sector is not just restricted by theoretical and methodological barriers, but often also an initial suspicion of the potential inefficiency of NPOs.

- Organisations equipped with a large number of voluntary workers, operating with long-winded decision processes, working with century-old structures or maybe even ideologically rejecting efficiency as such are frequently afraid of controlling.

- Controlling, as the justified assumption goes, would not be satisfied with stating that the matter the NPO deals with is of great importance for society, but would ask awkward questions regarding efficiency and effectiveness.

The latent fear of controlling is further nourished, on the one hand, by the trend of NPOs not restricting themselves to their typical reservations characterised by market or governmental failure, but also choosing new areas of activity where they are in direct competition with state and private institutions. In this respect, there is a certain interest in non-controlling, because the various subsidies and benefits for NPOs are more likely secured by using more abstract objectives that cannot be operationalised than by means of transparent controlling procedures.

On the other hand, some classic societal NPO areas have become more attractive for for-profit organisations. New forms of financing, new definitions of politically particularly important goods, or new management models result in competitive situations for NPOs even here. The expert controller emerges as a threat to diagnose latent deficits in efficiency and effectiveness of typical NPO constellations:

Competition between NPOs and businesses

- Honorary offices,
- Committees,
- Rent-seeking costs or
- Organisational cultures.

Much-loved organisational forms and work procedures, personal constellations and culturally accepted flaws in effectiveness could be disturbed by the idea of a more effective organisational model.

5 Conclusion

Cultural organisational traditions, methodological deficits and the lack of a theoretical framework hinder NPOs in analysing their impact and effectiveness.

Controlling could provide valuable support for NPOs' impact-orientation. However, prerequisites for effective controlling would include

- a cultural extension of the term "impact",
- a sensibility for specific efficiency patterns in NPOs,
- the integration of new methods of analysis into controlling and
- a theoretical understanding of competing stakeholder-related impacts.

When non-profit organisations and controlling, who so far acted in different worlds, meet, this changes not just the non-profit sector but also controlling.

The integration of controlling could become an important development step for the non-profit sector if controlling gets involved with the theoretical and methodological specifics of a particular profitability of organisations that strictly speaking do not care about profitability.

6 Literature

Blankart, Öffentliche Finanzen in der Demokratie, 7. ed., 2008.

Donabedian, Explorations in Quality Assessment and Monitoring.

Vol. I: The Definition of Quality and Approaches to its Assessment, 1980.

Depicting the specifics of NPOs by using a spiderweb model

What are the specifics of a non-profit organisation (NPO)? Why does controlling need a detailed distinction between PO and NPO? Why is the distinction between for profit (profit-target orientation) and not for profit (goal orientation) not sufficient?

Creating an NPO organisational typology is important and helpful for controlling because the organisational characteristics and the organisational forms themselves are no means to an end, but generally also represent separate goal elements. The way an organisation whose central impact cannot be derived from meeting a profit target is organised provides controlling with a starting point for an organisation-internal comparison between planned and actual status.

While in profit-oriented businesses the organisational forms, process architectures, management functions, and legal forms right up to cultural orientation at the end of the day are measured by the contribution they make to the business' increase in value, in the non-profit field such organisational and functional characteristics have a particular importance for the NPO's self-conception. In this respect, the controller has to inform the respective organisation also about whether and to what extent the specific type of organisation, determined empirically, fully fits the organisation's self-conception.

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1 Neglecting the impact perspective of NPO activities

The recommendations for typologising, systematising and defining NPOs that can be found in the literature usually do not go beyond focusing on individual organisational characteristics (as distinguishing criteria from the profit sector) that are supposed to be typical for NPOs.¹ In view of the empirical diversity and the many combinations of NPOs, these attempts often seem somewhat anaemic. For the controller the task in any case lies in the empirical field of the respective organisation and not in observing archetypes: what is interesting is not the organisation's distance from the organisational archetype, but the empirical distance of the organisation from its (goal-oriented, normatively influenced) mission.

Situation of the respective organisation is crucial

Especially as there is no archetypical degree of organisation of an NPO, but “only” organisation-specific weightings of a self-conception, regarding

Starting point self-conception

- how to become active,
- the desired proximity to the state,
- the desired importance of the various forms of finance,
- which efficiency criteria should be relevant or
- which formal organisational rules should be adhered to,

NPO-Controlling requires an instrument that deals with this organisation-specific self-image – and that can recognise the empirical deviation from the empirical image as an organisational problem. Controlling therefore empirically starts with the NPO's self-conception and not with pre-defined ideal forms of what an NPO should be.

¹ A good overview can be found in the contributions to the volume edited by Hopt/v. Hippel/Walz, 2005 as well as in Horak, 1995, Horak, 1996, Schulze, 1997.

2 Motives, legal and organisational structures and functions of an NPO

2.1 Legal form and special tax status

The term non for profit organisation is originally American. It describes organisations that are prohibited from distributing profits, with American law distinguishing between a definition according to company law (ban on profit distribution to those exerting influence on the organisation– members, board, management) and according to tax law (benefit to the public, ban on political activities, ban on profit distribution).

Anchoring in company and tax law

There is, however, general agreement that this definition is much too narrow to do any justice to the great variety in the non-profit sector. Neither does it provide any orientation for the development of an impact-oriented set of controlling instruments.

Moreover, there is the notion that non-profit organisations differ from for-profit organisations in that they do not have any shareholders and therefore choose appropriate organisational forms (such as societies or foundations, which do not even have members). Business activities may then only take the form of a secondary aim or subsidiary activity and as a source of funding to pursue a non-business purpose of the society or foundation. Yet there are also NPOs in the form of corporations (for example the gemeinnützige GmbH or gemeinnützige AG in Germany) and, on the other side, profit-oriented societies and cooperatives. Neither is the special tax status unique to NPOs, but depends on country-specific legal constructions and definitions of benefit to the public.

Missing ownership and organisational structures

A more valid criterion for non-profit orientation is clearly the legal construction of the ban on profit distribution, although this feature does not provide any extra insight compared to the standard characterisation of an NPO as a primarily not profit-oriented organisation.

2.2 Stakeholders

As a distinguishing criterion, NPOs as such do not have more, fewer or other stakeholders than profit-driven organisations. But they have much more leeway to adjust to the expectations of the various stakeholders; as a rule, they are even able to relativize and prioritise the stakeholders' claims according to their own criteria.

Stakeholders not comparable

Determining which stakeholder groups the NPO wants to serve follows from the respective mission and therefore, if in doubt, a different logic than determining

the relevant stakeholders depending on their relevance for the bottom line. Controlling also has to methodologically adapt to stakeholder groups whose claims are irrational, determined by passion, uneconomic, value-driven, or, simply put, economically strange.

2.3 Fields of activity

The attempt to define the NPO sector by means of those fields of activity where NPOs are predominantly active broadly follows an American logic to define everything as the “third sector” that is not market or state. From an empirical, European perspective, the NPO sector cannot be defined in this manner, as there are hardly any societal fields of activity that are exclusively left to NPOs. Be it health, education, social, environmental, cultural or sports matters – we can find mixes of organisations from all spheres of society. Field of activity related controlling is thus methodologically a form of industry-related controlling, from which alone no NPO specifics can be gathered yet.

No exclusive fields for NPOs

2.4 Financing

A distinction based on the type of funding is a sensible starting point for developing specific NPO-Controlling instruments, as the type of financing already provides some indications regarding goal attainment.

Donations are gratuitous payments from third parties to the organisation. A donation usually only includes the expectation that the organisation uses the money for its intended purpose, which implies a significant leap of faith. The donor’s motive is altruistic. This type of financing is distinctly value-driven.

Donations require trust

Organisations active for the benefit of members finance themselves mainly through members’ contributions. In contrast to donations, these payments often entail the expectation to receive benefits in exchange for these contributions, for instance

Contributions necessitate benefits for members

- in the form of exclusive and specially prepared information,
- in the form of special authority,
- in the form of perks (for example preferred access to tickets),
- as usage rights (e.g. of sports facilities) and so on.

The organisation pursues its own interests in the form of pursuing the interests of its members. From a funding point of view, this type of NPO shows parallels to cooperatives. It is also driven by tangible and intangible benefits for its members (without following a profit motive).

Be it donations, membership fees, foundation funds or other types of payments: with these organisations the donors expect at least a ban on profit distribution and are content with a “social return” of some sort.

However, these special types of funding are not mandatory for NPOs. Even institutions active on the market that receive all their funding as remuneration for their services do not lose their not-for-profit character if their funding is identical to that of commercial competitors, as they are subject to the ban on profit distribution.

2.5 Function in society

It is also possible to try and characterise NPOs based on their functionality. Irrespective of their legal form, the type of organisation, their stakeholders, their fields of activity and the type of funding, they can perform various societal functions. In the literature, the function of relieving the state is featured prominently.² NPOs offer services the state cannot provide in this manner or the quantity needed. Closely connected with this function is the derivation of NPOs from state and market failure. The societal function of the NPO sector therefore is to provide services the market cannot offer based on its price mechanism and for which the state does not have the innovation potential. From the perspective of the theory of goods, this is the production and provision of public, collective and merit goods.

Yet this societal functionality to produce goods and services otherwise not (sufficiently) available to society offers no satisfying definition of NPOs. After all, a significant number of NPOs are indeed not situated at the “break lines” between organisations or in the societal spaces of state and market failure, but work in fields that are served by the state and market. The distinction can then be seen not in the functionality, but the structure of motives and traditions of civil-society engagement. These NPO activities are the social-normative capital of a liberal society, whose existence depends on normative prerequisites which it cannot create itself. They are important, and this is possibly their central function and impact, simply because they exist.

Replacement for the state or the market?

² Toepler/Anheier, 2005.

3 The spiderweb model: connecting motives, structures and impacts

The analysis makes clear that NPOs cannot be defined in a uniform manner. NPOs have

- no uniform organisational characteristics,
- no common functional basis,
- no typical, rather separate ranges of tasks,
- no necessarily special funding structure.

NPOs are multi-dimensional compositions of different components. The multitude of potential compositions makes it difficult for controlling to aim at a connection between an NPO's typical organisational structure and NPO impacts. Controlling becomes valuable for the non-profit sector when it is methodologically able to relate the organisation-specific motives, structures and impacts to each other. Each NPO, or at least each NPO industry, has its own field of impact that has to be integrated into controlling.

Controlling has to connect individual requirements

With the spiderweb model, NPO-Controlling can monitor the difference between the planned values in the self-conception of the individual NPOs and the actual values. By means of the spiderweb, not the impacts of the NPO are measured, but two aspects are studied:

- The congruence of the actual organisational values with the proprium and the mission and
- the functionality of the NPO construction regarding the intended impacts.

The spiderweb model is intended to show that NPOs from a definitional perspective might be the opposite of the profit organisation, but empirically it is characterised by other accentuations, other weightings, and other mixtures, which can result in other patterns of efficiency and other degrees of impact.

Not all spiderweb dimensions will be applicable to every NPO, but we suspect that the dimensions presented are sufficient to characterise self-conception and mission of every NPO. As NPOs cannot only be empirically categorised and described from these spiderweb dimensions, but also characterised in their goal-orientation, monitoring the respective differences is one of the typical tasks of NPO-Controlling.

No standard dimensions exist

Basically, these dimensions represent the self-concept. They are implicit organisational objectives that control the Output, Outcome, Effect and Impact-oriented, explicit organisational targets.

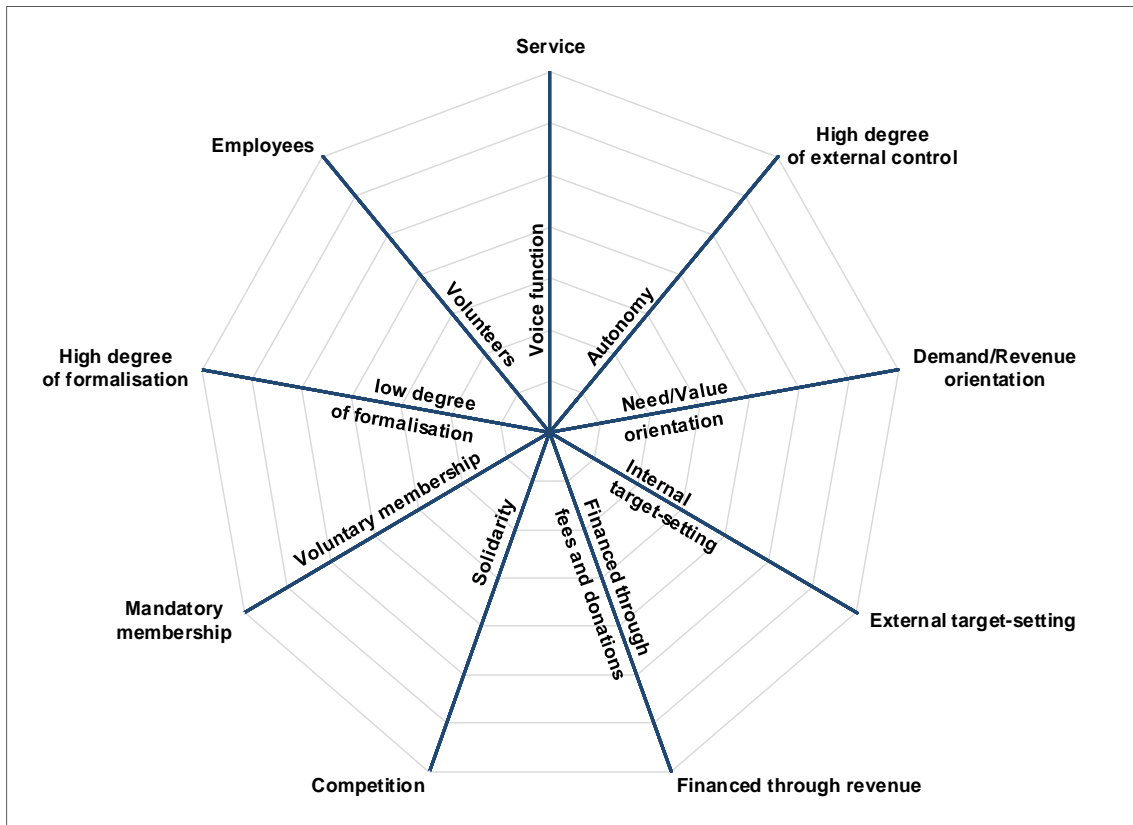


Fig. 1: Basic NPO spiderweb model

4 Foundations for developing a spiderweb model for NPOs

4.1 Characterising NPOs

As a starting point for controlling, we suggest nine dimensions for characterising NPOs:

Such corridors can also result from group structures in the NPO field. As soon as an NPO comprises a certain range of facilities, tasks and services, controlling will not be able to define common dimension points for all fields of activity. Therefore, in the case of “NPO group structures”, controlling has to either accept “corridors” with the individual spiderweb dimensions and/or apply the method to individual areas of the organisation.

Leeway in further specification

This model must not be interpreted in such a way that points rather far away from the centre are further away from the real idea of the NPO than points closer to the centre. The poles of the dimensions are neutral; what is relevant for controlling is not the distance from the centre, but the distance between the planned point and the actual point. Neither must this model be interpreted as if an exact planned point needs to be found for each dimension. It is more realistic to think in ranges, in corridors.

Determining these internal target values is a top management task. The employees and volunteers responsible will discuss the desired self-image and the (diverging) public image in a closed meeting. In many cases it will be enough to simply operationalise the individual dimensions (strong – medium – weak or 10-point or 7-point scale), in order to arrive at a self-image. For the public image, it is obviously also important to gather external information on one’s own organisation. The focus of the procedure is not on mathematical exactness but on the discussion of the NPO’s proprium.

Target values determined by management

5 Developing a spiderweb model in practice

5.1 Practical example: opera house

The *mission* is: the town’s opera house sees itself as avantgarde in modern opera. Quite intentionally, the repertoire does not reflect the taste of the audience, but the foundation’s purpose, which explicitly prohibits any type of harmonious music. The problem is that ticket sales amount to only 1% of financing. This consequently makes it impossible to maintain the opera’s desire to have a highly professional ensemble. Both choir and orchestra are now almost exclusively made up of amateur musicians. The opera has so far been funded by a solvent support association, whose support, however, is tied to quality targets and the number of tickets sold.

This characterisation results in the following assessment of the current situation (dashed dark grey line) and the planned situation (solid light grey line) in the dimensions:

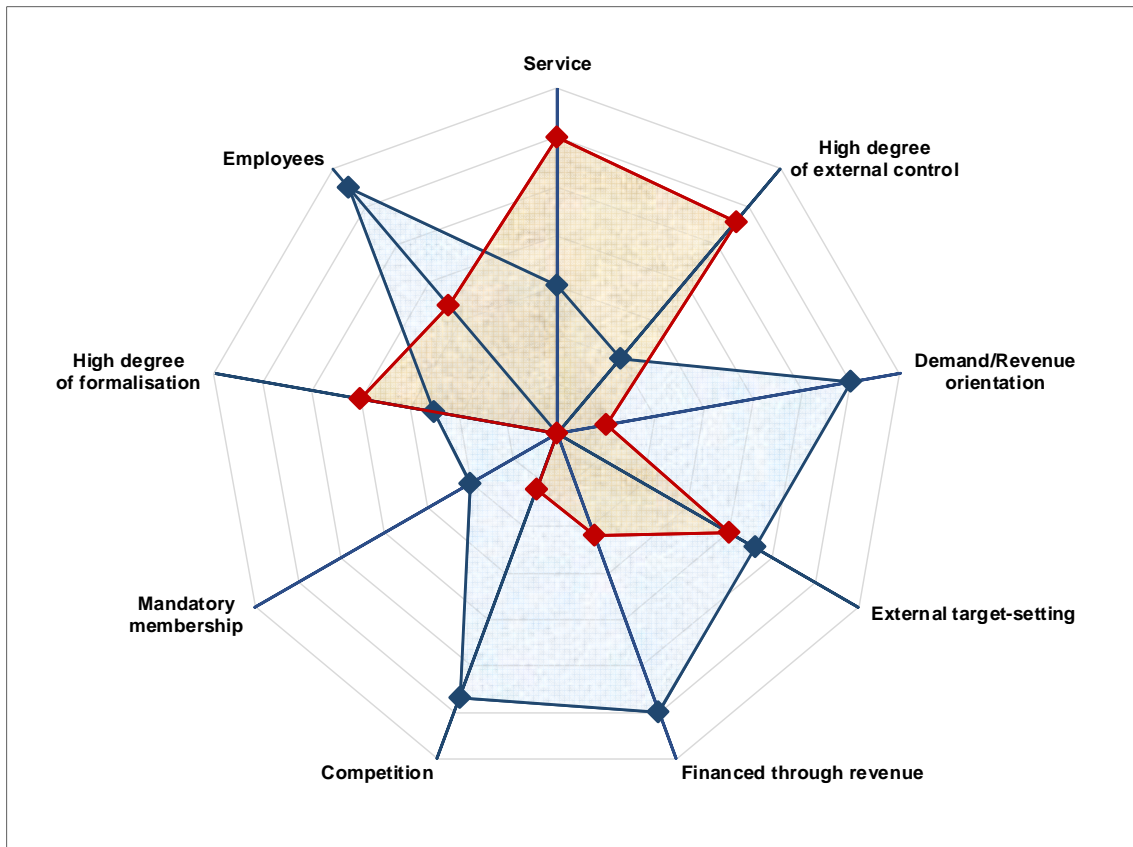


Fig. 2: Spiderweb model for an opera house

5.2 Practical example: social housing association

The mission is: the social housing association is a non-profit enterprise that, irrespective of the situation in the housing market and explicitly forgoing any speculative profit opportunities, wants to develop, construct and offer flats and town quarters that are also available to people with low incomes and/or social problems. A particular focus lies on the concept of an interethnic neighbourhood. The association's room for action is strongly determined by

- the law of charities,
- the law of cooperatives, as well as
- socio-political housing requirements.

The attraction of the housing projects is greatly influenced by the occupants' voluntary engagement.

This characterisation results in the following assessment of the current situation (dashed dark grey line) and the planned situation (solid light grey line) in the dimensions:

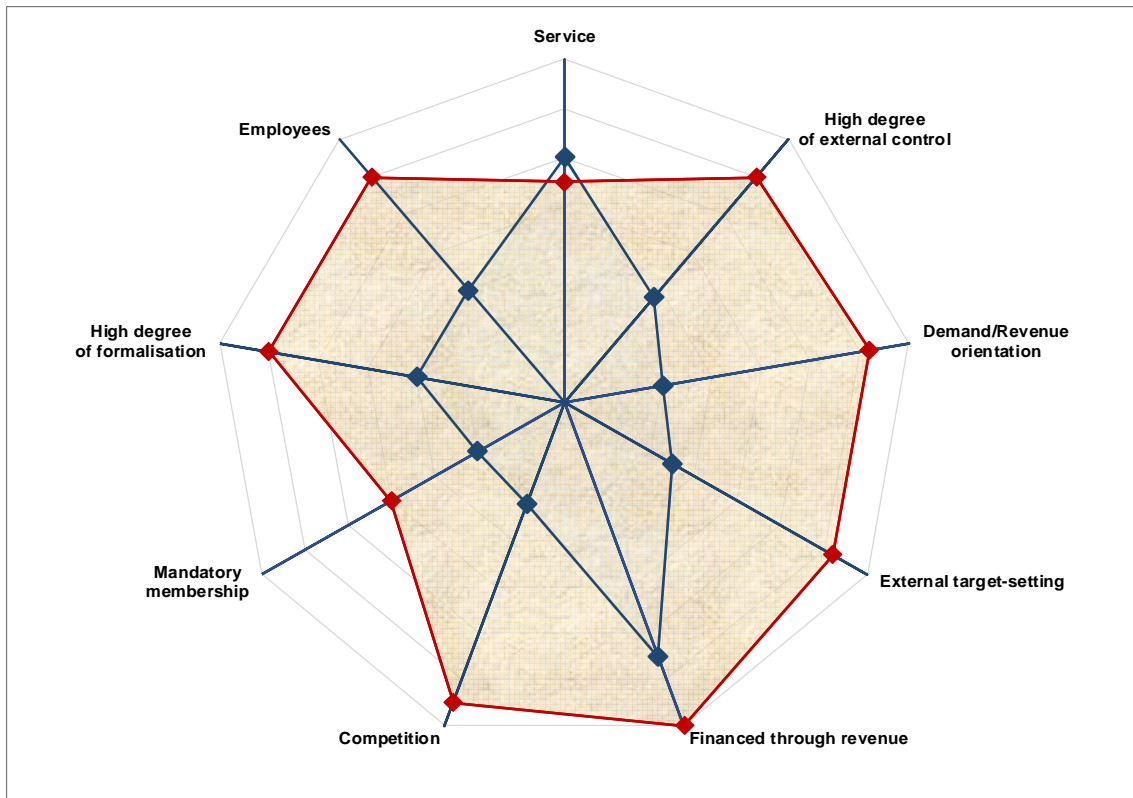


Fig. 3: Spiderweb model for a social housing association

5.3 Practical example: socio-pedagogical children’s home

The mission is: the children’s home, specialising in high-quality, socio-pedagogical care for children who suffered violence, sexual abuse or neglect in their families is funded by means of performance contracts with the child protection agency; only dolphin therapy is financed through donations. The home is subject to strict legally prescribed quality guidelines and has to send development and measures reports to the child protection agency at regular intervals. The child protection agency’s power to direct partly even influences the design of pedagogical processes.

This characterisation results in the following assessment of the current situation (dashed dark grey line) and the planned situation (solid light grey line) in the dimensions:

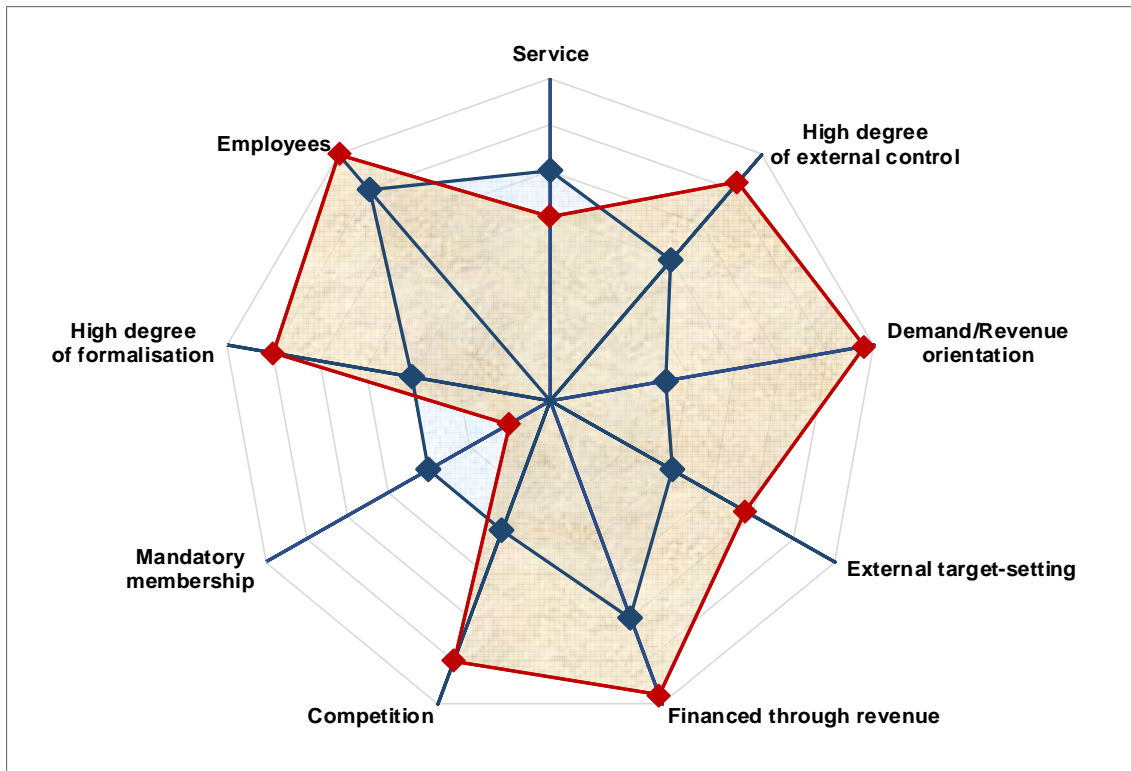


Fig. 4: Spiderweb model for a socio-pedagogical children's home

5.4 Practical example: church deanery

In the deanery, church parishes and church institutions in a municipality are combined. The tasks as such are defined by God's mission, the quantitative and qualitative design is determined by decisions of the synod and the utilisation patterns of the church members. The deanery is financed through

- church taxes,
- donations and
- (voluntary) usage fees.

There is a good and cooperative relationship with other denominations, although there is some competition when it comes to donations and recruiting voluntary helpers.

This characterisation results in the following assessment of the current situation (dashed dark grey line) and the planned situation (solid light grey line) in the dimensions:

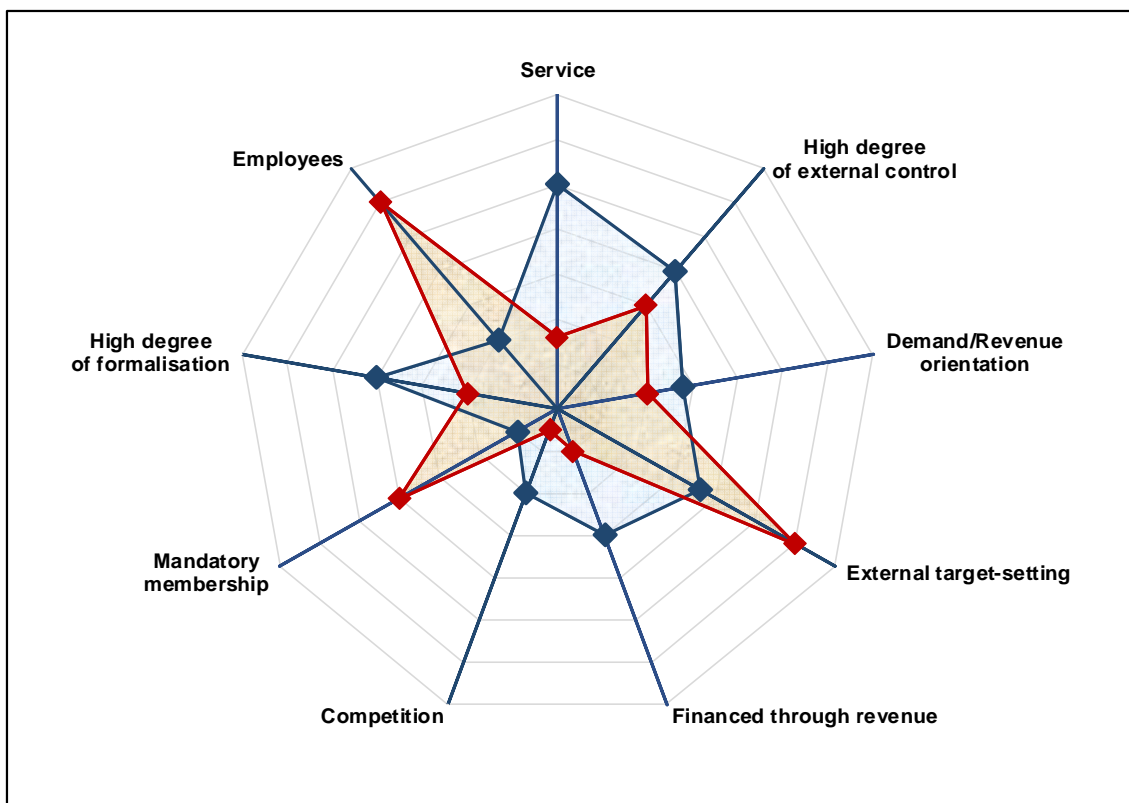


Fig. 5: Spiderweb model for a church deanery

6 Summary

NPOs differ from businesses not only due to their goal-orientation and the non-privatisation of any profits, but also because of the great importance of their self-conception when providing services. This self-conception of how the respective NPO is to become active also characterises an organisation-specific understanding of efficiency, which has to be captured methodologically by controlling.

The proposal presents a spiderweb model including the most important dimensions for NPOs, where the controller can transfer the differences between mission-driven target values and the empirical actual values to reporting in the form of internal controlling of providing services.

As it is quite possible to interpret these aspects as internal objectives at NPOs, it is also useful to include important dimensions in the BSC of an NPO.

- Spiderweb values can be important for the process card, for instance when considering which degree of divergence from a professional process quality is acceptable regarding the (desired) volunteers.

- Yet spiderweb values can also affect the customer card, for example when qualifying customer satisfaction or
- the finance card, e.g. when formulating intended losses. Thus the spiderweb targets provide material for the controller to convey the internal degree I of goal attainment.

7 Literature

Hopt/v. Hippel/Walz (eds.), Nonprofit-Organisationen in Recht, Wirtschaft und Gesellschaft. Theorien, Analysen, Corporate Governance, 2005.

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Horak, Besonderheiten des Controlling in Nonprofit-Organisationen (NPO), in: Eschenbach (ed.), Controlling, 2. ed., 1996.

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Potential impact dimensions for NPOs

From a non-profit organisation's (NPO's) mission, a specific self-image of the organisation emerges whose empirical reality is to be analysed by controlling as degree I of goal attainment. Impact controlling proper, however, builds on the results the NPO achieves with its stakeholders. A further distinction in impact-oriented NPO-Controlling concerns the various forms of impact that are intended or become effective with the individual stakeholder groups.

In this section, we present a proposal for a basic model of impact-oriented NPO-Controlling. When discussing this table, our thoughts meandered between

- impacts on stakeholders effected by the NPO and
- stakeholder expectations from the NPO.

The final decision was to focus purely on the impact perspective.

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1 NPO stakeholders

From an NPO's mission, a specific self-image of the organisation emerges whose empirical reality is to be analysed by controlling as degree I of goal attainment.¹ Impact controlling proper, however, builds on the results the NPO achieves with its stakeholders. A further distinction in impact-oriented NPO-Controlling concerns the various forms of impact that are intended or become effective with the individual stakeholder groups.

Stakeholders are listed horizontally, the forms of impact vertically: the table presented here is a proposal for a basic model of impact-oriented NPO-Controlling. When discussing this table, our thoughts meandered between impacts on stakeholders effected by the NPO and stakeholder expectations from the NPO. The final decision was to focus purely on the impact perspective.

Distinguishing forms of impact

Financiers are also often relevant stakeholders for NPOs. Although payments from donors, sponsors, public and semi-public institutions or foundations are only rarely tied to expectations of a clear "social return on investment", there are at least some distinct expectations from an NPO's impact orientation. Also important are, depending on the respective organisational design, the expectations of the internal stakeholders (members) from the NPO.

Impacts or expectations?

Example: Impact of the mutual provident society and Amnesty International

The expected impact of the social, mutual provident society is clearly focused on the members, while members of Amnesty International expect the organisation to be able to prove its full impact power outside the organisation.

Because of the stakeholder structure, NPOs tend to have more conflicts in the stakeholder-specific interpretation of impacts and degrees of impact. Between, but possibly also within, individual stakeholder groups different, and also conflicting, expectations regarding the NPO's impacts can be detected. Controlling is dependent on knowing these conflicting goals and making them transparent, so that these conflicts can be balanced out already during the decision-making process.

¹ See "Depicting the Specifics of NPOs by Using a Spiderweb Model" in this volume, p. 22.

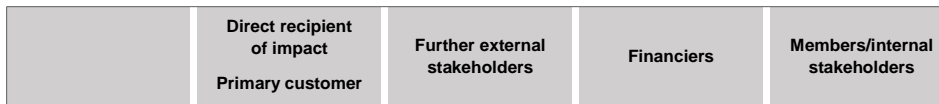


Fig. 1: Systematising stakeholders

2 NPO impact dimensions

The NPO's impacts end up with the various stakeholder groups, which is an additional NPO-specific controlling problem at various levels of impact. As NPO services frequently are merit, collective or public goods, controlling lacks any rational indicators for prioritising the impacts. Profit controlling can rely on profitability as a theoretical foundation, but in the NPO field this is not the case, at least as an overall objective, as impacts in the NPO sector work on different levels of scales.

Merit goods are difficult to prioritise

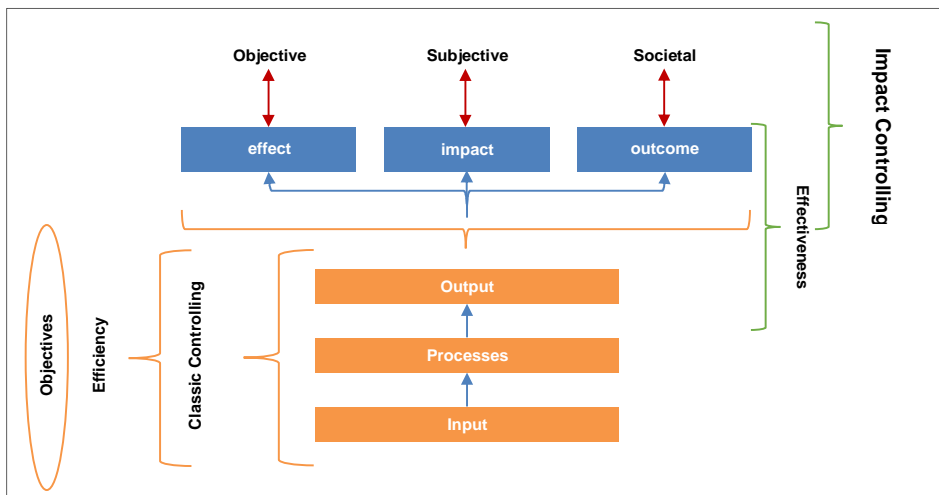


Fig. 2: NPO impact model

Based on the literature, we suggest distinguishing four types of impact.² What is problematic is that we can find a multitude of partly conflicting definitions and approaches. Our pragmatic solution is to use those definitions that are also generally used in the programme evaluations of the European Union and international organisations.³

² Bono, 2006, p. 149 f.

³ We have also taken into account the 3-E concept, which makes use of efficiency, effectivity and economy. See: Budäus/Buchholtz, 1997, Schedler/Proeller, 2003.

2.1 Output

Output is the quantitative amount of performance, which in the end forms the foundation for qualitative impact effects (Impact, Outcome, Effect). Output is the quantitative result of the NPO's production. Strictly speaking, Output is terminologically ambiguous: it both refers to one side of the (quantitative) impact and, regarding the input, hints at the organisation's internal efficiency.

Example: Meaning of Output

- The Output gives the number of vaccinations performed, not the reduced mortality due to the vaccination programme.
 - The Output shows how many productions the opera house manages per season (with given input factors), but not whether the opera house has a top rating nationally.
 - The Output of the nature conservation society shows the acreage of landscape areas acquired, but not whether white-tailed eagles have resettled there.
-

2.2 Outcome

Outcome refers to the societal impacts and benefits (objective collective effectiveness) of the goods and services produced by the NPO. The NPO's services have an effect on the various groups of recipients, on third parties, on society, so generally on the common good. Outcome thus refers to wider effects.

Example: Meaning of Outcome

- The Outcome of a vaccination programme is preventing epidemics, not the immunisation rate or the incidence rate of a particular societal group.
 - As Outcome, the opera house produces an urban quality of life, not the applause of the audience.
 - The Outcome of the nature preserve is determined by its biodiversity, not the number of jobs in forestry.
-

2.3 Effect

The Effect is the direct, objectively seen and verifiable impact (objective effectiveness) for individual stakeholders. This includes target group-specific, intended impacts that exist independently from the target groups' perceptions and interpretations.

Example: Meaning of Effect

- The Effect, as an NPO's direct benefit for defined target groups that can be made objective, in vaccination programmes is expressed in the verifiable reduction in mortality, not the acceptance of vaccination programmes.
 - The Effect of an opera house's schedule could be measured by the target group-specific number of subscribers.
 - An Effect of the nature preserve might be seen in the number of people staying overnight at mountain shelters, not in the satisfaction of the hotel and catering association.
-

2.4 Impact

Impact is the subjectively felt impact of the recipient of a service or the stakeholder (subjective effectiveness) and hence a reaction of the target group to services (Output) and/or to the (objective) impacts (Effects) of the services. Impacts as subjective reactions are attitudes, judgements, statements of satisfaction, but also changes in or more stable behaviour.

Example: Meaning of Impact

- The Impact refers to the individual willingness to participate in vaccination programmes, not the change in the incidence rate of diseases.
- The pride the interested population shows regarding the performance quality of the town's opera is an Impact, not the number of TV recordings of new productions.

- The subjective impact aspect of the nature preserve lies in the acceptance not to stray from the paths, irrespective of the probability of objectively avoiding an encounter with a brown bear by doing so.

	Direct recipient of impact Primary customer	Further external stakeholders	Financiers	Members/internal stakeholders
Outcome				
Impact				
Effect				
Output				

Fig. 3: NPO-Controlling system: impact dimensions with stakeholders

3 NPO impact dimensions in practice

Below we would like to illustrate different variants of systematically linking the impact dimensions shown with the various stakeholder groups. Four different NPOs are used as examples:

- an opera house,
- a social housing association,
- a church deanery and
- a socio-pedagogical children's home.

Even though the thematic fields of activity of our NPOs differ significantly, all of them are basically accessible for controlling, as long as they muster the strength to formulate targets tailored to their stakeholders along different impact dimensions. Not all NPOs will (have to) fill in all target boxes in their target system and it will (or can) not be possible to specify all target boxes with an identical degree of operationalisation. Sometimes it is possible to find a good KPI or an interesting indicator, other times it will be possible to define a target precisely, and occasionally controlling will be forced to work using a rather vague target formulation. NPO-Controlling has to adjust to this multiplicity in target systems and react elastically.

Figures needn't be perfect but as precise as possible

3.1 Opera house

The opera house wants to find a new balance between artistic quality, public interest and cost level; it has also introduced process costing, target costing and a breakeven analysis – as well as a target system.

Targets with quantitative focus (Output)			
Direct impact recipients	Proxy stakeholders, society, environment	Financiers	Members/internal stakeholders
Impact definition Attractive repertoire: as many new musical pieces and performances as possible Indicator Effectiveness Measurement Benchmarking	Impact definition Large number of performances with high percentage of seats sold at a high average price Indicator Productivity Measurement Cost-benefit analysis	Impact definition Cost structure Indicator Average contribution margin per performance Measurement Cost accounting	
Targets with societal impact (Outcome)			
Impact definition Public discussion of opera-related topics in forums / discourses Indicator Number of relevant discussion forums in the internet Measurement Analysing search engines	Impact definition Positive effect of the opera experience on other areas of society and the economy. Indicator Number of opera CDs sold in selected local music retailers per year Measurement Analysing product range statistics	Impact definition Increase in donations for cultural matters Indicator Number of new members sponsoring the opera house Measurement Analysing member statistics	Impact definition Job as an artist, sound technician, set designer etc. becomes more attractive Indicator Number of members of the ensemble invited to visit schools per year Measurement Survey by the PR department
Targets with subjective impacts (Impact)			
Impact definition High degree of visitor satisfaction with service quality Indicator Number of critical events per 100 visitors Measurement Critical Incident Technique		Impact definition Latent willingness to promote the next level of quality through investments Indicator Willingness to pay Measurement Measuring willingness to pay	Impact definition Better reputation with artists; satisfied technical and service staff, as they can see their own contribution Indicator Index of producer's pride and staff satisfaction (Median and standard deviation) Measurement Standardised survey
Targets with objective impacts amongst recipients (Effect)			
Impact definition	Impact definition Increase awareness and prestige of the	Impact definition Greater identification of the opera	Impact definition Solid audience numbers and a good

<p>Visitors come more regularly</p> <p>Indicator</p> <p>Number of subscriptions</p> <p>Measurement</p> <p>Analysing the sales statistics</p>	<p>opera house in society</p> <p>Indicator</p> <p>Name recognition (%) of the opera house with local adults not interested in the opera</p> <p>Measurement</p> <p>Telephone interviews via aided awareness and image of cultural institutions with non-consumers</p>	<p>association with the opera house.</p> <p>Indicator</p> <p>Number of participants in events organised by the opera association</p> <p>Measurement</p> <p>Counting</p>	<p>reputation make it possible to be an attractive employer even for top artists.</p> <p>Indicator</p> <p>Number of offers from excellent opera houses that have been declined</p> <p>Measurement</p> <p>Staff survey</p>
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Tab.1: NPO-Controlling system for an opera house: impact dimensions

3.2 Church deanery

The church deanery is also situated in a big city and characterised by falling numbers regarding mass attendance, members, income, employees and volunteers. At the same time, however, there is a certain spirit of optimism and the people responsible are willing to formulate the church's services in a stakeholder-specific manner. For the first time in 2,000 years, controlling is being established.

Targets with quantitative focus (Output)			
Direct impact recipients	Proxy stakeholders, society, environment	Financiers	Members/internal stakeholders
<p>Impact definition</p> <p>Temporally clearly defined and stable services on offer</p> <p>Indicator</p> <p>% of church members in samples that know the structure of services on offer</p> <p>Measurement</p> <p>Aided and unaided standardised market research</p>	<p>Impact definition</p> <p>Broad range of services with resonance in the target area</p> <p>Indicator</p> <p>Average degree of goal attainment in the customer segment</p> <p>Measurement</p> <p>Aided and unaided standardised market research</p>	<p>Impact definition</p> <p>Adhering to cost budgets</p> <p>Indicator</p> <p>% of budgets adhered to</p> <p>Measurement</p> <p>Household statistics</p>	<p>Impact definition</p> <p>Temporally clearly defined and stable range of services on offer</p> <p>Indicator</p> <p>% of services offered that would also run if there were no separate presence</p> <p>Measurement</p> <p>Test procedures in trial areas</p>
Targets with societal impact (Outcome)			
<p>Impact definition</p> <p>Active mission of believers spreads into the</p>	<p>Impact definition</p> <p>"Functioning churches" result in new groups of volunteers, new</p>	<p>Impact definition</p> <p>Assuming arthistorical renovation tasks by</p>	<p>Impact definition</p> <p>More "apostles"</p> <p>Indicator</p>

<p>community and influences behaviour</p> <p>Indicator</p> <p>Participation in church events and the number of events</p> <p>Measurement</p> <p>Church statistics</p>	<p>social services offered and more donations for the maintenance of church buildings</p> <p>Indicator</p> <p>Number of new volunteers per year.</p> <p>Measurement</p> <p>Survey of parish councils</p>	<p>means of corporate sponsorships.</p> <p>Indicator</p> <p>Number of donations and sponsorships</p> <p>Measurement</p> <p>Analysing the accounting at the church administration</p>	<p>% of school graduates deciding to pursue a church career. Number of new entrants at the seminary</p> <p>Measurement</p> <p>Standardised survey of graduating classes, church statistics</p>
<p>Targets with subjective impacts (Impact)</p>			
<p>Impact definition</p> <p>Members have found their favourite church, whose architecture, atmosphere and/or services are individually perceived as suitable.</p> <p>Indicator</p> <p>% of positive responses</p> <p>Measurement</p> <p>Telephone survey with partly standardised questionnaire</p>	<p>Impact definition</p> <p>Life is perceived as fulfilling and purposeful.</p> <p>Indicator</p> <p>Approval rating of "meaning items"</p> <p>Measurement</p> <p>Responses of focus groups consisting of committed people attending mass.</p>	<p>Impact definition</p> <p>Diocese sees the deanery as pilot model that should be promoted</p> <p>Indicator</p> <p>% of sponsorship applications granted</p> <p>Measurement</p> <p>Expert interviews with financial managers</p>	<p>Impact definition</p> <p>Employees see momentum and opportunities for individual development due to broad range of services.</p> <p>Indicator</p> <p>% of resignations and transfer applications due to unhappiness in the job</p> <p>Measurement</p> <p>Guideline-based interviews with former employees</p>
<p>Targets with objective impacts amongst recipients (Effect)</p>			
<p>Impact definition</p> <p>Broad range of masses with sufficient services offered for different religious milieus.</p> <p>Indicator</p> <p>Number of weekly masses with liturgical speciality</p> <p>Measurement</p> <p>Content analysis of the mass calendar</p>	<p>Impact definition</p> <p>"Functioning churches" result in new groups of volunteers, new social services offered and financial relief of the community's budget.</p> <p>Indicator</p> <p>Church services reported to the town's social database in an annual comparison</p> <p>Measurement</p> <p>Number of clicks on homepage</p>	<p>Impact definition</p> <p>Decreasing "liturgical unit costs" through more people attending mass</p> <p>Indicator</p> <p>Number of people attending on Sundays with a count</p> <p>Measurement</p> <p>Counting</p>	<p>Impact definition</p> <p>New impulses for church life by means of activated religious milieus.</p> <p>Indicator</p> <p>Milieu-specific quality of mass</p> <p>Measurement</p> <p>Likert-scale assessment of mass by those attending, i.e. a statement is to be evaluated and there are different options for answers, from 1 "I strongly agree" to 6 "I strongly disagree"</p>

Tab. 2: NPO-Controlling system for a church deanery: impact dimensions

3.3 Housing association

The housing association as a charitable enterprise aims to find a housing-policy answer to migration from abroad and the difficult integration of the migrants into metropolitan society. Based on strategic integration objectives, the NPO develops a housing model that consciously also takes into account the different interests of various stakeholders of the housing project.⁴

Targets with quantitative focus (Output)			
Direct impact recipients	Proxy stakeholders, society, environment	Financiers	Members/internal stakeholders
<p>Impact definition High capacity for advising and placing foreign applicants</p> <p>Indicator Number of applications with migration background handled</p> <p>Measurement Observing and documenting business transactions on selected days</p>	<p>Impact definition Optimum supply of newly constructed housing for problem families</p> <p>Indicator Social net value</p> <p>Measurement Calculating social return on investment</p>	<p>Impact definition Target-cost orientation in construction planning</p> <p>Indicator Realised costs/sqm</p> <p>Measurement Cost accounting</p>	<p>Impact definition Short waiting time for members of cooperative</p> <p>Indicator Average waiting time between application and moving in</p> <p>Measurement Silent shopper procedure (hidden customers)</p>
Targets with societal impact (Outcome)			
<p>Impact definition Decreasing housing shortage for low-income migrants</p> <p>Indicator Average waiting time between application and moving in</p> <p>Measurement Document analysis housing office</p>	<p>Impact definition Change in attitude towards migrants</p> <p>Indicator Segregation index in selected districts</p> <p>Measurement Statistical analysis of secondary data registration office</p>	<p>Impact definition Enforcing social housing construction</p> <p>Indicator Pertinent subsidies</p> <p>Measurement Analysing budget</p>	
Targets with subjective impacts (Impact)			
<p>Impact definition Migrant families feel at home in the residential environment</p> <p>Indicator</p>	<p>Impact definition Improved image of selected residential areas</p> <p>Indicator</p>	<p>Impact definition Conviction that subsidies are used sensibly and that migrants are a good, new customer group in this concept</p>	<p>Impact definition Members of the cooperative are proud of the housing integration model</p> <p>Indicator</p>

⁴ On the background see: Ludl, 2003.

Contact intensity in the neighbourhood Measurement Sociometrics	Price development of real estate Measurement Database request real estate sector	Indicator Investment rate for new projects Measurement Analysing board decisions	Number of presentations at events and excursions Measurement Analysing marketing report Increased work satisfaction; link of own work with success is perceived visibly
Targets with objective impacts amongst recipients (Effect)			
Impact definition Migrants receive good flats. Indicator Share of migrants in allocation of new flats Measurement Document analysis housing association		Impact definition Fluctuation costs are below average Indicator Average vacancy costs per 100 flats compared to the sector Measurement Data from accounting and benchmarking	Impact definition Membership structure of the cooperative resembles the ethnic mix in the area Indicator % divergence Measurement Secondary calculation of tenant and member statistics

Tab. 3: NPO-Controlling system for a housing association: impact dimensions

3.4 Socio-pedagogical children's home

The socio-pedagogical children's home knows the demand for pedagogical support and the resulting demand for infrastructure and personnel; also the quality of the pedagogical processes has been defined transparently, only the (verifiable) impacts of the socio-pedagogical institution remain unclear. It is exactly these impacts, however, the various stakeholder groups of the children's home are most interested in.

Targets with quantitative focus (Output)			
Direct impact recipients	Proxy stakeholders, society, environment	Financiers	Members/internal stakeholders
Impact definition Minimal waiting time in cases of acute need Indicator Time between first call for help and first provision of support Measurement		Impact definition Improving the child protection agency's cost prognosis Indicator Average costs per case Measurement	Impact definition Improving the ratio of indirect and direct working time per employee Indicator Share of working time spent without

Silent shopper test procedure		Cost object accounting	customer contact as a percentage of the total Measurement Working time analysis
Targets with societal impact (Outcome)			
Impact definition Better opportunities in life for the children Indicator Juvenile crime rate Measurement Social reporting	Impact definition Children off the streets, less juvenile crime, less child abuse Indicator Juvenile crime rate in the area Measurement Analysing annual report juvenile legal support agency	Impact definition Increased donations for children's care programmes Indicator Amount in EUR Measurement Analysing donation statistics	Impact definition Job as a "children's pedagogue" becomes more attractive Indicator Applicant numbers at universities Measurement Analysing student statistics
Targets with subjective impacts (Impact)			
Impact definition Children have a happy childhood and enjoy living at the home Indicator Frequency of identity of the home and subjective quality of life Measurement Interpreting thematic images	Impact definition Children's home is popular in the area Indicator School grades Measurement Telephone survey	Impact definition Donors are satisfied as they can see the effects of their donations Indicator Number of donors with standing orders Measurement Data from donation reporting	Impact definition High work satisfaction as staff can see their own contribution towards success Indicator EFQM points Measurement Self-evaluation methods and external evaluation
Targets with objective impacts amongst recipients (Effect)			
Impact definition Clearly detectable progress in the children's social behaviour and learning abilities Indicator % change values as an arithmetic mean Measurement Pedagogic competence scales		Impact definition Targets described in support planning are achieved in time Indicator % of cases on target Measurement Aggregated analysis of individual development reports	Impact definition Pedagogic success rate illustrated by little absenteeism Indicator Divergence of age-adjusted absenteeism from the industry average Measurement Analysing personnel statistics and benchmarking

Tab. 4: NPO-Controlling system for a children's home: impact dimensions

4 Conclusion

Of course, the classic controlling dimensions remain relevant and are integrated into NPO-Controlling. Impact controlling, although it is aware of the NPO's impacts on the various dimensions and for various stakeholders, of course also must monitor the production conditions of the NPO and inform about the NPO's efficiency.

Individual adaptation of impact dimensions is critical for success

In view of the thematic, organisational and conceptional diversity in the NPO sector, the present table is only a systematic framework that has to be treated differently in each individual case. Not every box can or ought to be filled in by every NPO and not every box is meaningful for every NPO. The table serves as a "MEMO key", as a memory box for controlling to keep apart the impact for the individual stakeholders equally precisely as the different impact dimensions. Controlling detects conflicting goals between stakeholders and possibly hints towards organisation-specific efficiency patterns if the impacts are related to the "classic" controlling dimensions.

Table as a MEMO-key

The second part of Figure 2 (NPO Impact Model) shows the organisation's production factors that have been classically recorded by controlling. Here, too, NPO specifics appear that derive from the diverse quality requirements from the production factors of the various stakeholders. Definitions of quality, according to the basics of quality management, are oriented towards customer expectations. With NPOs, however, these expectations often do not refer to the organisation's results as such, but to production itself. Therefore, and this is an important distinction for controlling, quite different definitions of efficiency can emerge. In other words: the manner of production can itself become an organisational objective.

Production itself can be a target

The process speed might be reduced through the intended employment of handicapped people, management is supposed to be handled by voluntary bodies, for ecological reasons the biotope is excavated not by machines but using spades and the church parish is proud to have hired an unemployed, single mother with migration background as a secretary, who has no idea about Excel but is very friendly.

Specific, desired inefficiencies

Behind every of these NPO-specific inefficiencies there is an NPO-specific efficiency, though it can be found on a different impact level. These inefficiency/efficiency shifts are particularities for NPO-Controlling that can be captured methodologically by making sure the stakeholder perspective is not restricted to the result dimension but extended to the "production process".

NPOs are often active in societal fields of activity where – merit, collective, public – goods and services are produced. This happens in the various forms of “non-market economies”, including subsidies, heavy government regulation, politically determined prices, demand orientation or the ready acceptance of making losses.

As a typical consequence for many NPOs, this results in an unawareness of a field-of-activity or industry-typical production function. The relationship between input factors and the Output are scientifically just as unknown as potential causal relationships between Output and qualitative impacts (Impact, Effect, Outcome). NPO-Controlling is (so far) still moving in the field of plausible impact relations and causalities; this is at least partly because controlling is still used so sparingly by NPOs that hardly any solid, empirically grounded knowledge on the productivity of NPO activities has emerged so far.

**Unawareness of
the production
function**

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Methods of impact measurement and documentation

The task of recording, analysing and integrating the impacts and effectiveness of organisations that are frequently removed from the market mechanism into reporting is often assigned to specialised research and regulatory institutions in the form of evaluation programmes.

Whether evaluating the care quality in old people's homes or the mathematical knowledge of students or the level of fish stocks in bodies of water: monitoring the results is not initiated by the old people's home, the school or the sewage plant; not the organisational controllers take care of the impacts and side-effects, but, as a rule, external institutions.

To determine the impacts of NPOs and integrate them into reporting requires controlling to have the methodological ingenuity to achieve an acceptable level of impact measurement using selected instruments. Controlling has to enable individual NPOs to monitor their own impacts without installing an extensive research apparatus. Therefore, in addition to their traditional tools of trade, NPO controllers also need to know methods and procedures to measure impact that are derived from empirical socio-economics and social research.

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1 Measuring impact: focus on effectiveness

“What cannot be measured, cannot be managed – and what cannot be managed runs counter to the claim to use financial means optimally.”¹

Drucker² has addressed the measuring of impacts and differentiated between effectiveness (target-output ratio) and efficiency (input-output ratio) using a simple play on words:

- Effectiveness: Doing the Right Things! Effectiveness is concerned with the degree of goal attainment and the question in how far the performance had the desired impact.
- Efficiency: Doing the Things Right! Efficiency compares output with input, or performance with the costs involved, and in many cases is the same as profitability.

In NPOs, in the sense of the impacts to be achieved, the main focus must be on effectiveness. To achieve the wrong things efficiently is still a waste of valuable resources

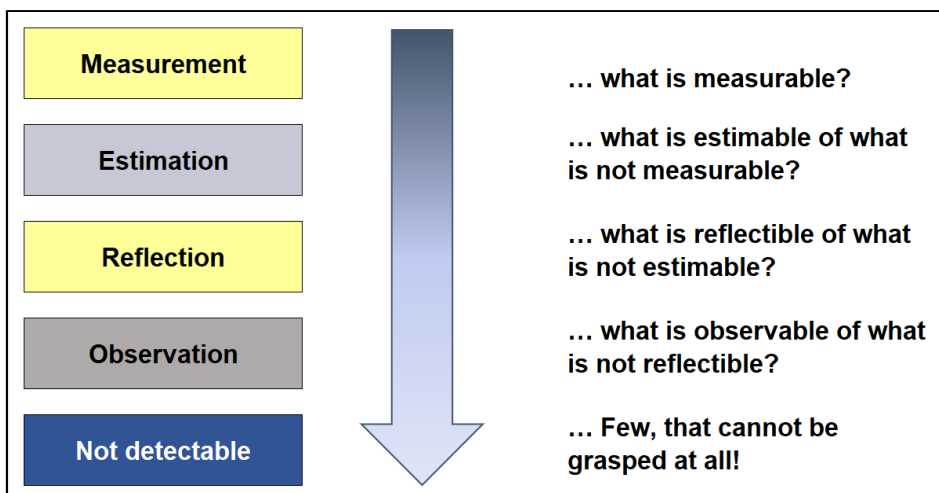


Fig. 1: How can goal attainment be measured?³

When taking a closer look at the methods and procedures used in the NPO field in order to determine and document impacts, there is a trend towards integrating also those impacts into procedures that cannot be measured exactly – latent impact constructs. For this purpose, estimation procedures supported by

¹ Bono, 2006, p. 141.

² Drucker, 1990.

³ Mangold, 2001.

standardised instruments are used, as are subjective assessment procedures, text analyses or observation methods.

Even though in these attempts to determine impact not only numbers but also sometimes texts and images are used, there is a clear methodological trend towards objectivising qualitative information. Qualitative information without doubt is getting more important in NPO-Controlling, but the clear distinction between hard and soft data, between qualitative and quantitative methods, is losing ground. Even the term impact measurement in the literature now also includes methodological approaches that, strictly speaking, do not measure.

Also using soft approaches

2 Approaches of impact controlling

Even though the terminology in impact controlling is not always clear-cut, it is still possible to distinguish randomised control-oriented evaluations that refer to single points in time and are mostly conducted externally from long-term outcome monitoring, or from performance measurement, which from the point of view of the stakeholders does not only monitor the impacts, but also the organisation-internal impact chains.

Making unclear terms more precise

Is it true, the control-oriented evaluation might ask, that the opera house has a name recognition of x %? And how has the make-up of the audience changed in the last five years? Are there trends in demand from which the opera house might be able to tell the impact of its programme? Such questions might be asked by outcome monitoring.

Performance measurement would go one layer deeper and look for explanations for the user structure in the service and management processes of the opera house itself.

2.1 Control-oriented evaluation

Evaluation is an umbrella term that is here interpreted as a procedure to measure and check the effectiveness and impacts of programmes and measures. The result of the measurement, assessment and appraisal of the performance, the impacts, the success and/or the efficiency/profitability of measures and programmes according to certain criteria is called evaluation, as is the process of measuring, assessing and appraising itself.

Evaluation as an umbrella term

Evaluation is an area with generally accepted and normalised

- usefulness standards,
- feasibility standards,

- correctness standards and
- accuracy standards.⁴

The problem for evaluation-oriented controlling is probably that there is no data collection method in psychodiagnostics, empirical social research, organisational and econometric research that does not also appear in the evaluation literature as an evaluation method. If now impact-oriented NPO-Controlling also wants to make use of the evaluation toolkit, this will result in enormous demands on the methodological competence of the NPO controller. Depending on one's point of view this is either an appealing extension or an unnecessary overload of controlling.

In the literature a large number of evaluation types is listed.⁵ For our subject, control-oriented evaluation is particularly important. Its main purpose apart from ensuring the profitability and legitimacy of a measure is mainly checking for success. Control-oriented evaluations enable controlling to make comparisons between planned and actual values, which can provide the NPOs with impulses for improving future performance.

Control-oriented evaluation is particularly suitable

2.2 Outcome monitoring

A method that cannot always fully be separated from evaluation is outcome monitoring, a systematic long-term observation or a temporary observation with the aim to

- safeguard certain target values are adhered to
- and/or detect positive or negative changes over time.⁶

In contrast to evaluation, outcome monitoring involves regularly recording impacts, without closely analysing the cause and effect relationships. Data collection takes place by means of adequate impact indicators within the organisation.

2.3 Performance management/measurement

You can't manage what you can't measure!⁷ And if you want to manage it, measure it! No matter whether it is designed more in the direction of evaluation or of outcome monitoring, impact-oriented NPO-Controlling can be facilitated if the NPO systematically orients its top-level decision processes towards the

⁴ Schenker-Wicki, 1996, p. 67 ff.

⁵ Vgl. Pachlatko, 2005, p. 41 ff.; Kromrey, 2000, p. 25 f.

⁶ Online Verwaltungswörterbuch, keyword „Monitoring“

⁷ Roos et al., 1997, p. 7.

stakeholder-related target definitions. Controlling is then able to analyse and assess the performance of all NPO processes as the respective contribution towards attaining goals.

“The performance of the company as a system and within the system of its environment is determined by

- the company’s efficiency in transforming resource inputs into desired outputs and
- the effectiveness with which the expectation inputs can be satisfied with the outputs generated.”⁸

As obvious as this may sound, it might still be interesting for NPOs. After all, performance measurement should not be seen from a purely financial point of view, but multi-dimensionally, as the “establishment and use of mostly several quantifiable measurement units of different dimensions that are used to assess the effectiveness and efficiency of the performance and performance potentials of various objects in the company.”⁹ Atkinson et al. make four demands from such a performance-management system:

1. The measurement of stakeholders’ contributions must be ensured. If this is not the case, corrective measures must be taken.
2. The evaluation of outcomes/impacts provided to the stakeholders in exchange for their contributions must be supported by the performance-management system. If there are divergences, adaptations are required to safeguard achieving the primary goals.
3. Flaws in the cause and effect chains can be found by regularly comparing the planned data with the actual performance and then have to be rectified in a re-design process.
4. The performance-measurement system should be provided as the basis for a learning organisation. Apart from the primary organisational objectives, also secondary targets are checked regularly.¹⁰

⁸ Wunderlin, 1999, p. 33.

⁹ Gleich, 2001, p. 11 f.

¹⁰ Atkinson et al., 2007, p. 30.

These demands show the conception of NPO-Controlling, which combines the impact information gathered in evaluation and monitoring with an organisational model, which systematically strives for and monitors stakeholder-related impacts.

3 Methods of impact analysis

3.1 Socio-economic methods of impact analysis

■ Cost-effectiveness analysis

Cost-effectiveness analysis has the task of recording the non-monetary impact components of NPO activities and comparing these measurable values with the respective costs.

Example: How much does it cost to reduce infant mortality by 10%?

■ Cost-utility analysis

With this method, different non-monetary impact components are weighted with a factor regarding their relative importance for utility and then evaluated on a scale regarding their degree of goal attainment.

Example: Which of the alternative locations is best suitable for a mosque?

■ QUALY concept

A method to assess alternative actions or treatments where the residual life expectancy is put into relation with quality of life effects.

Example: Is chemotherapy worth it from the perspective of quality-adjusted years?

■ Social return on investment

In this concept, the impacts of social NPOs are measured as value added and included with the capital invested, so that an organisational value can be determined for the respective NPO.

Example: What socio-economic value added can be assigned to a sheltered workshop?

■ Measuring willingness to pay

This aims to measure quality of life as an intangible state, not traded on any market, in monetary units. The impact is defined as the difference of the sum of the

maximum individual willingness to pay for situation A and the sum of required financial adjustments to maintain the welfare level of the “losers”.

Example: What would be the maximum acceptable price for perfect cleanliness in the residential environment?

3.2 Service quality-related impact measurement: incident-oriented approaches

■ Analysis and evaluation of particularly relevant events

By analysing and evaluating particularly relevant events in the contact with stakeholders and/or while providing services, the perceived service quality of the NPO is projected. Exceptionally positive events and particularly negative incidents are identified. Typical incident-oriented methods include:

- Complaints analysis
- Critical incident technique
- Sequential events prediction.

Example: What are the experiences of tenants (when/where/with whom/of what importance) when they make an application at their housing association?

■ Attribute-oriented approaches

These methods work out the total quality of an NPO by assessing the various quality building blocks. Lists including the various elements of service quality are prepared, which are then evaluated by the stakeholders. Typical procedures are:

- Servqual model
- Vignette method
- Penalty reward method
- Frequency-relevance analysis

Example: How satisfied are students with the quality of their studies at university? What dimensions are critical for assessing quality?

3.3 Benchmarking procedures

■ Database-supported, multidimensional benchmarking

Systematic, database-supported benchmarking determines impacts and effectiveness of NPOs almost “naively”. For the various dimensions of the NPO, standardised measuring instruments are used, which results in a multitude of individual data. These data, but also KPIs built on them and multidimensional indicators, are benchmarked under the participating NPOs using mean values and measures of dispersion.

■ Case-aggregated benchmarking

With NPOs, the organisational impact can also be constructed as the aggregate measure of individual cases over time regarding intended changes. Using fixed, defined standards and sufficient inter-subjectivity, problem situations are to be detected and measured. If in individual cases there are no good indicators, test constructions can be used where homogeneous individual items are grouped into overall scores. Also thinkable are rating methods with appropriate scales.

3.4 Other impact analysis approaches

The following approaches can be used to answer analyses following the question pattern: how relatively handicapped does a blind person feel compared to the medical degree of handicap?

- The utility-theoretical measurement of the quality of life, which tries to combine individual and statistical views of utility into overall values.
- The rating-scale method, measuring perceived states of quality of life on percentage scales.
- The standard gamble method, measuring the utility expected value.
- The psychometric measurement of quality of life.

The following methods of analysis can, for example, be used to answer questions following the pattern: do opera subscribers in their bathtub sing more emphatically than the control group?

- Performance tests
- Participant and non-participant observation methods
- Document analysis
- Qualitative, content-analytical text analysis
- Quantitative text analysis
- Psycho-physiological measurements

- Sociometric measurements
- Standardised survey
- Partially standardised survey
- Group discussions
- Narrative interview

4 Further use of controlling impact indicators

Empirically gathered information on impacts can easily and usefully be integrated particularly into two management instruments in a condensed form as indicators.

On the one hand, empirically derived impact indicators for the EFQM model are a real gain. Especially in the NPO sector, the EFQM model is much appreciated due to its multi-dimensionality and often practised in quality management. As the impacts of NPOs for different stakeholders have to be particularly monitored and measured, and the organisational impact relationships are rather recorded indirectly by means of measuring plausible impact variables, impact controlling and quality management make use of the same set of KPIs concerning impacts.

Performance quality is determined by various quality fields (activities) and in turn shows itself in different quality impact fields (results). In this respect, the EFQM model is an impact-oriented QM system that operates with assumptions on the plausibility of qualitative impact relationships.

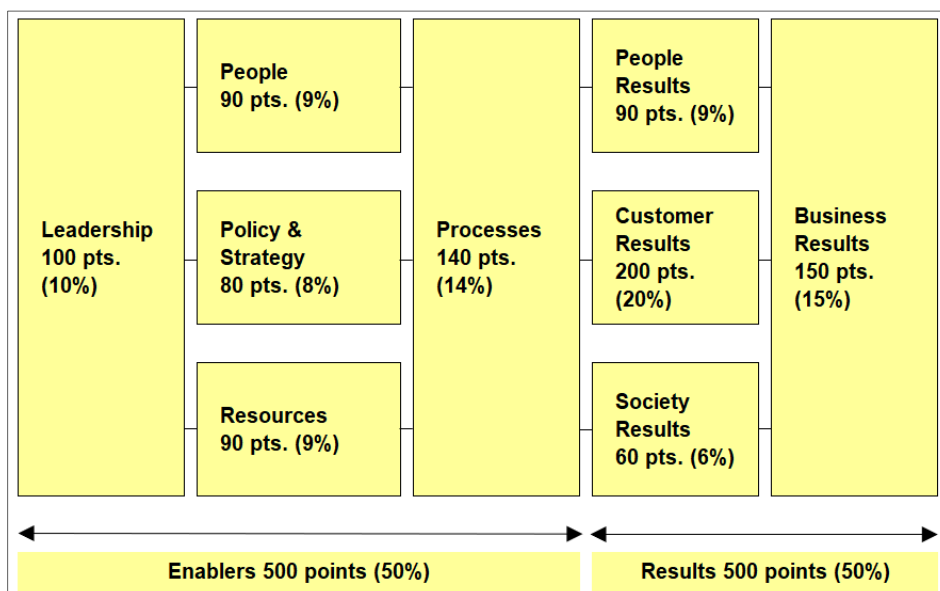


Fig. 2: EFQM model

Following this quality assessment, measures to improve the individual criteria are defined and integrated into the whole management process. What can be an

excellent methodological combination with EFQM is the Balanced Score Card, which has already been used by many NPOs as a strategic control instrument. In particular, the customer card can be constructed as a target card for intended impacts. The targets for individual stakeholder groups could be shown; also possible is a customer card organised along the impact dimensions of Outcome, Effect and Impact.

As in the NPO field, as shown in detail above, thinking about the organisation's mission in first synapses leads to the stakeholder card rather than the finance card, it would be a very innovative improvement for NPO Balanced Score Cards if controlling provided impact indicators, as NPOs often make do with demand-oriented targets on the customer card.

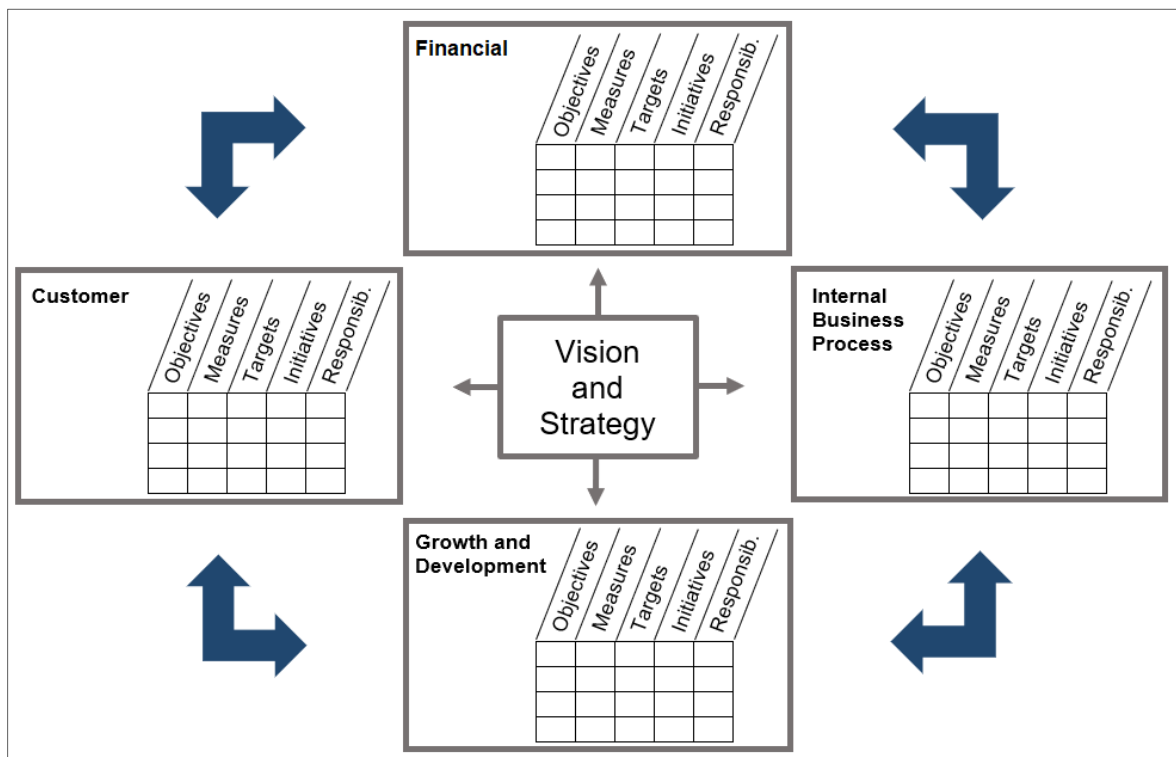


Fig. 3: Balanced Scorecard

5 Preparing a scorecard – how to proceed

1. Formulating the NPO's mission

The cathedral choir in the diocesan town sees itself as a high-class vocal ensemble with the tasks of participating in selected ceremonial masses, giving individual concerts in the cathedral, and participating in masses in the diocese on request. More as a side product, also music composed by the cathedral's master of music is rehearsed and performed.

2. Translating the mission into strategy

The cathedral choir focuses on High Mass in the Easter, Advent and Christmas periods, to refinance public concerts in the cathedral with special emphasis on classical church music and offers the individual deaneries in the diocese the option to perform every other year.

3. Translating the strategy into impact targets and indicators using the example of the stakeholder group “diocesan management”

a) Stakeholders A-D/Effect

Impact target: qualitative enrichment of liturgy.

Indicator: difference in the number of people attending mass with and without the cathedral choir

b) Stakeholders A-D/Impact

Impact target: image transfer of the choir quality to the diocese.

Indicator: number of positive print, radio and TV reports in a year

c) Stakeholders A-D/Outcome

Impact target: the cathedral choir becomes a trademark of the city.

Indicator: number of clicks on the English-language cathedral choir website

d) Stakeholders A-D/Output

Impact target: performance output.

Indicator: number of visitors per year.

4. Translating the indicators into impact values

a) On average plus 200 visitors

b) 100 TV minutes, 50 relevant articles in daily newspapers, 200 radio minutes

c) 50 clicks per month

d) 5,000 visitors per year

5. Considerations how impacts can be empirically determined in each case

- a) Mass statistics
- b) Analysis PR office
- c) Website counter
- d) Tickets sold and mass statistics

6. Translating the mission into a “target value” on the IGC controlling spiderweb (example dimension)¹¹

Dimension volunteers/employees: the cathedral choir would like to use employees for management and the position of master of music. It would also like half of the choir members to have some formal vocal training. The target value thus is almost halfway between volunteers and employees.

7. Determining the actual values on the NPO spiderweb

In fact, only a third of the master of music position is funded; management is handled by volunteers. The singers should all have some relevant vocal training, but in fact only half the members fulfil this requirement. Therefore: on this spiderweb dimension, having discussed this, the actual value entered will be clearly in the direction of volunteers.

8. Determining the difference between planned and actual values on the spiderweb

Between the self-concept and desire for more professionalism and employees, on the one hand, and the actual state that is defined by mostly volunteers, on the other, there is a gap of a fictitious 3 points on a 10-point scale.

9. Determining the accepted efficiency losses involved

Certain efficiency losses are thus present in the (commercially usable) output, in the diocese’s travel management, but also in the repertoire, as not all desired parts can be casted in sufficient quality.

10. Balancing der stakeholder-related impact targets with the “accepted efficiency losses”

¹¹ See “Depicting the Specifics of NPOs by Using a Spiderweb Model” in this volume, p. 22.

The target of “liturgical enrichment” can be achieved with the means available; the desired (also international) image transfer and the (also international) improvement of the town’s name recognition, however, probably cannot be achieved to the extent desired without extending the employment structures. The output and the stabilisation of the organisation’s internal contribution towards funding, though, are probably realistic with the given performance structure.

11. Selecting the target dimension particularly important for the respective stakeholder group

For the (four) stakeholder groups there are four target dimensions in the IGC model, giving a total of 16 target fields. At this point, roughly five of these should be selected for the Balanced Scorecard.

12. Transferring these relevant values to the customer card and the finance card of the Balanced Scorecard

- Customer card: qualitative enrichment of the liturgy. Indicator: difference in the number of people attending mass with and without the cathedral choir. Target value: arithmetic mean 200
- Finance card: share of internal funding through ticket sales. Indicator: %. Target value: 15%

13. Transferring the internal spiderweb target values to the process card and the finance card of the Balanced Scorecard

- Process card: organising an acceptable travel management for an average of four one-day trips in the diocese. Indicator: time spent on travel management/journey. Target value: 5 hrs.
- Finance card: financial effort for travel management. Indicator: hours worked by employees. Target value: 0 hrs.

14. Transferring the planned values from the NPO spiderweb as indicators for performance drivers to the fields on the left-hand side of the EFQM model.

- Resource field: employee hours/year; volunteer hours/year for organisation, management and directing the choir.
- Employee orientation field: percentage of choir members with vocal training

15. Transferring the impact values as indicators for performance results from controlling to the fields on the right-hand side of the EFQM model.

- Business result card: number of visitors/year; share of internal funding
- Customer satisfaction: number of people attending mass due to the cathedral choir

6 Conclusion

Given the multitude of potential target formulations in the NPO sector, controlling needs a set of instruments to methodologically capture all kinds of targets. These include

- Socio-economic methods aimed at cost-effectiveness;
- Methods from service management that refer to service quality;
- Benchmarking methods that analyse impact as benchmark and
- Empirical instruments from “classic” empirical social research.

In this regard, NPO-Controlling is absolutely dependent on extending the limits of controlling methodologically in order to become the “company expert” for measuring impact. This methodological ability of controlling in turn influences other management procedures used in NPOs: integrating impact targets into scorecards and integrating impact-related indicators into ISO- or EFQM-oriented procedures in quality management.

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Levels of responsibility of the controller for measuring success and impact controlling

For controlling in non-profit organisations no separate controlling theory, no separate controlling concept, no separate controller self-concept and no separate methodological controlling construct is required.

- Also in NPOs, controllers ensure the transparency of strategy, business results, finance and processes and so help increase profitability.
- Controllers coordinate sub-targets and sub-plans in a holistic way and organise a reporting system that is oriented towards the future and covers the enterprise as a whole.
- Controllers moderate the management process of setting objectives, planning and control so that every decision-maker can act in a goal-oriented manner.
- Controllers render the necessary service of providing all relevant data and information to managers.
- Controllers also develop and maintain the controlling systems.

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1 System responsibility

According to Rieder¹, one of the controller's levels of responsibility is system responsibility. This includes the selection, construction and further development of management-support systems in the area of results and performance:

- Designing cost accounting systems taking into account the aspects of responsibility, influenceability and comparability of planned and actual states
 - Cost centre/types definition and classification, cost object classification
 - Consolidation options according to the hierarchy
 - Measuring performance in the fields of production and administration (standards of performance)
- Developing short-term profit analyses, particularly multi-stage breakeven analyses
- Constructing supplementary KPI systems and indicator systems with
 - Input and output indicators,
 - Process and profitability indicators,
 - Effectiveness indicators.
- Developing cost/effect calculations
- Constructing a project planning and project monitoring system.
- Consistently using dynamic capital budgeting methods to assist decision-making.

In addition, there is the selection and development of IT tools that make the use of the instruments listed above possible in the first place, as well as training managers in the use of the instruments.

Controlling develops recommendations for describing stakeholder-related impacts, distinguished by Impact-, Effect- und Outcome targets and operationalises these targets by means of KPIs and indicators. In addition, measuring instruments are developed and existing measuring methods are used that are suitable to measure the specific NPO impacts.

**Functional tasks
of the controller**

¹ The following text is taken from the Controller-Leitfaden by Siegwart/Rieder. Rieder, 1997, p. 49 ff. Only the additional remarks on NPO-Controlling have been made by the authors of this volume.

The NPO controller integrates these indicators and KPIs from impact measurement into “classic” controlling.

Integrating impacts

2 Planning responsibility

It has to be ensured that there is a planning system that is properly understood and put to use:

- Consistently developing the instruments for calculating planned and actual values.
- Defining overall consolidation structures in accordance with products, performance and hierarchy.
- Creating simulation models to support setting objectives.
- Supporting managers in the overall management process through agreeing on goals, particularly when setting and formulating objectives and targets in the area of results and performance.
- Initiating and moderating the strategic planning process.
- Regularly and critically questioning the task programmes of the administration and disclosing the changing needs of the citizens in the sense of an early warning.
- Recording and monitoring the development of strategic premises (documentation function).
- Clean qualification of the performance mandate.
- Planning and operationalising the impacts.
- Making forecasts.

Included in this planning task are the organised attention to the relevance of the NPO’s mission, for the strategy development building on it and its translation into impact controlling.

3 Advisory function

Controllers in NPOs have the role of an advisor:

- Supporting the managers in comparing planned and actual values and in evaluating corrective measures.

- Supporting the managers in quantifying forecasts.
- Training the managers in connecting business concepts.
- Quantifying the costs of new statutes and regulations to support decision-making.

Introducing impact-oriented controlling in NPOs has not just a methodological aspect, but also a cultural one. The controller has to make the organisation's managers understand that it is not enough to simply define and establish targets, but that these targets also have to be checked empirically.

The controller might appear to be a representative of an unknown culture that incorporates obligation, precision and effectiveness and potentially even an alien element in an organisation defined by solidarity. For the controller the task is both to compare planned and actual values at the results level and to extend this procedure to the organisation itself. The spiderweb model² aims to support the integration of the cultural self-concept of the NPO into controlling.

Controlling as an alien element or a gain?

The managers have to learn to understand that controlling is more than just monitoring and managing financial data and see impact controlling as a management instrument rather than an externally imposed accountability instrument. And when controlling is appreciated as an indispensable procedure to monitor the organisational identity of the NPO's character, controlling in NPOs also becomes a warning service for developments in the NPO.

In their advisory function, controllers also have to adjust to volunteers as managers in NPOs for whom commercial thinking is unknown or even objectionable. Therefore, NPO-controlling has to be able to connect to the different thinking habits of the NPO stakeholders.

The specific complexity and inconsistency of the NPO objectives, conflicts between volunteers and employees, between different political and organisational actors make the controller a "sparring partner" of the NPO, whose understanding of advising has to serve various different perspectives.

Controller as a sparring partner

² See "Depicting the Specifics of NPOs by Using a Spiderweb Model" in this volume, p. 22.

4 Directive Responsibilities

- Establishing requirements for allocating costs and revenues (cost type-, cost centre-, cost object-, revenue object accounting).
- Preparing requirements for recording performance and determining quality standards.
- Determining content and frequencies in reporting.
- Designing forms and dates for the process of strategic and operational planning.
- Establishing the procedure for initiating and processing investment proposals (calculation methods, requirements, quality of reasoning).
- Publishing and maintaining guidelines for inventory valuation for accounting.
- Determining methods and rates used for imputed depreciation and interest.
- Defining the processes for determining the internal transfer prices (e.g. for exchanging services between departments).

The NPO controller, more than the classic controller, faces a communicative task that starts with the design of a potentially contradictory target system and does not end with the use of methods unusual in classic controlling.

Because the results of controlling have to be made accessible for the different stakeholders in a form of recipient-oriented reporting and translated into the language of the recipient. These abilities to develop and standardise a reporting system suitable for the NPO will greatly improve the cost-oriented image of the controller.

5 Summary

Even though controlling in NPOs, in contrast to “classic controlling”, has to monitor

- other things,
- other stakeholders,
- other impact relationships and
- other impact dimensions,

the NPO controller still is a controller with all the typical functions for a company. Yet in NPOs controlling does lose its narrow focus on costs and expands, Conceptionally and methodologically, into a platform in the organisation where multi-dimensional impacts meet. These then have to be analysed, combined and fed into the organisation, so that the NPO knows its impacts and also knows why it has an impact.

6 Literature

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Glossary

Benchmarking

is a continuous comparison of products, services, costs, performance, impacts, processes, technologies and organisational structures based on KPIs in order to systematically close the performance gap to the best competitors. The basic idea is to determine what differences there are, why they exist and what potential for improvement there is.

Cameralistics

is the classic accounting system of the public sector, which is restricted to recording the planned amounts stated in the budget, the actual expenditure and the balance. Not taken into account are the output, efficiency and any changes in value caused by using up resources.

Controlling

as a business tool supports management by providing information and advice in the (profit) target-oriented control of entrepreneurial value creation. It consists of the two sub-concepts of operative and strategic controlling.

Contribution margin

refers to the gross profits determined under marginal costing and thus shows how much the revenue of the organisational unit can contribute towards covering the fixed or overhead costs.

Critical incident technique (CIT)

is a half-standardised method for the empirical analysis of processes. Its basic idea is to classify certain behaviours and critical incidents regarding their importance for attaining goals of the organisation.

External effects

are the uncompensated effects of economic decisions on uninvolved market participants. They are not included in the decision-making process of the person causing the effects.

Input

refers to the resources used in order to produce the output; hence everything that is included and used in a work process, such as work, energy material, or information.

Incidence rate

expresses the frequency at which a feature, a defect or an illness occurs within a population and period of time.

Merit goods

are generally private goods that are sponsored by the state, which is justified by arguing that, due to distorted preferences of the citizens/consumers, demand in the market would result in a lower degree of provision, which is politically undesirable.

Non-profit organisations (NPOs)

are organisations that, partly or wholly, are not profit-orientated. With NPOs the focus is not on making profits, but on organisation-specific, non-profit targets and objectives.

Output

refers to the number or amount of product turned out within a period.

Public goods (collective goods)

are – in contrast to private goods – characterised by the impossibility of excluding others from using them.

Profitability

is the ratio of a performance indicator to the capital employed in an accounting period.

Rent seeking

refers to the attempt of certain actors to influence policy by using resources in order to improve their own chances of making profit in the market segment by means of politically obtained privileges. The resources used for this are, from an economic point of view, wasted, as they are removed from the production process.

Return on Investment (ROI)

is a measure of a company's profitability. It shows the profit it has made on the total capital invested.

Segregation index

is a measure to describe the (uneven) spatial distribution of sub-groups (e.g. social or ethnic groups) across sub-areas (e.g. census areas, housing blocks) of a region (e.g. city).

Stakeholders

are interested groups, individuals or enterprises with a rightful interest in a company's or organisation's activity.

Target Costing

shows what costs can be allowed to incur for a project to be developed if the product characteristics are seen from point of view of the customers' benefit, the price they are willing to pay and the desired return on sales. Target costing is therefore market-driven target-cost planning that controls the whole production process.

Third sector

refers to a societal area that is characterised by the coexistence and cooperation of market mechanism, state control and provision, and work in communities and families, but no one of these mechanisms prevails. The term third sector is also used for enterprises whose primary goal is not making profits but providing services oriented towards non-profit targets and objectives.

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Abbreviations

AG	Aktiengesellschaft (Public limited company)
BSC	Balanced Scorecard
EFQM	European Foundation for Quality Management
FER	Fachempfehlung zur Rechnungslegung (Professional recommendations on financial statements)
GAAP	Generally accepted accounting Principles
IGC	International Group of Controlling
NPO	Non-profit organisation
PO	Profit organisation
SROI	Social Return on Invest
ZEWO	Zentralstelle für Wohlfahrtsunternehmen (Central Office for Charitable Organizations)