



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

CAN THEY SEE THE FOREST FOR THE TREES?

- A CONTINGENCY PERSPECTIVE ON THE CONTROL PACKAGE OF A NON GOVERNMENTAL ORGANIZATION

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ABSTRACT

Title: Can they see the forest for the trees? – A Contingency Perspective on the Control Package of a Non Governmental Organization

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Problem discussion: Management control has primarily been used in contexts of for-profit organizations. The result of this is that the control concepts in nonprofit organizations are often not as well developed as their for-profit equivalents. Due to this, it is common that nonprofit organizations struggle with control problems. A sector that struggles with this problem and have been blamed of inefficiency are Non Governmental Organizations (NGO:s) and charity organizations. NGO:s have recently faced an increasing pressure from donators to show achievements. The consequence is that NGO:s implement control systems to show and ensure achievements but do not always reflect on the control consequences. To reach this required efficiency, an organization needs to have a properly designed control package that takes into account contextual factors and makes sure that there is a fit between control elements in order to direct employees toward the organizational objective.

Purpose: The purpose of this thesis is to describe and analyze how contextual factors affect the control package of the NGO Vi Agroforestry. Further, the degree of internal fit in the control package is assessed, and suggestions are provided on how it can be improved.

Delimitations: This study focuses exclusively on nonprofit NGO:s and only concerns the employee behavioral part of the control package.

Methodology: Through a qualitative research method and an abductive approach, we have conducted a case study on Vi Agroforestry. The empirical data was collected from observations on the case organization and twelve semi-structured interviews with individuals on all organizational levels.

Conclusion: This study indicates that dependence is an important factor to consider when designing control packages in NGO:s. To satisfy donators, NGO:s implement control systems to align with the requirements of what donators require. This results in too comprehensive and formal control packages that are costly for the organizations and create unintended behaviors. Further, this study shows the importance of considering the entire control package relationship with dependence and not only the formal elements of the control package.

Proposals for further research: Most of the theories about contingency factors relate to for-profit organizations, so our suggestion is to investigate how contingency factors can be adjusted to describe the control package of NGO:s. Further on, we propose an investigation of how dependence forces NGO:s to implement control systems and how organizational behaviors is affected.

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Kisumu, 10th of June, 2010

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... Now when we have your attention we would like to take the opportunity to proclaim how important the activities of Vi Agroforestry are and how much difference they make. You can support them by planting a tree or making a donation. For more information: www.viskogen.se

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CHAPTER ONE INTRODUCTION

In the first chapter the problem background of this thesis is presented. This problem background leads to the problem and the purpose of this thesis. Further, the definitions of the common vocabulary that is used throughout this study are presented. Finally, the delimitations and disposition of this study are provided.

1.1 PROBLEM BACKGROUND

An old Swahili proverb says, “*Penye nia, pana njia*” and means “*Where there is a goal, there is a path*”. Management control system (MCS) refers to all the devices, systems and influences, which the management uses to create a pattern for individual behaviors within organizations to strive against a common objective (Chenhall, 2003; Merchant & Van der Stede, 2007). The chosen control elements in an organization constitute the organizational control package (Abernethy & Chua, 1996). These days, organizations face a more complex environment, which results in change of the organizational structure, business processes and modifications of MCSs (Herath, 2006). The main focus, both in organizations and in the academia, has been on more formal types of control element. However, control elements have to be understood in a broader sense, since different control elements in the package affect each other (Brown & Malmi, 2008).

Western Europe and the United States have primarily placed management control concepts in the context of for-profit organizations (Hofstede, 1981). The result of this is that the control systems in nonprofit organizations are often not as well developed as their for-profit equivalents. Nonprofit organizations have been struggling more with management and control problems but they are still in the same need of good control (Merchant & Van der Stede, 2007). However, many researchers request more research about nonprofit organizations and in particular regarding their MCSs (Otley 1980; Chenhall, 2003). Some progress in the public sector has been made the last 20 years and a new trend called New Public Management (NPM) has reformed some parts of the public sector (Grönlund & Modell, 2006).

This new trend sources from the pressure on public organizations to become more efficient, effective and produce services with the same quality and quantity as before, despite the decreased dependence on taxpayers and their funds (Brignall & Modell, 2000). To be able to transform and meet this pressure, the public sector has implemented management control elements and techniques that are common in the private sector (Brignall & Modell, 2000; Grönlund & Modell, 2006). However, the result of NPM has not always been positive and some researchers proclaim that the new control devices create misbehaviors within the public organizations (Guthrie, Humphrey & Olson, 2001).

Another sector that has been inspected and blamed of inefficiency are non-governmental organizations (NGO:s) and charity organizations. During the last couple of years, there have been heated discussions about the efficiency in NGO:s use of financial funds received from governments and donators (Bolling, 2010; Carlsson, 2008; Göransson & Tham, 2010). NGO:s have started to face the same pressure as the public sector to show efficiency and effectiveness in their

programs or services. This has resulted in wide implementations of evaluation programs (Coghlan, Fine & Thayer, 2000). Efficiency, in a broad sense, refers to how the organization achieve the organizational objectives, (Grönlund & Modell, 2006) and according to Merchant and Van der Stede (2007) a properly designed MCS influence employees in organizations to achieve the organizational objectives. To describe a properly designed MCS, it has to take into account contextual factors and make sure that there is a fit between control elements (Chenhall, 2003; Brown & Malmi, 2008). Coghlan, Fine and Thayer (2000, p.333) have investigated the purpose with the evaluation program in NGO:s and their findings showed that 56 percent of the respondents implemented these programs to show the impact of their service or program, and 43 percent of the respondents that they measured achievements just because of the requirement from funders. A few percent said that they used evaluation as strategic planning, assess progress or assesses quality in operations.

In the perspective of what is mentioned above we found it interesting to study what happens with the control packages in NGO:s when stakeholders and funders raise their voices for efficiency even louder. The nature of NGO:s operations implies many difficulties to measure performance and it can be hard to find the usefulness of implementing evaluation systems . Our belief was that the implementation is just to satisfy donators and we had some doubts whether organizational needs were considered in the design. Our curiosity extended as far as what other effects donators might have on the control package and what other factors that might affect the design of the control package and thus, how all this affects control package outcome.

1.2 PROBLEM STATEMENT

This thesis investigates the design of control packages in NGO:s and those external and internal challenges that have been discussed in the research to find fit between different control elements and between the control package and contextual factors.

1.3 PURPOSE

The purpose with this thesis is:

“The purpose of this thesis is to describe and analyze how contextual factors affect the control package of the NGO Vi Agroforestry. Further, the degree of internal fit in the control package is assessed, and suggestions are provided on how it can be improved. ”

1.4 DEFINITIONS

Before introducing the reader to the studies that have been made about the topic, we want to present the choice of definitions to minimize confusions about the frequently used concepts within this thesis.

1.4.1 MANAGEMENT CONTROL & MANAGEMENT CONTROL SYSTEM

“Those systems, rules, practices, values and other activities management put in place in order to direct employee behavior should be called management controls. If these are complete systems, as opposed to a simple rule (for example not to travel in business class), then they should be called MCSs. Accounting systems that are designed to support decision-making at any organizational level, but leave the use of those systems unmonitored, should not be called MCSs and instead termed management accounting systems”

(Brown and Malmi, 2008,p.290)

There are ambiguous meanings of the terms management control and MCS (Herath, 2006; Samuelsson, 2001). We have chosen to use Brown and Malmi (2008) and their intention to narrow down the definition. Seen above, they have separated accounting systems between those that provide decision support and those who direct employees’ behaviors.

1.4.2 CONTROL PACKAGE

Our definition of control package is a chosen collection or set of control elements and systems with the purpose to create an integrated package that directs the organizational effort in the same direction.

(Abernethy & Chua, 1996; Samuelsson, 2001; Brown & Malmi, 2008; Sandelin, 2008)

Literature has discussed MCSs as a package for decades (Brown & Malmi, 2008) but there are vague definitions on what the difference is between MCSs, MCSs as a package and control package. Authors have used variations of definitions to describe MCSs and MCSs as a package, which makes differences blurry.

1.4.3 NON-GOVERNMENTAL ORGANIZATION

“Voluntary group of individuals or organizations, usually not affiliated with any government, that is formed to provide services or to advocate a public policy”

(www.britanica.com)

Most NGO:s are small, grassroots organizations that are not connected to international bodies (www.britanica.com).

1.5 DELIMITATIONS

Some non-governmental organizations are for-profit organizations but the vast majority is nonprofit organizations (www.britannica.com). This study focuses exclusively on nonprofit non-governmental organizations.

Some systems in organizations provide information to support decision making and others influence employee's behavior. Our definition of management control excludes the first systems and the thesis thus solely focuses on systems that intend to direct employees to make decisions in accordance with organizational objectives.

1.6 DISPOSITION

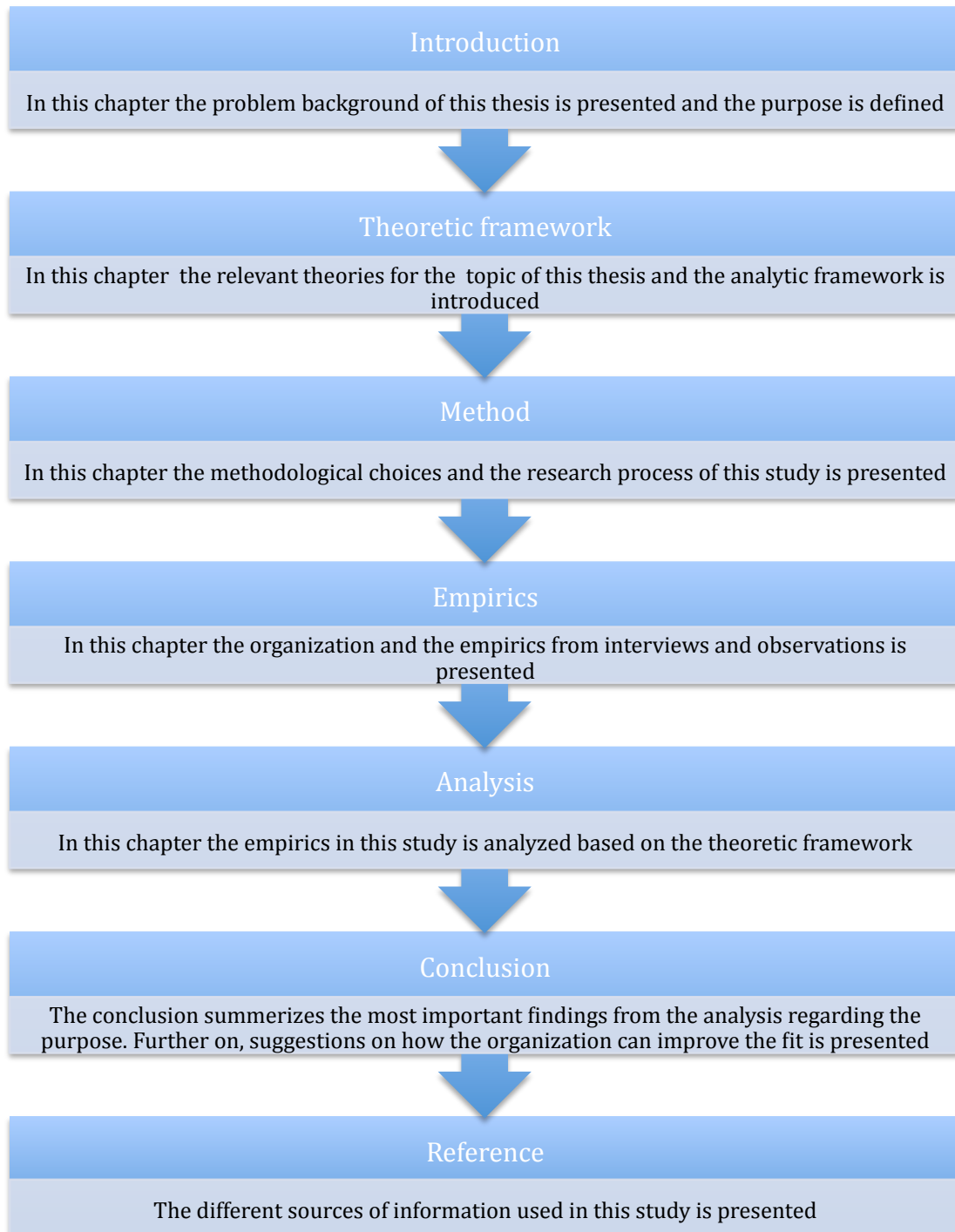


Figure 1.1: Disposition of this thesis, own construction

CHAPTER TWO THEORETICAL FRAMEWORK

In the second chapter the theoretical framework this study is based on is introduced. Theories about contingency factors are explained and related to how these factors might affect the organizational behavior. Further on, the different control elements of the control package and their component are presented. Finally, the concept of fit in a control package and the analytic framework are introduced.

2.1 CONTINGENCY FACTORS, CONTROL PACKAGE AND CONTROL PACKAGE OUTCOME

In designing, understanding and evaluating control packages it is important to comprehend situational factors that influence the control package. If the control package is designed with consideration to contingency factors and its different element are compatible with each other, this will increase the organizational efficiency (Otley, 1980; Fisher, 1998; Merchant & Van der Stede, 2007).

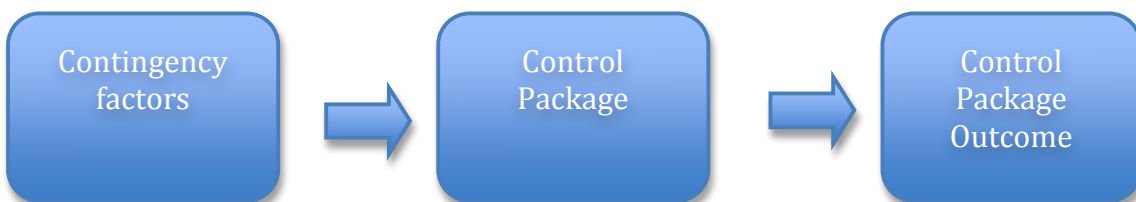


Figure 2.1: Contingency framework, own construction with inspiration from Otley, 1980; Fisher, 1998; Merchant & Van der Stede, 2007

Each element from the figure 2.1 is divided in to sub headlines and the reader is guided through each part. Further on, there is a discussion regarding the research and studies that have been conducted so far. Finally, a modified model is presented as the analytic framework.

2.2 THE OPEN RATIONAL PERSPECTIVE

Prior to 1960 most theorists assumed that organizations could be understood without taking their environmental context into consideration, and that internal processes and events were most important to the organization (Scott, 1981). From that date theorists increasingly recognized high interdependence between organizations and their environment. Scott (1981) defines the first dimension post 1960 as an open perspective, as opposed the closed system prior to 1960. The second dimension distinguishes between rational and natural systems. The rational system assumes that organizations are designed to achieve specific objectives purposefully and the natural system is an opposite system where unplanned and spontaneous processes are of importance.

Scott (1981) expresses how the most important feature of the open-rational approach is the recognition of important environmental forces to which the organization must adapt. According to Berry, Broadbent and Otley (1995) it was not until early the 70s that the movement towards the open perspective surfaced. Prior to this, the recognition of an external environment had never been strong in the MCS literature. Further on, more significant is the development of the contingency theory of MCSs (Berry, Broadbent and Otley, 1995).

2.3 CONTINGENCY FACTORS

In studies of MCSs there has been a long tradition of contingency-based research (Chenhall, 2003). According to Otley (1980) the contingency approach to MCSs is based on the idea that there is no general appropriate accounting system that can be applied in the same way in all organizations. This is due to the fact that all organizations operate under different organizational settings and consequently research and practice of management control needs to recognize organizational environments (Berry, Broadbent, Otley, 1995). A better match between the contextual contingency and the MCS is assumed to create increased organizational performance (Fischer, 1998). A proper design of a MCS is influenced by the context in which they operate (Samuelsson, 2001; Chenhall 2003). This implies that there has to be some contextual variables to consider while designing a MCS for any organization. These factors are explained at length in the following sections.

To find out specific and relevant aspects of contingencies is somewhat difficult since many of these factors are related and interact with each other to create MCS-related effects (Merchant & Van der Stede, 2007). In addition, one contingent variable might be more or less correlated to other contingent variables (Fischer, 1998).

2.3.1 UNCERTAINTY

In the dawn of contingency research most of the efforts were focused on uncertainty, which is one of the most researched aspects of environment (Chenhall, 2003). Fischer (1998) discusses the contingent variable uncertainty and defines the major sources of uncertainty to include external environment and task uncertainty. Task uncertainty is derived from individuals' beliefs of cause-and-effect of their actions taken and when individuals are uncertain of a consequence of action incomplete knowledge exists and there is high task uncertainty (Hirst, 1981). Relationship with customers, suppliers, job markets and governmental agencies are all examples of underlying facets that have impact on environmental uncertainty (Fischer, 1998). Merchant and Van der Stede (2007) provide the similar factors but add natural conditions such as the weather to the list of reasons for uncertainty.

Chenhall (2003) has some propositions regarding MCSs in combination with the external environment. To be able to handle an uncertain environment, MCSs is designed to be more open and externally focused. Despite this, the more hostile and turbulent the organization finds the external environment; they tend to stress traditional budgets and formal controls. In uncertain environments where MCSs is focused on tight financial control, they are used together with and place an emphasis on interpersonal and flexible interactions.

Environmental uncertainty may require responsive organizations to have more empowered employees, which means less use of accounting controls (Brown & Malmi, 2008). According to Merchant and Van der Stede (2007) uncertainty has effects on decision-making, organization structures and communication patterns that affect the task complexity for management. If organizations face relatively high uncertainty they tend to decentralize their operations, make important

decisions only after consultations among larger groups of managers and have participative, relatively bottom-up planning and budgeting processes.

2.3.2 DEPENDENCE

Organizational dependence is a reflection of an organizations relationship with other organizations such as customers, suppliers, labor unions, competitors and political and social organizations (Pugh, Hickson, Hinings & Turner, 1969). The authors distinguish between dependence on the mother organization and dependence on other organizations. Dependence on other organizations takes suppliers and customers or clients in the consideration.

According to Ebrahim (2005) there is resource interdependence between NGO:s and their donators since NGO:s rely on funding from the donators and the donators rely on NGO:s for their reputations in development activities. Oliver (1991) distinguishes between institutional and resource dependence. Scott (1987) defines institutions as governmental agencies, regulatory structures, laws, courts and professions. The institutional view draws attention to the impact on organizational behavior from state, societal and cultural pressures, as opposed to shortage of resources and market forces.

Oliver (1991) provides several different strategic responses that organizations may take to handle the pressure from the institutional environment. One of these is acquiesce. Acquiesce may appear in different forms and the most active one is compliance. This is defined as conscious obedience to or incorporation of values, norms or institutional requirements. It is a strategic and conscious organizational choice to comply with institutional pressure in expectation of self-serving benefits that might be everything from social support to resources and predictability.

The likelihood that organizations will conform to institutional pressure depends on the degree of discrepancy between organizational goals and institutional requirements. In interaction with the probability that different institutional constituencies create internal conflict between simultaneous incompatible goals, and to what extent the organization is dependent on the pressuring institutional constituents for its economic viability and legitimacy (Oliver, 1991).

Organizations with a high degree of independence have more autonomy and typically decentralize decisions down the hierarchy whilst their dependent counterpart have a more centralized authority structure and less autonomy in decision making (Pugh et al, 1969). Publicly accountable organizations are more likely to be dependent on outside power, with government owned organizations as the extreme case. In addition, in the perspective of publicly owned organizations, dependence causes centralization of authority since the pressure for public accountability requires central committees to approve many decisions (Pugh et al., 1969).

2.3.3 NATIONAL CULTURE

Since the development of multinational organizations over the past 20 years, culture has become more important (Chenhall, 2003). In 1983, Hofstede introduced national cultures as a contingency variable in management

principles. The essential idea is that there are distinguished ways of thinking that are general for most of the inhabitants in one country and can be considered as a part of their national culture (Hofstede, 1983). In this line of reasoning it is predisposed that individuals from different cultures tend to respond in different ways to MCSs and that national culture is associated with the design of MCSs (Chenhall, 2003, Van der Stede, 2003). However, research findings have been unable to provide distinct conclusions whether culture have any impact on MCSs or not (Chenhall, 2003).

A culture consists of a variety of elements such as values, beliefs and patterns of behavior (Birnberg & Snodgrass, 1988). Hofstede's (1983) development of four different dimensions to describe national culture is considered to be the most broadly used and more or less all of the conducted contingency-based studies have used these when studying cultural influence (Chenhall, 2003).

The first dimension, which is labeled 'Individualism versus Collectivism', describes to which degree people see themselves as individuals as opposed to integrated in groups. In individualistic societies individuals are supposed to look after themselves and their immediate family's interest. In collectivistic societies people see themselves as a part of a group, for example extended family, tribe or village, and the welfare of the group, harmony and equality is of importance (Van der Stede, 2003). An example of the collectivistic societies is the East African countries (Hofstede, 1983). In high individualistic societies employees tend to prefer individual tasks, performance evaluation and compensation. On the other hand, employees in collectivistic societies are motivated by group interest and good relationships between individuals (Merchant & Van der Stede, 2007). In addition, in collectivistic cultures hierarchical controls may not be necessary because of the goal congruence that occurs when sharing values and the harmony is centralized (Birnberg & Snodgrass, 1988).

The second dimension is labeled 'Power Distance' and it refers to the extent less powerful members of society accept the uneven power distribution. High power distance leads to strong authoritarian management styles meanwhile individuals in societies with low power distance prefer more democratic and collaborative management styles (Gray & Marshall, 1998). In East African countries the power distance is relatively high, compared to for example Sweden, where it is relatively low (Hofstede, 1983). According to Merchant and Van der Stede (2007), employees in societies with high power distance tend to accept greater discretionary power being used when superiors decide in matters regarding performance evaluation and incentive determination. In cultures with low power distance it is common to see greater employee participation and higher decentralization (Merchant & Van der Stede, 2007).

The third dimension is labeled 'Uncertainty Avoidance' and relates to individuals tolerance and ability to handle risk taking and ambiguity (Gray & Marshall, 1998). Individuals in societies with high uncertainty avoidance may generally prefer a budgetary control and incentive system with specified and quantitative performance targets (Harrison, 1993). Individuals in these societies may also react negatively to performance-dependent compensation since they have to bear the risk (Van der Stede, 2003).

The fourth dimension is 'Masculinity versus Femininity' and the issue in this dimension is the division of roles between the genders in a society. Within a feminine society the social sex role is quite small and in a masculine the social sex role is maximized (Hofstede, 1983). Feminine societies imply that social relations are important and work satisfaction is obtained from these relations. Work might become some sort of self-rewarding individual expression and there is pride in the product of work. In masculine cultures there is a preference for achievement, stronger focus on performance and performance-based incentives, including relative performance (Merchant & Van der Stede, 2007).

2.3.4 STRATEGY

Strategy differs from all other contingent variables in the sense that it is not an element of context. It is rather the way managers can influence other contingent variables such as the technologies of the organization, the external environment, organizational structure and the control culture (Chenhall, 2003). According to Herath (2006), it is expected to support an organization to achieve its goals with consideration taken to the external and internal environment.

Strategy should be given high priority in designing and maintaining MCSs because it is believed to be a road map for any organizational effort (Herath, 2006). According to Fischer (1998) most research devoted to strategy contingency has focused on the definitions proposed by Porter and Miles and Snow where Porter distinguishes between low-cost, differentiation and focus competitive strategies and Miles and Snow distinguishes between prospectors, defenders and analyzers. Gupta and Govindarajan (1984) describe different strategies with different management intentions. A build strategy is signified by the intention to increase the market share, and the only way to implement such a strategy is to establish some kind of marketplace superiority over its competitors. A harvest strategy is in contrast an intention to maximize cash flow and short-term profit, and these organizations tend to focus on internal efficiency rather than external industry analysis.

Langfield-Smith (1997) suggests that MCSs should be explicitly designed in order to support the business strategy to lead to competitive advantage and better performance. The fact that certain types of MCSs are more suited to particular strategies is a prediction from contingency-based research (Chenhall, 2003). Strategies featuring build and product differentiation are related with lack of standardized procedures, flexible processes, decentralized structures and results oriented evaluation (Chenhall, 2003). In contrast, evidence from strategy-organizational design research suggests that cost leadership should be accomplished by employing simple coordinating mechanisms, centralized control systems and specialized and formalized work. Further on, these strategies tend to be more associated with traditional and formal MCSs with focus on cost control, specific operating goals and budgets and inflexible budget controls. Regarding product differentiation, broad scope MCSs for planning purposes are associated with competitor-focused strategies. The final distinction made by Chenhall (2003) is that harvest orientations and cost leadership corresponds with formal performance measurement systems including budget performance objectives.

2.3.5 SIZE

As companies grow larger, they tend to have more power to control their operating environment and have less task uncertainty due to their large scale, mass production techniques (Chenhall, 2003). According to Child and Mansfield (1972), managers need to handle larger quantities of information as an organization becomes larger. At some point they have to institute controls such as documentation, rules, extended hierarchies, specializations of roles and functions and greater decentralization.

Bruns and Waterhouse (1975) discuss two kinds of control effects that occurs when organizations becomes larger or smaller. The first effect is associated with decentralized but structured organizations and is labeled the administrative control strategy. This form of control is predominating in larger and more technologically sophisticated organizations. Operating procedures are formalized and standardized and there tend to be more specialists. Rules govern the work-related behaviors but managers perceive that they have more control and participate in the setting of budgetary goals. The second type of control is labeled interpersonal control and is predominated in organizations that are small and characterized by centralized decision-making. In addition, the study of Bruns and Waterhouse (1976) found that individuals within these organizations saw themselves as more interacted in budget related matters, their methods of reaching the budget were not accepted and explanations were required when they did not reach the budget targets.

Chenhall (2003) summarizes the findings about large organizations: they are associated with more divisionalized organization structures, more diversified operations, formalization of procedures and specialization of functions. Finally, large sized organizations are associated with participation in and emphasis on budget and sophisticated controls.

2.3.6 TECHNOLOGY

The contingent variable technology might be the simplest and longest established of all contingency variables (Otley, 1980). According to Chenhall (2003) there exist three generic types of technology that are of importance to consider when designing MCSs: task complexity, task uncertainty and interdependence.

Organizations that produce differentiated and highly specialized products tend to have low analyzability in their processes and many exceptions (Chenhall, 2003). In combination with managements lower capability to measure outputs from these organizations it can be expected that complicated technologies goes hand in hand with flexible and rapid changes and open communication when designing MCSs for these situations. In situations where there is a high task uncertainty regarding technology there is a low reliance on standardized operating procedures, plans and programs and instead more informal, personnel and clan controls. If there is a high level of interdependence in technologies the MCS tend to be more informal. However, formal controls such as process control and traditional budgets are more frequently used when standardized and automated processes characterize technologies (Chenhall, 2003).

If a complicated technology is used in the production process, an organizational need of more employees that are familiar with the different technological aspects occur. Subsequently this leads to an organization with an increased number of managers and staff than in the case where simpler technology is used (Pugh et al, 1969; Samuelsson, 2001).

2.4 CONTROL PACKAGE

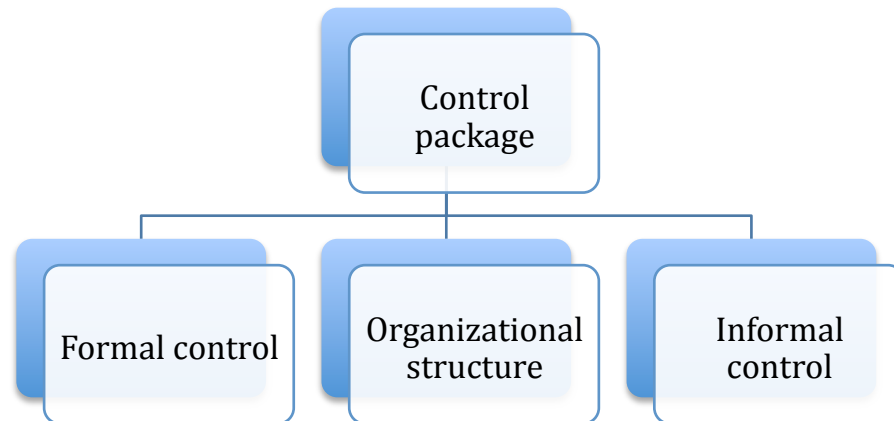


Figure 2.2: Control package, own construction

A number of authors describe the control mechanism as a package consisting of several components (Abernethy & Chua, 1996; Samuelsson, 2001; Brown & Malmi, 2008; Sandelin, 2008). Samuelsson (2001) defines, as figure 2.3 describes, this package by distinguishing three different components: informal control, formal control and organizational structure. The control systems operate as a package when they are designed to achieve goal congruence and are internally consistent (Abernethy & Chua, 1996). If not, employees will not strive against the organizational objective, which will result in expensive behavior that cost the organization resources (Teall, 1992).

2.4.1 FORMAL CONTROL

Formal controls are more technical and more regulated than other types of control, and some examples of formal control are budgeting, performance measurement and benchmarking (Ax et al, 2005). In this section, previous studies and findings regarding performance measurement and budgeting is discussed.

2.4.1.1 PERFORMANCE MEASUREMENT

In for-profit organizations, it is common to use profit as a result indicator, since it provides an overall measure of organizational efficiency. This is a measure nonprofit organizations have difficulties to find (R.N. Anthony & Young, 2003). According to the authors, the struggle to find a measurement for nonprofit organizations causes problems such as difficulties to use quantitative analysis, finding specific targets for decentralized units and comparing unlike units. Nonprofit organizations cannot measure their performance with profit as in the case of their for-profit equivalents; instead the value of the organization is the value they create for their social environment, which is much more difficult to capture (Kanter & Summers, 1994).

Merchant and Van der Stede (2007) point out that one of the key factors to succeed with performance measurement is to capture the performance dimension and the objectives the organization wants to achieve. Nonprofit organizations are dependent on stakeholders and the donations they provide. These donations are usually not directly correlated with the how they perform the service to the target group. The result of this is that the demand from the target group does not influence the organizational objectives to the same extent as stakeholders and constituencies do. These stakeholders and constituencies have divergent goals that result in broad and ambiguous goals for nonprofit organizations, which makes it difficult to capture and measure achievements (Kanter & Summers 1994). Further on, nonprofit organizations usually acts in socially complex environments where stakeholders put so much accountability on the organization that it prevents them to fulfill their mission (Ebrahim, 2005).

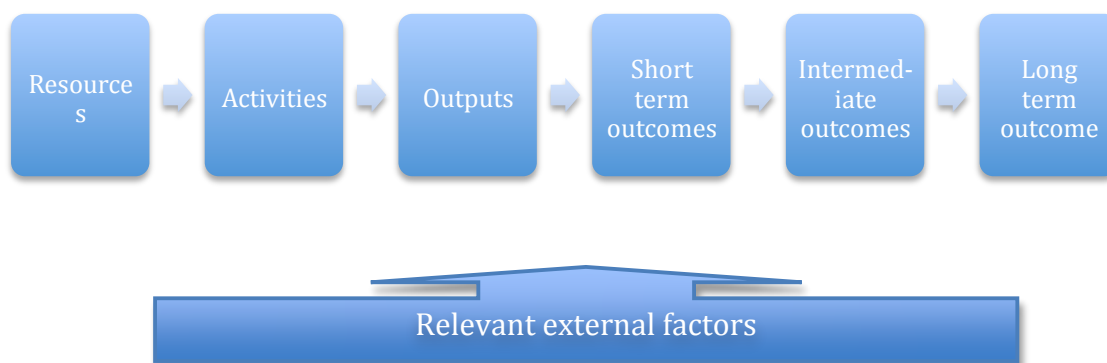


Figure 2.3: Logic Model, McLaughlin, 1999; Ekonomistyrningsverket 2007

Performance measurements are only indicators and should not be seen as true performance. It is an indicator on performance from the past but it does not show why this performance was acceptable or unacceptable (Ekonomistyrningsverket [ESV], 2007). The article from ESV discusses how public organizations can use the Logic Model to create performance measurements. This is a model that describes the process of how an organization operates under certain conditions to solve the problem they attempt to solve (McLaughlin & Jordan, 1999). As figure 2.4 shows, the Logic Model consists of resources, activities, output, short-term outcomes, intermediate outcomes, long-term outcome and relevant external influences (ESV, 2007). Resources can be financial, human and other inputs that are used in the activity. The activity involves actions and consumption of resources that results in some kind of output. Output is a good or service the organization produces for its target group and the output leads to changes or benefit, called outcomes, which affect the target group in different time perspectives. A short-term outcome is the change or benefit, which is caused by the activity. The intermediate outcome is the benefit of the short-term outcome, and long-term outcome is the benefit from the immediate outcome, which implies the whole organizations impact or change (McLaughlin & Jordan, 1999). According to the authors, to understand and indentify contextual factors that may influence the organizations performance

positively or negatively are crucial for the Logic Model. If the organization succeeds to identify these factors, it helps them to clarify the niche of their operation and the assumptions on which performance expectations are set. McLaughlin and Jordan (1999, p.68) describe that it is essential to understand "At the point where the actions of customers, partners or other programs are as influential on the outcomes as actions of the program, there is a shared responsibility for the outcomes and the program's accountability for the outcomes should be reduced".

The controllability principle concerns that the organization only should hold employees accountable for performance they can influence; otherwise the employees tend to become risk averse (Merchant & Van der Stede, 2007). Risk aversion can engage employees to myopia behaviors and short-term decisions to protect themselves against the affect of the uncontrollable factor. If there are uncontrollable factors that affect the measurement, performance measurement becomes more difficult to control and it becomes more complex to determine if the result is because of an action or an uncontrollable factor. If uncontrollable factors cannot be separated from performance measurement it will result in poor information to evaluate performance, which makes the evaluation less valid or less useful to motivate good behaviors (Merchant & Van der Stede, 2007).

Ittner and Larcker (2003) proclaim that there must be a strong cause-effect link between the nonfinancial performance measurement and strategy that will result in a desirable performance. According to Ittner and Larcker (2003), many companies found an easy solution in the search of nonfinancial measurements and implemented frameworks without reflecting over the consequences. If the organization does not dig deep enough to find the real link between measurement and organizational performance, they will create misbehaviors in the organization (Ittner & Larcker, 2003). If the organization does not find a measurement that truly capture the key operations and the organizational performance, the organization usually adds more measurements to cover more dimensions of the organizational performance. This is a pattern that is common in nonprofit organizations due to the difficulties to see a linkage between cause and effect (Guthrie et al., 2001). A substantial amount of measurements makes it more complicated for the employees further down in the organization to manage all indicators (Ittner & Larcker, 2003). Many researchers have come to the conclusion that too many performance measurements implies that the user is not able to distinguish what is important from what is not, the strategy and goal becomes blurry and it becomes more difficult to understand what the crucial information is (Atkinson, Waterhouse & Wells, 1997; McKenzie & Shilling, 1998; Neely, 2007).

According to Hoque (2004), there is a positive correlation between companies that are using nonfinancial performance measures and that acts in an uncertain environment. The author's research finds that nonfinancial performance measurement is better suited within uncertain environments, when compared to companies that act in a certain environment but still rely on nonfinancial performance measurements. According to Merchant and Van der Stede (2007) nonfinancial measurements is more flexible, timelier and show changes in the environment more rapidly.

2.4.1.2 EFFECTS OF PERFORMANCE MEASUREMENTS ON ORGANIZATIONAL BEHAVIOR

Ebrahim (2005) have investigated how the relation between NGO:s and funders affect the use of evaluation and monitoring. Donators often impose quantitative short-term measures on NGO:s that stress a kind of myopia. This myopia appears as short-term focus and a rule-following behavior in the NGO, instead of focus on the long-term social change the organization can create. According to Ebrahim (2005), donators fail to recognize that evaluation systems appear to overwhelm both bigger and smaller NGO:s. The result is that the organization builds monitoring and evaluation systems to satisfy donators but are irrelevant for management within the organization.

Ebrahim (2005) takes the whole organization in perspective when discussing myopia, but there can also be myopia within the organization. Control systems and performance measurement can create side effects such as data manipulations and actions might be taken which does not benefit the organization (Merchant, 1990). Merchant finds a significant positive correlation between organizations that puts pressure on the employees to meet their financial targets and incidence of manipulation of performance measurement. His study also addresses a significant positive correlation between organizations that stresses the employees to meet their targets and short-term decisions.

Myopia has also been found in the public sector, and Guthrie et al. (2001) describe how the previously mentioned NPM trend has stressed these dysfunctional behaviors. Measurement and formal control have become more important in the public sectors since the NPM era and myopic behaviors can to a greater extent be found in organizations with high pressure on evaluation. A dilemma in the public sector is how public organizations are forced to implement formal control systems that are time consuming and costs money and at the same time they have a pressure to decrease total costs. The result is that public organizations relocate resources from producing public services to increase the degree of control (Guthrie et al., 2001).

2.4.1.3 BUDGETING

Budgeting has traditionally been an important formal control device since it integrates and summits all organizational activities in one document (Otley, 1999), and coordinates activities at middle and lower level in the organization through a downward flow of information (Covaleski & Dirsmith, 1983)

As mentioned in 2.3.5, Bruns and Waterhouse (1975) have classified two kinds of control strategies regarding budgeting. Organizations that are smaller or dependent tend to be more centralized. These organizations use interpersonal control, which is characterized by interaction between superiors and subordinates when superiors require explanations of budget variances. In addition, it is a lesser degree of participation in these organizations. The reason for interaction is that the superiors are not satisfied with the methods subordinates use to reach their budget targets. Large and decentralized organizations use administrative control, which implies higher participation.

Participation in the budget processes can increase employee's motivation and if the employee is involved in goal setting and decision-making, the commitment to

the targets becomes stronger. The budget can be seen as an organizational objective expressed in financial terms. The budget processes can help the organization to get the employees to strive towards the same objective (Searfoss, 1976). Searfoss (1976) finds a significant positive correlation between employees that participate in the budget processes and their effort to achieve the targets.

McManus, Mia and Subramaniam (2002) found evidence that in organizations that are decentralized and where the managers need to achieve is higher, there is a higher degree of participation in the budget processes. They conclude that decentralization and participation in the budget processes and the possibility to influence the budget goes hand-in-hand with an increased organizational commitment.

If managers are ambiguous about their role and what is expected from them, the budget are a concrete tool that provide structure and certainty (Marginson & Ogden, 2005). Evidence from their regression regarding budget and role ambiguity indicates that it is reasonable to say that emphasizing the achievement of short-term budgetary targets is an important strategy for managers to defend themselves against the experience of role ambiguity. Managers that are exposed to role ambiguity may value the security and structure it offers. Nota bene, that kind of psychological return is conditional to target achievement, if the budget is missed or exceeded there will be little gained comfort.

How much an organization emphasizes the budget is usually described as tight or loose budget control. Tight control, according to Merchant and Van der Stede (2007, p.118) "should provide a higher degree of certainty that employees will act as the organization wishes". Van der Stede (2000) describe that tight budget control has different attribute such as emphasizes on budget targets, budget commitment i.e. if revision is allowed, detail of interim budget reviews, tolerance of deviation from interim budget and degree of involvement of top management in subordinates' business.

Contextual factors can influence if the organization uses tight or loose budget control. Covalieski and Dirsmith (1983) describes that tight budgeting is more effective in stabile environment and loose budgeting may be used in uncertain environment. Brownell and Dunk (1991) found significant relationships between how organizations emphasize on budgetary participation and task uncertainty. They found that in organizations that face task uncertainty the budget participation is important because of the budgetary purpose of exchange of information within the organization. The difference between organizations with high and low task uncertainty is that those with low uncertainty can benefit from tight budget control meanwhile high task uncertainty implies a more loose control (Brownell & Dunk, 1991).

2.4.2 ORGANIZATIONAL STRUCTURE

Organizations can arrange their structure in multiple ways to attain their objectives. Organizational structure is about coordination and control to ensure that actors within the organization can be directed so that organizational effectiveness is achieved (Herath, 2006). Chenhall (2003, p. 144) defines

organizational structure as “formal specification of different roles for organizational members, or tasks for groups, to ensure that the activities of the organization are carried out”.

According to Pugh, Hickson, Hinings & Turner (1968) there are several dimensions to consider in studies of organizational structure and three of these are formalization, centralization and specialization. It is of importance to notice that these dimensions are not considered to be independent nor mutually exclusive (James & Jones, 1976), and centralization and formalization is rather correlated (Aiken & Hage, 1966). In addition, Flamholtz (1983) consider the vertical or horizontal structure to contribute to the process of control.

2.4.2.1 VERTICAL AND HORIZONTAL STRUCTURE

If an organization has a vertical structure, it has a traditional hierarchy where the different organizational units have certain level of responsibility. On top of this hierarchy are the owners of the organization and superior units govern subordinate units. As long as every separate unit accomplishes their individual goal, the organizational goal will be achieved eventually. However, this might cause a problem since the different parts of the organization do not see the full organizational picture which their actions taken might affect the organizations overall performance negatively (Ax, Johansson & Kullvén, 2005).

If the organization is facing uncertainty in their environment, they tend to increase their vertical structure and control and what motivates vertical control is the ability to respond rapidly to changing market conditions (Manolis, Nygaard and Stillerud, 1997). Decisions involving a high degree of uncertainty as well as those that responds to a high degree of irregularity are placed under hierarchical control and decisions that involved discretion are normally hierarchically organized according to their importance (Aoki, 1986).

The horizontal differentiation implies the opposite of the vertical. The correlation and dependence between different organizational units is emphasized so that the purpose and tasks of every separate organizational unit should be clear to everyone. The purpose is increased horizontal cooperation and communication. The two downsides of the horizontal perspective are that there is no clear distribution of responsibilities and that responsibilities and authority does not always match (Ax et al., 2005). It becomes more difficult to compare measurements of performance when the horizontal differentiation is applied (Ouchi, 1977).

2.4.2.2 DEGREE OF CENTRALIZATION, FORMALIZATION AND SPECIALIZATION

The degree of centralization is how power is distributed among social positions (Aiken & Hage, 1966). The concentration of authority is one of the factors that affect the degree of centralization and thus is a measurement of where in an organization the authority to make decisions related to finances, evaluation, labor relations and breadth of decisions, or in other words decisions affecting the organization (Pugh et. al, 1968; James & Jones, 1976). There is some evidence that organizations that are dependent are more centralized (Pugh et. al, 1969). Centralization brings restriction on authority and because of this, these variables are expected to be connected with a higher degree of emotional control,

interpersonal aggression and more psychologically distant leaders. Centralization facilitates control by straightforward influence over the decision-making process (Flamholtz, 1983), and implies that the management mostly delegates activities to lower levels within the organization. This delegation is unambiguous and specifies how procedures should be accomplished through different types of formalized specifications. These specification procedures are important to both limiting and defining the authority for organizational members (Waterhouse & Tiessen, 1978).

Decentralization is when the authority is decentralized to lower levels in the organizations and decisions are taken closer to the market. In uncertain environments decentralization is common because of the fact that it is difficult to create routines and procedures become impossible to specify in documents. Instead, individuals further down in the organization must be able to take decisions because they know the local conditions, and thus cannot have any specified rules or procedures to follow (Waterhouse & Tiessen, 1978). The propositions of Waterhouse and Tiessen (1978) are also supported by the empirical results of Zhiang (2006) who finds a positive correlation between decentralization and uncertain environments.

Formalization is defined as to which degree roles are defined and to what extent rules; procedures, instructions and communications are written (Pugh et al., 1968). There is a possibility that high formalization may imply dysfunctional consequences. Pheysey, Rayne and Derek (1971) found in their study that a high degree of role prescription led to such negative consequences as high group formality, low developmental press, low group involvement and low achievement and satisfaction.

Specialization regards division of labor within an organization and the distribution of official duties among a number of positions (Pugh et al., 1968). When the number of activities within an organization increases, specialization has been considered to increase. An increasing number of activities lead to increased labor division, task specialization and in many cases complex line and staff hierarchies (James & Jones, 1976). Organizational structure by functional specialization can make control easier by increasing the predictability due to the reduction in the variability of behavior (Flamholtz, 1983).

2.4.3 INFORMAL CONTROL

Traditionally, many organizations have focused on creating formal control systems and have forgotten the impact of informal control (Samuelsson, 2001). Abernethy and Chua (1996) first confirm that many authors include both formal and informal control when researching control systems, and defines the last one as personnel selection, socialization and training processes, which are implemented to create desired cultural shifts and influence behavior.

When culture is used to regulate behavior, Brown and Malmi (2008) see culture as a control system. According to Herath (2006, p.905) the organizational culture can be defined as “a collection of values, beliefs, norms and patterns of participant behavior, which characterize the organization”. Merchant and Van der Stede (2007) describe how cultural controls are designed to encourage

mutual monitoring which is a form of group pressure that is aimed at individuals within the organization who deviates from norms and values in the group.

If an organization can create congruence between organizational values and their employees' personal value and motivation, this will increase their satisfaction of the daily duties (Verplanken, 2003), which can improve the organizational performance (J.R. Anthony, Steven & Quinn, 1998). Verplanken (2003) emphasizes the importance of goal congruence because values create basic needs and motivation to the employees, which influence their decision and behavior. Birnberg and Snodgrass (1988) found that the presence of homogenous culture in combination with value placed on cooperation in organizations imply that less emphasis can be focused towards formal control and 'enforcement' of management wishes due to the greater degree of goal congruence in the organization.

An organization can consist of different subgroups with subcultures that deviate from the organizational. These subcultures can source from individuals within the organization who have different education, rank or function within the organization (Adkins & Caldwell, 2004). Each subculture has their own values and according to Hofstede (1998) it is important for the managers to be aware of the different subcultures. In his study he found that different organizational function had different focus and some groups were result orientated, some groups emphasized more on process orientation, and some had a more informal way of communicate. Managers must map out different subcultures within the organization and be aware about what is accepted to have efficient implementations of plans. One common trap is that managers take decision that are well suited for one subculture but in conflict with other subcultures, according to Hofstede (1998).

Most organizations try to shape their organizational culture through formal, written documents variously known as codes of conduct, codes of ethics and so on, to help employees understand what behaviors that are expected from them, even when specific principles and rules are absent (Merchant & Van der Stede, 2007). When senior managers formally communicate and systematically reinforce an explicit set of organizational values to provide basic values, purpose and direction for the organization, Simon (1995) define these as belief systems. These organizational definitions promote the certain values and in which directions senior managers want subordinates to adopt. Belief systems appeal to the in borne desires of individuals in the organization to belong and contribute to meaningful organizations. According to Brown and Malmi (2008) certain values are clarifying and employees follow these even if they do not personally convince them. Employees may behave in accord with these values if it is expected of them from the organization, or if they have personalized them.

Merchant & Van der Stede (2007) implies that the selection and placement of employees and training can increase the probability that the work will be performed properly. Training can provide useful information what actions that are expected and likely to the employees. It can also give the employees a greater sense of professionalism and get more interested in performing well because they understand their work tasks better.

2.4.4 FIT AND CONTROL PACKAGE OUTCOME

Control package elements do not act isolated from each other, they are affected by other control elements within the package as well as the context they act in. Most of the research has been on formal control and there are still limited research about informal control and organizational structure's impact and how they complement or substitute each other in different contexts (Brown & Malmi, 2008).

To understand a control package it is important to understand how the different elements correlate. When implementing or develop new control elements the other control elements has to be taken into consideration, otherwise the organization might develop misfit between the control elements, which will result in incompatible control signals (Siverbo & Åkesson, 2009). If the control package do not direct employees towards the organizational objective, it is common that unintended expensive behavior is created, which cost the organization resources (Teall, 1992).

When designing the MCSs, contextual factors have to be taken into consideration. For example, if an organization has an organizational structure that is designed and fits to the contingency factors that affects the organization, the organization will perform high results and if there is a misfit, the organization will perform poorer results (Donaldson, 2001).

Chenhall (2003) describes that MCSs creates a positive outcome when they are likely to be used and provides satisfaction to the user, and the employees can use the systems to provide information to fulfill their tasks. As a consequence, the employee will make improved decisions and help the organization to achieve the organizational goal. He also clarifies that there is a broad leap between the usefulness of the MCS and the probability that the employee will contribute to the creation of organizational output. Outcome can also be negative, if there is misfit between elements or between the control package and contingency factors it will result in ineffective control of the employees and they will behave in an improper way (Brown & Malmi, 2008; Donaldson, 2001).

2.5 FRAMEWORKS TO STUDY DIFFERENT MCS

To solve different management control problems the organization has to address different types of MCSs (Merchant & Van der Stede, 2007). Ouchi (1979) conceptualized three different types of MCSs in an organization to solve the different problems; output measurement, behavior control and clan control. Merchant and Van der Stede (2007) discusses their framework in the same manner but calls the different concepts for result control, action control and people control.

An organization should use output measurement when it is difficult for the management to have knowledge of the transformation processes but it is possible measure the output with reasonable precision. To control and monitor such organizations manager uses result indicators (Ouchi, 1979). Merchant & Van der Stede (2007, p. 25) discuss this pattern like result control and describes it as "Result controls influence action because they cause employees to be concerned about the consequences of the actions they take. The organization

does not dictate to employees what action they should take; instead employees are empowered to take those actions they believe will best produce the desired results.” Components in result control are characterized by decentralized organization, performance measurement and provide rewards of actions.

An organization can use behavior control when the transformation process is easy to understand but it is difficult to find output measurement. To achieve effective control you observe the employees behavior and control that they behave as expected (Ouchi, 1979). Merchant and Van der Stede (2007) discuss behavior control as action control. They describe it as the most direct form of control to ensure that the employees take the actions that are most beneficial for the organization. The management uses direct control such as different physical and administrative constraints and a more centralized decision making authority.

In an organization or subunit where it is difficult to measure output and with a complex transformation process you have to rely on shared values and beliefs, which implies clan control. The social informal structure gives employees a guideline to achieve the organizational goals (Ouchi,1979). Merchant and Van der Stede (2007) divide this category in to two; cultural control and personnel control. Cultural control encourages mutual monitoring when people in a group create beliefs and values that create ties between different individuals. Personnel control stresses more how individuals monitoring themselves to do a good job, which can be made with high loyalty and morality.

Organizations has to make a choice of which MCS to use since different types of control systems are not equally efficient to address the same type of management control problem. The set of different control elements should be made to increase the probability of organizational success. But the cost should also be taken in to account since it is expensive to implement and operate different management control systems (Merchant & Van der Stede, 2007)

2.6 ANALYTIC FRAMEWORK

Previous research has emphasized the importance of including contingency factors when conducting research on organizations’ control packages (Chenhall, 2003), and investigating how the different parts of the control package affect each other (Brown & Malmi, 2008). With this in mind a general and accepted model have been modified to fulfill the purpose of this thesis.

Since the chosen perspective of MCSs in general and control package more specifically is the open rational perspective this study considers existing contingency factors when evaluating the control package of Vi Agroforestry.

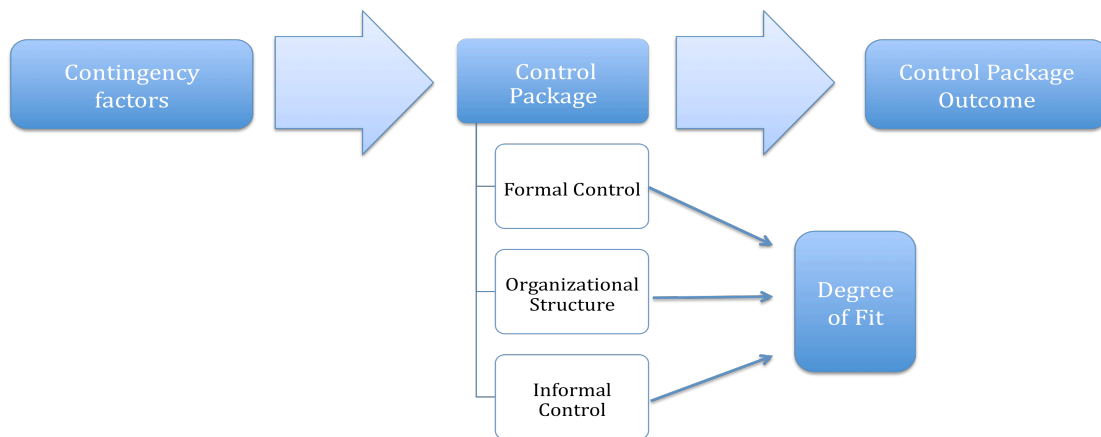


Figure 2.4: Analytic framework, own construction with inspiration from Otley 1980; Fischer, 1998; Merchant & Van der Stede, 2007, Samuelsson, 2001

From the wide range of theories presented above an analytical model (figure 2.5) for this case study is used. This model is based on the general model presented by Otley (1980), Merchant and Van der Stede (2007) and Fischer (1998). This model can be seen as a framework for designing effective control packages taking contingent variables into consideration. The fit in the control package of the case organization is evaluated and to be able to do this the model is broken down into three elements.

The first element of this model takes the contingency factors in consideration. The contingent factors dependence, uncertainty and national culture are considered in this research. This choice is motivated by the nature of NGO:s and the case organization. As described above, NGO:s has a special relationship with donators and how they influence NGO:s, which makes it interesting to investigate how dependence influence the control package. Many NGO:s are active in complex environments and this makes it interesting to investigate how uncertainty affects the control package. The fact that Vi Agroforestry is a multinational NGO with employees from Sweden, Kenya, Uganda, Tanzania and Rwanda makes it interesting to include national culture as a contingency factor.

The second element of the model is concentrated on the actual control package. This study focuses on the three components presented by Samuelsson (2001). In formal control, the focus is on performance measurement and budgeting. The fact that many donators stresses NGO:s to measure their impact and show result makes performance measurement and budget interesting as formal control devices.

The third element consists of what Merchant and Van der Stede (2007) names MCS outcomes; Fischer (1998) defines as organizational outcome and Otley (1980) organizational effectiveness. This model is narrower and from the empirical material it focuses on control package outcome, i.e. how the control package affects the individual to make the decisions. In the analysis model the intention is to describe how external fit may have impact on internal fit.

CHAPTER THREE METHODOLOGY

In this third chapter the methodological choices and research process of this study is first described. The advantages with our choices compared to other techniques are then motivated. Then the choices of organization and respondents are described. Finally the credibility of this thesis is discussed in terms of validity and reliability.

3.1 TRADITIONAL OR QUALITATIVE PERSPECTIVE

The traditional research approach is when the researcher tries to observe the surrounding environment more or less objectively and then tries to separate individuals from their surroundings. The purpose of the traditional research approach is to give an objective description of the reality and how it is disposed. The qualitative research approach however, is more interested in how individuals interpret their surroundings (Backman, 2008). According to Backman, the qualitative perspective is characterized by more focus on attempts to understand contexts and processes than the traditional perspective.

As defined above, the control package is about influencing employees to strive towards an organizational goal and it is thus a continuous process. To be able to understand this process, the organizational context and how the employees interpret their surroundings and the organizational control package is critical to understand the control package. To be able to achieve this and fulfill the purpose this study had the qualitative perspective.

3.2 RESEARCH DESIGN

Research design is a plan of the study to help the reader understand the authors research process. The plan should describe the design that is important to the procedures and how this will affect the result (Backman, 2008).

3.2.1 CASE STUDY

A case study is when the researcher tries to understand a contemporary phenomenon within its real context and this design is proper when the researcher want to understand or follow processes in one or more units (Backman, 2008). Case studies are useful in complex situations when the researcher want to describe systems and organizations. According to Backman (2008) it is difficult to apply other types of design in these situations.

The purpose with our study is to describe and analyze the control package design of Vi Agroforestry, to investigate if the different components of the control package correlate with each other and the contextual factors. Since the organization was followed in its context the choice was made to conduct a case study to understand the control package of the organization and the context where it is used, something that cannot be captured in any other ways then through interviews and observations.

3.2.2 ACADEMIC APPROACH

According to Alvesson and Sköldbberg (2009) a study can have three different approaches: deductive, inductive and abductive. The authors describes that an inductive approach is when the researcher observe a number of single cases and assumes that the connection between these observations is generally valid. The weakness according to Alvesson and Sköldbberg (2009) is that the underlying

structure or situational factors are not included and the leap between single facts and the general truth can be quite significant.

Deductive approach is when the researcher uses general rules to explain a single case (Alvesson & Sköldbberg, 2009). If a researcher uses the deductive approach the risk of generalization is lower, but there is a risk that the research does not explain relationships and patterns, and thus conclusions might come up without any major results or contributes to further research.

Abduction is a hybrid of induction and deduction. With an abductive approach a single case is interpreted by general rules that, if they are true, can describe and explain the case. But the case should also be explained and understood by new observations (Alvesson & Sköldbberg, 2009). It can be combined with previous studies but not in a mechanical way, more as an inspiration to understand and describe patterns.

This thesis had an abductive approach due to the capacity of this approach to capture both sides of the coin. The case observations could explain more explicit relations in the organization and general rules, theories and others findings were used explain overall patterns for NGO:s. Both inductive and deductive approaches are one-sided and unrealistic compared with the abductive approach in a case study and that is why Alvesson and Sköldbberg (2009) recommend it for case studies. The fact that many authors have described control package and contingency factors but studies of these in relation with in NGO:s and Nonprofit organizations are less developed (Chenhall, 2003; Otley 1980) further validates the chosen approach. In this study the theoretical framework is used in an attempt to describe and analyze the empirical data we collect but also emphasize some new observations to describe observed patterns to bring further understanding to the reader.

3.2.3 RESEARCH METHOD

According to Backman (2008) there are in general two different research methods: the qualitative method and the quantitative method. The quantitative method is characterized by mathematics and statistics to understand and describe a more general view. The qualitative method is characterized by words and interviews where the researcher tries to obtain a deeper understanding and analysis, and give a more specific view of the research object (Holme & Solvang, 1997).

Management control can be seen in day-to-day activities (Berry et al, 1995), and the control package affects individuals in their daily decision-making. This ongoing day-to-day process is easier to capture through interviews and observations and this motivates the choice of the qualitative method.

3.3 DATA GATHERING DESIGN

To capture the daily processes regarding the control package this study was conducted with both interviews and observations to obtain a more thorough understanding of the control package of Vi Agroforestry. The interviews were done at all organizational levels and the observations were mainly carried out at programme- and project management level. The observations were both

conducted in the office and during more informal gatherings such as coffee breaks, dinners and other social occasions.

3.3.1 INTERVIEW DESIGN

The power of qualitative interviews is that it can be compared to a daily discussion. In these interview situations the researcher do not limit the respondents but rather try to get the respondents to develop their reasoning (Holme & Solvang, 1997).

An interview can be more or less structured. A structured interview is when the researcher has decided the questions in advance and follows his list of questions quite strictly (Holme & Solvang, 1997). In opposite, unstructured interviews are when the researcher asks some questions but do not limit or control the respondents in his answer. Between these extremes semi structured interviews is found and these can be described by how the researcher has prepared a template of questions but lets the respondent develop his answers freely (Holme & Solvang, 1997).

In the beginning of the research processes a structured interview was conducted to acquire a general picture about the organization to know where to start the research and to get more specific information about the organization regarding things like organizational structure and objectives. The rest of the interviews where then conducted in a semi-structured manner in order to gather data that specifically relates to the topic of this thesis. Semi-structured interviews were used because it gave both the respondents a better opportunity to develop their reasoning and us a possibility to ask questions and clarify the meaning of the questions.

The intention was to avoid that respondents believed that there was a correct answer to the questions, and that is why open questions was used so the respondents had the opportunity to talk lengthy about a their daily duties (see appendix I). In addition, use of such formal terms as 'control', 'performance measurement' and 'evaluation system' were minimized and instead we used more regular words to make the respondent feel relaxed and talk more freely about daily challenges and operations.

3.3.2 OBSERVATION DESIGN

Observation research is when the researcher during a short or long period is together with the members of the group he attempt to study (Holme & Solvang, 1997). According to the authors, observation research is the most intimate research method.

There are two kinds of observations: open observation and hidden observation (Holme & Solvang, 1997). An open observation is when the observer are known and accepted by the group members, and they are well informed of the purpose of the observation. It is critical that the group members accept and trust the observer in an open observation. If the group members show acceptance and trust, the observer is freer to ask questions and gather data. A hidden observation is the opposite, you are unknown as researcher in the group or you are not in direct contact with the group members (Holme & Solvang, 1997).

The observer is always a part of the social intercourse and it affects the observational environment of the study. As an observer it is important to minimize this effect. If you are passive as observer, interruption of the social relationships is minimized (Holme & Solvang, 1997).

Further on, an observer lives close together with the individuals that the observation is conducted on. The observer's role is to be in the environment the people are acting in but not acting in it. This is difficult role to master and can do the researcher biased and thus unwilling to publish criticism of the organization (Holme & Solvang, 1997).

This study has been conducted as an open-passive observation on Vi Agroforestry during a period of nine weeks. The open observation gave us the opportunity to ask more questions freely and it simplified the understanding since the observation was conducted during a shorter period (Holme & Solvang, 1997). Since Vi Agroforestry receives a substantial number of students from time to time, the immediate response from the group was very open. During the study we came the staff close and participated in morning coffee, chitchats and other social activities. We have during this period been taking daily notes about the impressions, quotes or happenings to capture the daily impression of the organizational control package and its outcome. The fact that we took part in social interactions obviously made us a part of the observational environment and we are aware that this might have affected the outcome of the observations.

3.4 SELECTION

This section describes and motivates different choices of selection in this study. The selection regards case organization, interview respondents and observation objectives. The purpose is to give the reader a better understanding of the sources used in this study.

3.4.1 SELECTION OF CASE ORGANIZATION

In mid September 2009 a list of criteria's was made that was used when evaluating potential case organizations to the study. The first criterion was that the organization should be a NGO. The second criterion was that the organization should be big enough to both simplifying the application of management control theories, and to have the possibility to conduct interviews on different management levels. The third criterion was that the organization should act in a development country or region.

From these criteria discussions with several organizations were held and the final choice for this case study fell on Vi Agroforestry. On top of the criteria's mentioned above, Vi Agroforestry was selected on the basis of their long term stability, their experience of receiving students and the fact that the organization is bigger than many other NGO:s. They have projects in four different countries in east Africa, which implies a complex environment. At last, the organization engages more than 450 employees, which means that the control package is useful and important. Our first contact was with the Swedish director Henrik Brundin, who helped us to get in contact with Ylva Nyberg who is responsible for students' field studies and research.

3.4.2 SELECTION OF RESPONDENTS

A researcher use interviews to get a deeper understanding and a more comprehensive picture of the phenomena in the study and to achieve this, the selection of respondents is critical (Holme & Solvang, 1997). According to the authors, there are two aspects that are important to consider in the selection of respondents. The first one is to have a wide range of respondents with different character and background to be able to create a comprehensive picture of the research object. The second aspect to take into consideration is that the respondents should have a deep knowledge and understanding of the research subject. This will help the researcher to get a better understanding and get more valuable information.

To obtain a comprehensive picture, interviews at all levels in the organization were conducted, i.e. in projects and at the programme office. The belief was that different levels in the organization perceive the control package in different ways and that motivates the selection of respondents in different organizational levels. To cover possible national discrepancies in the perception of the control package, interviews were conducted in the four different countries Vi Agroforestry operates. In addition, the intention was to capture possible differences between national citizens and expatriates, which motivates the selection of both east African and Swedish respondents. The ambition was to capture the different views of the control package in the whole organization and it is our belief that this is crucial to understand the fit of the control package.

Management control can be seen in the daily situations (Berry et al., 1995), which means that the respondents are affected by the control package every day. Due to this the respondents do have the knowledge and understanding to contribute with valuable information.

After discussions with Ylva Nyberg, where the criteria for choice of respondents were described, she helped us to choose project and respondents.

Table 3.1 Selection of respondents

Respondent	Title	Project/programme	Type of interview	Country
Carina Andersson	Regional Director	Swedish Cooperative Center, Nairobi	Semi-structured	Kenya
Bo Lager	Programme Director	Programme Office, Kisumu	Semi structured, Structured	Kenya
Wilfred Assimwe	Project Manager	Masaka Project,	Semi-structured	Uganda
Damas Masologo	Project Manager	Kagera Project, Bukoba,	Semi-structured	Tanzania
Jorge Suazo	Project Manager	Kigali Project,	Semi-structured	Rwanda
Kasuja Charles Kato	Zone coordinator	Masaka Project,	Semi-structured	Uganda
Clement Thobias Mtui	Zone coordinator	Kagera Project, Bukoba,	Semi-structured	Tanzania
Jean Hitimana	Zone coordinator	Kigali Project,	Semi-structured	Rwanda
James Rutakahweire	Field officer	Masaka Project,	Semi-structured	Uganda
Revina Elias Trasis	Field officer	Kagera Project, Bukoba,	Semi-structured	Tanzania
Clarisse Mukasugara	Field officer	Kigali Project	Semi-structured	Rwanda

3.4.3 OBSERVATION OBJECTIVES

During this study period the programme director and the programme staff were followed in their daily work. The programme office has an important role to coordinate different projects and activities within the organization, which motivates it as an important observation objective for this study. In addition, observations were made on some of the project managers and deputies during the field trip and their views of the different control package elements in the organization gave valuable input to the empirical findings.

3.5 DATA TREATMENT

We have chosen not to tape the interviews during the semi-structured interviews. This decision was made for two reasons: respondents may feel threatened when they are being taped (Holme & Solvang, 1997), and the limited time.

The limited time available is due to the fact that there were somewhat special circumstances to adapt to when this thesis was conducted. Since the intention was to capture as many aspects of the organization as possible, many interviews were conducted and several projects visited. These projects are situated in different countries and it was very time consuming to travel between them. To manage the limited time in an efficient way we decided to organize the interviews in the following way. Since it is very time-consuming to transcribe taped interviews we designed the semi structured interviews in a way where one of us led the interview, asked the questions and noticed the most important quotes and aspects, whereas the other one had a secretary role to fully cover the

interview. Immediately after the interviews were finished we sat down to discuss the material and structure the findings into the different empirical headlines of this study.

3.6 CREDIBILITY

In qualitative studies the terms validity and reliability tend to be intertwined (Ahrens & Chapman, 2006) but the intention have been to make it as simple for the reader as possible these terms are thus separated. Reliability and validity are not symmetrical since valid measures are always reliable but reliable measures are not always valid (Ahrens & Chapman, 2006).

3.6.1 VALIDITY

Validity can be defined as the extent to which the study researches what it intends to research. It is not the tool or method itself that is validated but this tool or method in relation to the purpose for which it is being used (Carmines & Zeller, 1979).

The validity in this thesis is ensured by the conducted interviews in combination with the possibility to put attendant questions the respondents that imply thorough and exhaustive answers. To guarantee that the respondents were fully understood they all had the opportunity to read through the empirical results to clarify and correct any misunderstandings. To further validate the findings a seminar regarding this thesis for the programme director and the technical adviser was conducted ten days prior to deadline. Their response made us confident that our findings reflected the situation in the organization since they confirmed the correctness in these findings. As mentioned previously, due to lack of time we made the choice to not record the interviews. We are fully aware of the fact that the validity of the empirical material can be questioned due to this as we might have missed facts of importance and lacked the possibility to go back to the original material. In order to reduce this effect and increase validity as much as possible the interviews were summarized and the empirics written down immediately after the interviews.

The fact that we in addition to the conducted interviews have been at the programme office for the whole research period observing the daily work and conversations further validates this thesis. When planning and writing the interview guide relevant theories were used with the purpose of making the questions as valid as possible. Then a comparison with interview guides from similar case studies was carried out to make sure that no important areas in the subject have been overlooked. To make the interviews, and thereby the empirical material, less subjective and dependent on personal opinions respondents from several different projects and managerial levels were selected. This added broadness to the empirical material.

3.6.2 RELIABILITY

Reliability refers to the reproducibility of the findings and can be subdivided into two definitions. If the researchers can rely on their own ability to obtain the same data again the intra-observer reliability is good. In addition, other observers should be able to do the same findings, which in part mean that it is good inter-observer reliability (Hammersley, 1987).

During the semi-structured interviews the respondents talked freely about quite general questions without more interruptions from us than occasional ones for clarification. This makes the material reliable in the sense that the respondents true opinions more easily comes forward. To further increase the reliability the same interview guide were used throughout all the interviews. This is guide is enclosed (see appendix I) so that similar research can be made.

A reflection on the limited freedom we had in the process of choosing respondents is in order. Even though we in agreement Ylva Nyberg choose which projects we visited, and thereby which project managers we wanted to interview, we had no insight in the process of choosing zone coordinators and field officers for the interviews. There is always a risk that managers from upper levels promote employees they believe will put the organization or themselves in a more favorable perspective.

To gain the trust that is needed to get useful data from the observation without affecting the observed environment is always a walk on a thin line. We have been aware of this fact and to make sure that this would not affect the findings we participated in all social occasions and in the day-to-day activities but did not interact in conversations when the topic of discussion was related to this thesis. During these occasions we rather observed and later wrote down what was said.

Due to the limited time 13 interviews were conducted with people in different levels of the organization. This selection is not comprehensive and the organizational picture we received from the respondents, and thus our later conclusions, might not be the same as we would have received if we had thirteen other individuals in the organization. It was our intention to reduce this effect as much as possible by conducting interviews with both Swedish and locals, as well as individuals at all different organizational levels.

CHAPTER FOUR EMPIRICS

The fourth chapter of this thesis presents the empirical material collected during the interviews. This part of the study also gives us the opportunity to describe our viewpoints from the observations. First there is an introduction to the organization. Then the findings regarding the contingency factors the organization is facing are presented. Finally, the different elements of the control package are described.

4.1 VI AGROFORESTRY

Vi Agroforestry is an international non-political, non-religious and non-profit organization that is registered as a foundation in Sweden and as a NGO in Kenya, Tanzania, Rwanda and Uganda. They have been active in Lake Victoria Basin since 1983 when the first project started in Kenya.

Vi Agroforestry is helping small-scale farmers located around Lake Victoria to improve their living conditions. As a service organization they help the farmers to develop their enterprise and to apply an agriculture method called agroforestry. Agroforestry is a land-use system where you integrate trees, crops and/or animals in the same piece of land. The three components will benefit from each other and create higher productivity, greater economic returns and create social benefits on a sustainable basis (Vi Agroforestry Introduction, 2010).

In 2005 Vi Agroforestry integrated their work with the Swedish Co-Operative Center (SCC) to a regional organization and became SCC-Vi East Africa. This integration resulted in a closer collaboration between the organizations, and in a broadened scope of activities to be performed by Vi Agroforestry. New activities were included in the programme besides agroforestry, such as agribusiness and marketing, financial services, HIV/AIDS, gender and a new approach of working with farmers in groups and not as individuals. Today Vi Agroforestry has seven projects in four different countries and around 450 employees (Planting the future, 2008).

The vision of Vi Agroforestry is (Planting the future, 2008, p. 29):

“A sustainable environment offering good living conditions for farmer families”

The target group of Vi Agroforestry is (Planting the future, 2008, p. 29):

“Women, men and young people of these households that are members or potential members of formal groups, informal groups and other democratic associations and cooperatives working towards common objectives.”

4.1.1 ORGANIZATION STRUCTURE

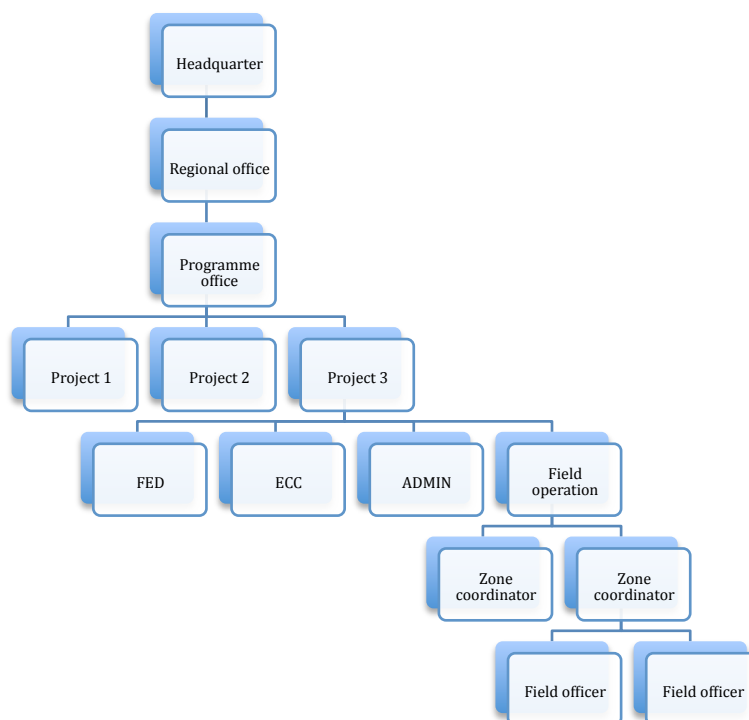


Figure 4.1: Organization structure, own construction

As seen in the figure 4.1 the organization of Vi Agroforestry has seven different organizational levels. The headquarter of Vi Agroforestry is located in Stockholm, where the employees that are responsible for fundraising and the distribution of information to private, corporate and public donators are situated. The SCC-Vi organization has a regional office in Nairobi responsible for both organizations. The responsibility for implementation and operations for Vi Agroforestry is delegated to the programme director at the programme office in Kisumu, where support, coordination and administration for the seven projects takes place. The regional office does not affect the daily operations of Vi Agroforestry to a significant extent since the technical interaction between the offices is quite low according to Carina Andersson and Bo Lager.

Each project has a project manager and a deputy, who normally is the head of field operations. The projects have three support functions, Farmers Enterprise Development (FED), Environment and Climate Change (E&CC) and Admin Unit. FED supports zone coordinators and field officers to help the farmers to create more profitable farm enterprises by transfer knowledge in marketing, pricing and business development. E&CC is a support unit that addresses sustainable land management practices to the farmers regarding how they can adapt to the climate change. The admin unit supports the project with HR staff, accountants, drivers and so on. The field operations unit carries out the implementation of activities and consists of zone coordinators and field officers. Each project is divided in to different zones where the zone coordinators coordinate a number of field officers.

4.1.2 PROGRAMME STRATEGY

The organization has developed a strategy plan that clarifies 12 strategic ambitions that the organization wants to achieve between 2008-2011. From this document, that just concerns the organization; they developed a programme strategy that Vi Agroforestry implements on a three-years basis. The reason for the development of this programme strategy is that the organization receives funding for the programme strategies from the Swedish International Development Agency (SIDA) on a three-year basis. The programme strategy objectives are similar and inspired from the strategy plan but not identical.

The Lake Victoria Development Programme (LVDP) where implemented during 2006 - 2008 and focused at applying agroforestry techniques, developing small-scale farmers and address HIV/AIDS and gender issues. Between 2009-2011 Vi-Agroforestry implement the Regional Environment and Sustainable Agriculture Productivity Programme (RESAPP) that is an extension of LVDP and added climate change, lobby and advocacy and an increased focus on local partnership collaborations and alternative sustainable energy sources issues to the list of what they focus on in the region.

4.1.3 ROLES IN THE ORGANIZATION

To give the reader a better understanding of the respondents and their daily work situation a short presentation of the tasks of project managers, zone coordinators and field officers is in order.

The Programme Director, Bo Lager, has the overall management responsibility for the Vi Agroforestry Programme.

The project managers work under supervision of the Programme Director and they are responsible for the overall implementation of activities in the project area in accordance with the policy, approved plan of operations and budget of Vi Agroforestry.

The zone coordinator oversees planning and implementation of activities within a zone. The zone coordinator shall work in accordance with the Vi Agroforestry Programme Strategy, ensuring its implementation at zone level. The zone coordinator is working as a coordinator and facilitator to a team comprising of a number of technical field officers.

The field officers are involved in building partnership with farmers, planning, motivate them and facilitate their capacity building to enable them to undertake activities for their own development. The position involves facilitation, sensitizing, organizing, and training of farmers groups. The field officer is working as part of a team of field officers and reports to a zone coordinator.

4.1.4 ACHIEVEMENTS

The organization started 1983 with planting trees in the western province of Kenya. During the 1990-2005 the concept and organization developed and started new projects in other countries. The integration between Vi Agroforestry and SCC implied that the organization combined long-term experience in formation of farmer groups and practical agroforestry. Today the organization

reach 1 200 000 small-scale farmers and during 2008-2011 the organization plan to expand the programme to reach even more farmers (Planting the future, 2008). The organization achieved all their strategic ambitions during LVDP (LVDP Final report 2006-2008, 2009). The World Bank identified the organization as a partner in a groundbreaking initiative to combine the carbon market and the agroforestry. According to Bo Lager the organization has the knowledge, experience and stability to serve as a partner to World Bank.

4.2 CONTINGENCY FACTORS

The following section concerns how contingency factors appear in the context of Vi Agroforestry and more specifically the respondent's reflections about uncertainty, dependence and national culture.

4.2.1 UNCERTAINTY

Vi Agroforestry acts in a context where both micro and macro factors can change the environment they operate in. Living condition for small-scale farmers in east Africa depends on weather conditions and diseases. The farmers are also affected by the fact that actors such as NGO:s, local authorities and co-operatives at micro level can contribute to them. Vi Agroforestry is affected by the same factors as the small-scale farmers, which implies that they act in a turbulent environment.

During the interview sessions it came clear that Vi Agroforestry is highly dependent on weather conditions and it affects all different roles in the organization. Seasonal variations have to be taken into consideration for the planning and decision-making. According to Damas Masologo seasonal timing in the planning is crucial for the organizational success. If there is a mismatch in the planning, the organization will give the wrong advices to the farmers or possibly loose crops from a whole season. In the interview with Charles Kasuja he described how the weather can cause problem in his daily operations and exemplifies by describing how farmers will not show up on training sessions or meetings if it is too much rain because of the problems with transportation. The capacity building of farmers, i.e. trainings, and meetings are crucial for Vi Agroforestry in terms of really make an impact at the target group. James Rutakahweire explained how it affect his daily task when we visited two small-scale farmers in rural Ssembabule and he showed how important it is to have the weather on your side and how much difference it can be between good or bad weather seasons. Regarding changes in weather conditions, Damas Masologo describes how the climate change has made the seasons more unpredictable and that it is more difficult to know when the rain will come and how much it will be now days.

Sickness, diseases and accidents affect both staff in the organization as well as the farmers, which complicates the environment of Vi Agroforestry. Several accidents sources form the fact that the field officers and zone coordinators drives motorbikes to reach the farmers. For the organization diseases like HIV can lower capacity in the organization and increase employee turnover (Human resources manual, 2008). Charles Kasuja describe that accidents and sicknesses of the field officers makes it more difficult for the zone coordinators to plan the activities. In addition, diseases also affect the field officers when HIV, poverty

and lack of water are problems for the farmers. These problems increase the difficulty to accomplish the field officers tasks of training and capacity building with the farmers.

Respondents at all organizational levels describe how other organizations are affecting their environment quite a lot. Other NGO:s, ministries, local government bodies and civil society organizations are also working to improve the living conditions for the small-scale farmers. Many of the other organizations are giving handouts to the farmers but that is against the methodology of Vi Agroforestry, and this makes it more difficult to cooperate with farmers since they prefer to be given handout directly, according to Charles Kasuja. In addition, in most of the countries the government can impact the surroundings of Vi Agroforestry and change the conditions they are acting in, for example a new road can change the conditions drastically.

Most of the respondents describe that they are facing some challenges on a day-to-day basis and some new challenges from time to time. Many of the respondents are answering that they know that they have taken the right decision when they can see the result from the performance measurement system. But many of the respondents mean that there are difficulties to say what the right decision is and there are a lot of factors they have to take into account before they make a decision. James Rutakahweire meets many different tribes in his daily work and these tribes have different cultures that he has to adapt in his activities and the implementation of the organizational strategies.

4.2.2 DEPENDENCE

Other organizations are highly influencing Vi Agroforestry. Donators and governments puts pressure on the organization to explicitly show achieved results, and if they fail to show results, donators freezes the flow of funds and governments withdraws their permission to act in the country. NGO:s and local authorities are operating with the same target group and there is a lot of cooperation between these and Vi Agroforestry.

According to Bo Lager and several respondents on Project manager level Vi Agroforestry is heavily influenced by other organizations, and in particular SIDA. During an evening with dinner over at Bo Lager's place, this was discussed and he emphasized how crucial SIDA is to the organization and in the setting of targets within the organization. This same impression comes from the entire upper management and several of the managers on project level stress how they face giant challenges due to this. The reason for the strong impact is that Vi Agroforestry receives approximately two thirds of their funding from SIDA. On top of that, SIDA is now days more reluctant and strict in the delivering of funds in general and puts pressure on the organization to be able to really show which results they have accomplished with the received funds according to Bo Lager. SIDA heavily influences and affects what objectives an organization must have in their program to receive funding, and Vi Agroforestry has to adapt to those objectives. In addition, he tells us how foreign aid is affected by trends. As a NGO you must follow these trends to be a potential receiver of funds. This is exemplified by the fact that for the moment you are very encouraged to include climate change issues in your work and a couple of years ago every application

had to include gender mainstreaming and HIV/AIDS to receive funding. Even though these issues are important, this is a bit troublesome for Vi Agroforestry since it is not in their core business but they have to implement these issues in their program. This makes the situation a bit peculiar for Vi Agroforestry with very diversified program objectives according to Bo Lager and Jorge Suazo.

This pressure from SIDA and other donators resulted in the creation of the programme office in 2005, according to Bo Lager. The purpose was to have a better coordination of the different projects and to be able to have an accumulated reporting system from the entire region to the donators. Further on, the World Bank is another organization Vi Agroforestry is linked with in a cooperation project, which also puts pressure on the organization. According to Bo Lager the pressure from outside organizations like SIDA and the World Bank is good for Vi Agroforestry since they have to improve their performance and have thus more a result oriented organization these days.

Several respondents emphasize how they have important stakeholders on zone level and district level, as well as regional level. These stakeholders are mostly other NGO:s but also local and regional governments and local authorities doing the same activities in the same area. According to Wilfred Assimwe it “is crucial to cooperate with other organizations” to reach organizational success. They report to each other and are able to influence each other’s work plans and tell each other you how to handle situations that you have not been challenged with previously. The reason for this cooperation is to synchronize the effort to the target group, and respondents reveal that this cooperation help them reach some of their targets, for example gender and HIV/AIDS. In Kagera, where Clement Thobias Mtui is a zone coordinator, he tells us how Vi Agroforestry cooperates with other NGO:s like World Vision Tanzania to achieve the organizational goal of HIV/AIDS.

Wilfred Assimwe describes how Civil Social Organizations are very important on a local level since they contribute with guidance and help field officers with organizational issues and structure. On field officer level it is emphasized how much they cooperate with the government and NGOs acting in their local area. This is due to the fact that several NGO:s work towards the same goal and they have to organize their efforts to avoid counteraction and waste of resources and instead coordinate their efforts efficiently and harmonize their resources.

4.2.3 NATIONAL CULTURE

The individuals within the organization want to cooperate make decision as a team and can discuss decision with their supervisor. The impression from the observations and interviews is that employees easily interact with each other and discuss problems as a group.

Bo Lager hopes that people within the organization feel free to criticize and influence decisions from superior managers. He tries to use an informal leadership style where he gives room for his employees to make their own decisions so that they do not feel that there are any dos and don’ts in the organization. Damas Masologo describes this from the same perspective when he presents how there really is room for influencing the decisions of the programme

as long as you can motivate and argue for your sake. The only decision project managers cannot affect is when the program decisions regarding organizational changes. Wilfred Assimwe who says that some decisions are not possible to influence gives a somewhat different view. This is because these decisions are already decided and communicated together with well-prepared reasons for them. In this cases Assimwe just implement the decision that is made.

Several zone coordinators describe how you on the project level can lobby for your own decisions but when the decisions come from the programme office it is very hard to influence them. In general, it is easy to influence decisions from zone coordinators to upper level management in all the projects in different countries in this study. Field officers in all projects described how they to a large extent can and do influence decisions by superior managers.

Jorge Suazo gives another view when he reveals how it can be hard to decentralize. The employees in his project in Rwanda wait for managers' orders and they tend to avoid interactions and decision-making. It is as well a bit troublesome to handle the situation where employees never can admit that they have been over proved or have made the wrong decision.

On project management level most of the decisions are made as a team, with project manager, deputy and the heads of the different units according to Wilfred Assimwe. Damas Masologo explains how important it is to make the decisions in a group due to the fact that if anything goes wrong the responsibility will be collective. On zone level, almost the entire group of respondents talked lengthly about how they work almost exclusively as a team and that it would be impossible to fulfill their tasks without the support from others.

From several respondents the impression is given that meetings and cooperation are crucial to coordinate and plan activities. However, Bo Lager points out the fact that despite the general cooperative feeling within the organization, people are very proud of what they personally accomplish and wants to show this to other employees. This more individual focus can be found throughout the organization on zone and field officer level.

There are some discrepancies between the different countries Vi Agroforestry operates in and especially Rwanda. Sitting in the small and simple office of Clarisse Mukasugara on the countryside outside Kigali, she describes how she has support when implementing the plan but she is alone doing it. Jean Hitimana is a zone coordinator in the same project and he is describing how there is not always room for cooperation due to the fact that every unit is considering their own issues first by preparing their own work plan and how they can reach their own targets. Jorge Suazo describes how the national culture in Rwanda is very different from the other projects he has been involved in, i.e. Kitale in Kenya and Masaka in Uganda. In Rwanda it is more individualistic behavior since they do not trust each other due to ethnical disagreements combined with the situation which made Rwandese suffer in the past, which result in that the employees tend to prefer to work individualistically. A typical example is at the coffee breaks when the employees are unwilling to sit together and have their break in spite of the fact that Jorge have tried to arrange this.

The observations from field visits to the different projects have made it quite clear that there are no obvious differences between the different countries and projects, except from Rwanda to some extent. Some projects have hierarchical structures where upper management, i.e. project manager and deputy, are separated from the rest of the staff, which implies for example separate coffee breaks.

4.3 CONTROL PACKAGE

As the analytic framework of this thesis describes, the control package is broken down into three different parts. First the empirical findings regarding formal control is presented followed by organizational structure and informal control.

4.3.1 FORMAL CONTROL

Performance measurement and budgeting are two important formal control elements in Vi Agroforestry. Empirical findings from interviews and observation regarding performance measurement and budgeting are presented in this section.

4.3.1.1 PERFORMANCE MEASUREMENT

The general impression perceived during interviews and observations is that the measurement system is important in Vi Agroforestry and the focus on performance measurement permeates the whole organization. Charles Kasuja expresses this with “We are a result orientated organization” and James Rutakahweire says “you know that you have done a good job when you reach the targets”. Clarisse Mukasugara says that “ A big challenge is to get the farmers to apply the knowledge from the training, otherwise I cannot reach my targets”.

Vi Agroforestry has a rigid and well-developed monitoring and evaluation (M&E) system that regularly collects data for analysis of the implementation process. The M&E system is included in the duties of the employees since they daily collect or structure data to the system. When interviewing the field officers, all of them showed how many and which papers they had to fill out every day or every week. A significant part of the employees work is adapted to fill in papers and reports about what they perform in their daily tasks. James Rutakahweire describes how his work before lunch is focused on measurement, either by measure indicators or fill in reports. Beyond this, each project has an M&E officer who provides technical support and reviews the monitoring and evaluation activities. In addition, the programme office has also an M&E Adviser that has the overall responsible for the M&E systems and that necessary analysis is carried out.

The M&E system monitors and evaluates indicators with the purpose to create a picture about the impact of the different activities the organization implements, and how efficient they reach their objectives.

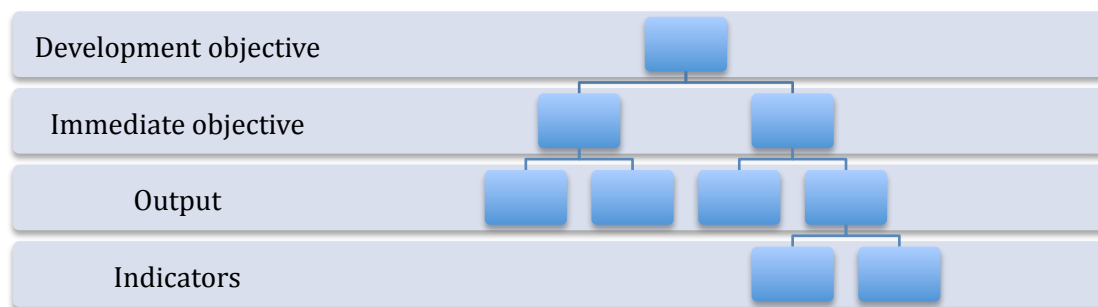


Figure 4.2: Monitoring and Evaluation system, own construction

The M&E systems comes from a log frame that is a part of the RESAPP and consists of indicators, output, immediate objective and development objective. The development objective for RESAPP is to improve living conditions for small-scale farmers. As figure 4.2 shows, the indicators maps out which activities that have been taken and the impact of these. To reach a desirable output several activities has to be done properly. The indicators indicate how many and how well employees have performed those activities. When the targets of a certain amount of indicators are achieved, the organization achieves a desirable output and a number of desirable outputs will meet the immediate objective. The immediate objectives will in a three-year perspective help the organization to reach their development objective. The M&E system covers roughly 65 indicators, 15 outputs targets, five immediate objectives and one development objective.

When asking Bo Lager about the measurement he described how it has two purposes. The first one is to create decision-making information to be able to evaluate projects and compare their performance with the programme strategy. He hopes that the performance measurement is going to increase the quality in the fieldwork. The second purpose is to satisfy donators and show the impact of their operation on the target group. The design of the performance measurement is highly influenced by what SIDA require. He describes how they pressure Vi Agroforestry to produce measurements to be able to assess what they have accomplished. This pressure has increased during the last years when SIDA have become much more result oriented and demands from the organizations they are funding to show impact and results to a larger extent than before.

Most of the respondents believe that performance measurement is important. On upper management level it is used to evaluate and analyze operations on project- and zone level. Further down in the organization the respondents experience the measurement as a guideline for which tasks that have to be performed to implement the plan. From RESAPP the targets are broken down on project level. The project breaks down three-year target to annual targets, to monthly targets and down to personal targets.

The field officers have a certain numbers of targets they have to measure and achieve each month. To achieve these targets the field officers have different types of activities such as trainings, meetings etc. Some activities are seasonal and can only be preformed during dry or rain season. Many respondents explain that there are too many activities to implement and according to Damas Masologo, Jorge Suazo and Kajsa Hallén this derives from the fact that the scope

of the programme is too broad and ambitious. Jorge Suazo and Bo Lager expresses how the core operations of Vi Agroforestry are tree planting and agroforestry techniques but in recent years, since the implementation of RESAPP the scope have become broader. This broader scope is according to Bo Lager positive since these problems are important for the target group to approach, but the negative side effect is that the organization has to focus on too broad objectives. Some components are according to Jorge Suazo natural to include in the concept; such as FED and Village Savings and Loan Association and these components is a sequence of the long-term development. Jorge Suazo continues by describing how some other components that Vi Agroforestry implements are results from pressure form donators and other stakeholders, for example HIV/AIDS and gender mainstreaming.

A result of the ambitious programme objectives is that the activities field officers have to implement are many and different. The respondents at field officer level say that each activity is important but it is hard to implement all of them. Revina Elias Trasis and Jorge Suazo describe that activities with high demand is easier to implement and that it is common to start with the activities that are the easiest. Jorge Suazo describes how the employees want to achieve their targets and that is the reason why they start implementing the easiest activities, to make sure that they achieve good results. According to Revina Elias Trasis and Jorge Suazo, the field officer does not have enough knowledge about all activates where they get measured. However, the organization are trying to educate the field officers in the areas where employees lack knowledge, to be able to implement these activities just as professional as other activities. Jorge Suazo says that this training takes time from the field officers to implement activities, which implies that they do not want to attend training because they loose days of implementation in the field which in turn makes it harder to achieve their goals. Jorge Suazo says that the new components that were added with RESAPP distract the focus from the core activities in the organization because they have many other activities to focus their efforts towards. Bo Lager says that there is a risk that this might be the case, even though all the activities are important.

Jorge Suazo describes how another effect from the pressure to achieve the targets can be noticed. When Vi Agroforestry expands the log frame with new activities or indicators it affects the behavior of field officers and zone coordinators. The employees puts more effort towards the new activities and put less effort at the old activities because they believe the new one is more important. He continues by describing how common it is that zone coordinators copy successful implementation methods from other zone coordinators even if different zones has different needs, which also is a result of their enthusiasm to achieve good results.

Many of the respondents describe that they do not have resources or knowledge to perform all the activities that are required. To achieve some targets project mangers, zone coordinators and field officers have to cooperate with other organizations. Organizations that work with HIV/AIDS issues are the most common types of organization for Vi Agroforestry to cooperate with to achieve the targets. Clarisse Mukasugara says, "Without the health center, it would be

impossible to reach my targets”. Damas Masologo describe that the cooperation with other NGO:s are good but the RESAPP failed to capture the cooperation with other NGO:s. Each organizational level cooperates with NGO:s and the density of NGO:s that can support Vi Agroforestry differ from zone to zone and country to country.

Many respondents describe that there is not always clear cuts between the indicators and the development objective. It can be many other factors that affect living conditions for small-scale farmers and there are many other NGO:s and governmental bodies that also work to improve the living condition for the target group of Vi Agroforestry. These organizations and factors also influence the result of the targets. During a local lunch in Bukoba when discussing this topic, Damas Masologo describes how Vi Agroforestry provide technical knowledge about agroforestry and other organizations provide the farmers with material and knowledge about this material which improves the capacity. Jean Hitimana describes how they in some zones achieve better results in the objective that concerns microfinance because it is other organizations that work with micro finance in that zone as well.

4.3.1.2 BUDGETING

The responsibility for budget is decentralized in Vi Agroforestry. Zone coordinators have budget responsibility but the project manager is responsible for overall budgeting. The reason for a decentralized budget responsibility is, according to Bo Lager, is that they strive to be a demand driven organization. Zones have different demand of services because of their environmental context in the zone and with decentralized responsibility for the budget the zone coordinator can make the best decision to satisfy the target group.

Vi Agroforestry has a bottom-up budget processes. The budget process starts from the bottom of the organization when the field officers make a plan of all the activities they attempt to do for the period. Which activity the plan contains depends on the plan that the field officer and the farmer groups have decided together. From the activities they estimate the cost that is attached to these activities and the zone coordinator merge these into a zone budget. All the zone coordinators send their budget to the project management that merge all zones and all units together and ask for approval from the programme office.

Damas Masologo describe that the programme is flexible in their attitude to the budget but in his project they are stricter. This is because they want to be able to relocate financial resources if possible. Most of the respondents at field officer levels say that they are able to request more financial support for their activities and the budget can be revised from time to time depending on the situation (Instruction for financial administration within Vi Agroforestry Programme, 2009).

The purpose of the budget within the organization is to support the planning of the activities. Clement Thobias Mtui exemplify that as a zone coordinator you have to know that the field officer has fuel for their motorbikes to be able to implement RESAPP. According to Wilfred Assimwe, budgeting helps the project management to see how money is used and what activities that are conducted

within the organization. The budgeting helps the management to coordinate activities and increase the efficiency of persons and assets.

The general tendency perceived in the organization is that the last couple of years budgeting have become more important due to extended strictness in the financial support from donators. The new situation has permeated the whole organization. Many project managers describe how they can influence decision but not budget decisions. This has affected the way to handle budgeting in the organization, since Vi Agroforestry does not know if they will receive the same amount of funds from SIDA after 2011. Expenses such as education, hotel accommodation, lunches as well as the car park have been reduced. The new financial situation has implied that budget control from the programme office has become more emphasized. Bo Lager says “when we lack funds we are forced to control from the programme office” when he talks about how the programme office implements new cost limitations. The trend is that more decisions regarding the budget becomes centralized to be able to adapt to the decreased funding the organization faces. During a car drive through the Ugandan landscape to the field, Kajsa Hallén describes how cost control have become more important recently and Clement Thobias Mtui says, “If you are a Manager and you receive less budget compared to what you have requested, then as a good manager you have to know how to reallocate resources and how to cut off budget”. Jean Hitimana describes that the lack of money and the stricter budget has become a restriction to achieve the targets.

4.3.2 ORGANIZATIONAL STRUCTURE

The 450 employees in Vi Agroforestry has different responsibilities and work tasks. This part describes how Vi Agroforestry is organized and how they delegate responsibility within the organization.

4.3.2.1 VERTICAL AND HORIZONTAL STRUCTURE

The seven project managers have responsibility for their projects and all the employees in the project. Field officers have to receive permission from zone coordinator in some decisions and similar patterns in the view on internal authority and hierarchies as the field officers express can be found on zone coordinator and project manager level. Jean Hitimana expresses how he is able to change the decisions made by field officers and that he needs approval for those of his decisions that goes outside his authority by project manager or head of field operations. Wilfred Assimwe describes how there are some decisions that he cannot influence and just have to implement. Those decisions that lie within his authority are just implemented according to his judgment and then informed to programme level. According to Bo Lager is it important that the project manager is able control all activities and makes his own decisions because of the importance to have local knowledge and authority.

The authority levels in the organization are clearly communicated from top management via the job description document that is provided to, and signed by, every employee on all organizational levels. Except from their operational duties, the job description clarifies to the employees who their supervisor is and who their subordinates are.

It became very clear during the interviews that Vi Agroforestry has a very straightforward vertical organization structure. Nearly all the respondents express how they are very aware of their limitations regarding decision-making and authority structure within the organization and superior levels governs lower levels in the organization in a structured and orderly manner.

4.3.2.2 DEGREE OF CENTRALIZATION, FORMALIZATION AND SPECIALIZATION

The general apprehension from the conducted interviews was that Vi Agroforestry is a quite decentralized organization that is in the middle of a centralizing process and this is portrayed in more detail in the following sections.

Almost all respondents answered how they were very free to make their own decisions and the different projects are very different in their way of handling the implementation. Wilfred Assimwe describes how some decisions are already taken at upper levels and then communicated at these meetings. These decisions are mostly concerning organizational structure and regards more general implementations regarding RESAPP. Concerning the Masaka project he is very free to manage it the way he feels suited and Damas Masologo confirms how it is the same in his project. The same impression comes from zone coordinators and field officers who say that regarding their daily duties they can plan and perform them in accordance with local conditions and at their best knowledge. Jean Hitimana says that he in his daily work can make decisions regarding several important things without seek permission from superiors.

The integration of Vi Agroforestry with SCC in 2005 led to the creation of the programme office in Kisumu. The reason for this was to be able to organize, coordinate and report results from the seven different projects in an efficient way and to have better overview of the entire programme when it was extended with more activities and broader goals. This led to that many of the decisions of major importance for the organization and the implementation are taken at the management meetings with the project managers and programme management, according to Bo Lager. He continues by describing how the organization in general is becoming more centralized today then it was previously and that more decisions are taken at the regional level. This is a continuous process that comes from the fact that the organization strives towards a more regional focus and unified approach. To achieve this more decisions has to be taken at a higher level. A strong contributing factor is that SIDA demands reports on regional progress from the organization and not just from separate projects.

In addition to the job description there are numerous formal documents and manuals including rules, policies, regulations and reports, communicated within the organization. The HR manual regulates for example working hours, policies against corruption and holidays. Other guidelines such as formal documents that can be mentioned are different directions and strategies regarding implementation, monitoring and evaluation, lobbying and advocacy and financial administration. These are meant to unify the organization and harmonize it in data collection and financial decisions. Wilfred Assimwe describe that there are several different memos to regulate employee behavior, exemplified by how long the tea break should be and how the employees are supposed to use their means

of transportation. Respondents at field officer level think that the policies help them to clarify what are expected of them and their responsibilities. These influence the daily work situation for the employees within Vi Agroforestry to a significant extent. According to Bo Lager there has been a significant increase in the number of documents, policies and written communication since the regionalization. The reason for this is that the programme office wants the organization to have a unified approach in all matters. Jean Hitimana describes that rules and policies sometimes makes the system bureaucratic. To do a purchase he has to get approval from several persons within the organization and this can be time consuming.

The organization has been through some major changes the last couple of years. As mentioned earlier the organizational goals broadened quite significantly when Vi Agroforestry was integrated with SCC, and this has affected the organization in many ways. One of the most apparent changes is the need for differentiated organizational roles in order to cover all areas the organization operates in. The extended roles in the organization can be exemplified by such different positions as 'Children of the world officer', 'Financial services officer' and 'Sustainable energy officer' (RESAPP Job Descriptions, 2009).

4.3.3 INFORMAL CONTROL

Many respondents describe how they defend the methodology of Vi Agroforestry and how the implementation of activities is a motivational factor. Vi Agroforestry differ from other NGO:s because they transfer knowledge to the small scale farmers instead of hand outs, this methodology is something that all employees have in common that affects the organizational culture.

The organization has during the last decade been through some major changes. Jorge Suazo, who has been in the organization for quite some time, uses the expression "Vi-family" when describing how the organization used to be. This family was a team of staff, both Swedish expertise and locals, with commitment to the policies and approach of the project. Many employees started to work on field officer levels and were promoted to higher positions through hard work. The field officers came much closer to the farmers since they had much smaller areas to cover, and met them more often. Thus, this close intervention led to a situation that can be compared to family relations with the farmers. Today, as consequence of the project development, with many activities to be carried out by field officers and using motorcycles as means of transport to cover bigger and distant areas, they cannot meet the farmers just as often. This reduces the spirit of the Vi-family between employees and farmers according to Jorge Suazo, but it still is maintained between the staff especially at upper management level.

Bo Lager expresses how there is a common feeling, or spirit, "the Vi Agroforestry spirit", that you are sort of trained into when you start to work for the organization, and continues by describing how he thinks there are some Swedish values in the organization. In addition, both Bo Lager and Jorge Suazo describe how they try to be influenced by a more Swedish management style with open communication when managing their subordinates.

Bo Lager notices a discrepancy between different levels in the organization and he explains this when he says that the willingness to contribute to the well being of others and to implement the agroforestry concept is more evident in upper level management. This is confirmed by the undertaken interviews in the different projects. The upper management level are more motivated by the organizational concept where you work close to the farmers, see direct results of their actions taken and the fact that they have the possibility to work within the field where they have their educational background and profound interest, i.e. agroforestry.

For employees in lower levels of the organization, which is the vast majority of the organizational members, the most significant motivational factor, except the implementation process, is the salary and the fact that Vi Agroforestry distributes their paychecks timely and accurate, which is emphasized by almost the entire group of respondents on lower levels. Both Damas Masologo and Wilfred Assimwe describe how the salary is an important factor for their employees and that the employees are motivated by the extra facilities Vi Agroforestry provides such as fuel for the motorbikes. In addition, they describe how employees usually leave the organization for better offers from other organizations. For newly recruits and people further down in the organizational hierarchy employees look on their work as any other and are driven by performing well, salary and other benefits, promotions and recognition from management.

The importance to achieve results, which according to Wilfred Assimwe is built in the organization, motivates the other group of employees, i.e. zone coordinators and field officers. This can be seen when several of the respondents mention the promotion opportunity within the organization. To receive an offering for a higher position is, despite from salary, seen as a sign of appreciation and is very important because you show your colleagues on the same organizational level that you have achieved or reached beyond your objective.

Our general impression is that organizational culture in the organization really is influenced by a focus towards performance. Almost the entire group of respondents talked lengthily about how they need to perform well and show results. This is further emphasized by our observations in the programme office where there are many discussions about the M&E system and how the implementation is developing.

Charles Kusuja and Damas Masologo continue by describing how time management and accountability are quite strong values in the organization, even in situations when no formal rules do exist. These values, among others, can be found in the Human Resources manual where the organizational core values are clearly stated and are supposed to form the foundation of organizational activities. It is very important for the employees to act in a certain way in the communities they are operating in and to be respectful to both the organization and the local community. Damas Masologo expresses how "They have to be an icon for the organization".

Bo Lager explains how all the new recruits attend two weeks of agroforestry education since it is of uttermost importance that every single individual in the organization understands the techniques and the concept. Trainings in the different operating areas are according to James Rutakahweire necessary to be able to perform his duties, but also to overcome disbeliefs and doubts in the concept of agroforestry for employees.

CHAPTER FIVE ANALYSIS

This fifth chapter presents an analysis of the empirical findings presented in chapter four, and these are related to the presented theoretical framework from chapter two based on the analysis model. First there is an analysis of the contingency factors, followed by an analysis of the different control elements. The final part of this chapter analyses how the different control elements correlate with each other and the contingency factors.

5.1 CONTINGENCY FACTORS

The intention with this section is to describe and analyze the contingency factors uncertainty, dependence and national culture separated from the control package. However, contingency factors affect the control package to a large extent, which makes it difficult to distinguish the contingency factors from the control package.

5.1.1 UNCERTAINTY

There is little doubt that Vi Agroforestry face high environmental uncertainty, and several different external factors are affecting the daily operations on all levels in the organization. The seasonal differences in weather due to the climate change changes the conditions for the target group drastically. Local governments, ministries and other organizations needs to be taken into consideration when planning activities and diseases and sickness among employees due to HIV/AIDS are all factors that make the environment uncertain (Merchant and Van der Stede, 2007; Fischer, 1998). The employees reflect how hard it is for them to know if they made the right decision. This not very remarkable since there are many other factors affecting their decisions and their outcome and this is an example of task uncertainty (Hirst, 1981).

5.1.2 DEPENDENCE

Vi Agroforestry faces dependence towards other organizations such as governments, other NGO:s, smaller civil social organizations and the most important one, the donator SIDA. Dependence towards other organizations can be seen as one kind of dependence according to Pugh et al. (1969) but the relationship to these different organizations causes different impacts on Vi Agroforestry. Governments and donators are effecting the whole organization in the same way but the relationship with these organizations concerns mostly the programme office and the project managers. The dependence that other NGO:s, civil social organizations and local authorities create concerns all levels of the organization but in different ways. The dependence regional governmental bodies and donators create can be compared with the dependence that Ebrahim (2005) and Oliver (1991) presents and the dependence from other NGO:s, civil social organizations and local authorities are creating more uncertainty because their actions directly affect the operations of Vi Agroforestry.

Vi Agroforestry is heavily dependent on a single funder and from the interviews it seems to be a one-way dependence and not the relationship Ebrahim (2005) describes regarding how NGO:s and donators are interdependent. This one-way dependence can be explained by the fact that SIDA is not dependent on Vi Agroforestry to improve their reputation in development activities, which is the reason for interdependence according to Ebrahim (2005). Vi Agroforestry has

during the last years included new objectives, for example HIV/AIDS and gender mainstreaming, and these objectives are much broader than the initial core activities of the organization. This is a result of the pressure from donors and the response from Vi Agroforestry is to comply with the donors to become a potential receiver of funding. When Bo Lager describes how they adjust the organizational goals and strategies it can be compared with Oliver's (1991) way of responding to dependence.

Even if Bo Lager points out that HIV/AIDS and gender mainstreaming are important for the target group, there is a discrepancy between the organizational core activities and what donors require. Oliver (1991) says that organizations with high discrepancy have more difficulties to manage the pressure from donors and in Vi Agroforestry this can be noticed when the organization has to add objectives and the organizational focus thus becomes broader.

5.1.3 NATIONAL CULTURE

In all countries except Rwanda people preferred to work in groups compared with doing tasks on their own. In addition, regarding decision making it became clear that managers on upper levels made almost all their decisions in groups. In these countries where the extended family and tribes are of importance these findings are not very surprising, and this goes in accordance with the findings from Hofstede (1983) who says that East African countries are collectivistic. Employees in collectivistic countries tend to prefer and be motivated by group interest and emphasize the up-keeping of harmony between individuals (Merchant & Van der Stede, 2007), and not the individual tasks and performance evaluation that are the characteristics in Vi Agroforestry.

It is a very open mentality in the organization and there is almost always room to question decisions from superiors and a willingness among employees to do so, especially further down in the organization. Our impression of the management style is that it is not very authoritarian and many of the decisions are made in accordance. These are indicators of a culture with very low power distance according to Hofstede (1983), which does not correspond with his findings that East Africa in general has a relatively high power distance. A possible reason for this might be that there has been some Swedish influence on the management style in the organization, since this management style is very low in power distance. As a result of low power distance within the organization, budget participation is quite high and individuals are able to make decisions on lower management levels (Merchant & Van der Stede, 2007).

Many employees described how they like to show what they have achieved in their duties and that public appreciation such as promotions is very important. In addition, it was mentioned, especially on lower levels in the organization how they feel that they have done their duties well when they can see that their performance measurements are showing good results and these are characteristics for a masculine society (Hofstede, 1983). In masculine societies there is a strong focus on performance (Merchant & Van der Stede, 2007), which can be found within Vi Agroforestry, but it is also plausible with performance-based incentives and comparing relative performance, which cannot be found within Vi Agroforestry.

What stated above differed none or very little between Kenya, Uganda and Tanzania. In the case of Rwanda the findings were somewhat different and the differences regarded more specifically the collectivism and low power distance found in the other countries. In Rwanda it was to a large extent the opposite of these two we found. The fact that there was little room for cooperation and focus on the own group are typical characteristics of individualistic cultures (Hofstede, 1983). The fact that employees tend to avoid interactions and decision-making and wait for managers orders can be seen as expressions of cultures with high power distance (Hofstede, 1983). The way to tackle this is to have highly individualistic tasks (Merchant & Van der Stede, 2007), which according to our empirical findings already is fact within Vi Agroforestry. Individual compensation and performance evaluation is additional ways to handle individualism and here we have found that Vi Agroforestry have individual performance evaluation and is thus very well adapted to the Rwandan situation but to lesser extent to the culture in the rest of the organization.

5.2 CONTROL PACKAGE

In the following section formal control, organizational structure and informal control is analyzed. In addition, how the contingency factors affect the control package is analyzed.

5.2.1 FORMAL CONTROL

The empirical findings show how employees in Vi Agroforestry emphasizes performance measurement and budgeting and this is analyzed in this section.

5.2.1.1 PERFORMANCE MEASUREMENT

The respondents believe that the Monitoring and Evaluation (M&E) system to some extent clarifies expectations and help them to achieve their objects. However, the empirical findings from interviews and observations indicate that the M&E system creates situations where the employees have difficulties to know what is important. According to Hoque (2004) nonfinancial performance measurements is more suitable for organizations acting in an uncertain environment, which is the case for Vi Agroforestry. Performance measurement is important for all employees in Vi Agroforestry and individuals at all organizational levels are responsible to reach their targets. However, Vi Agroforestry faces the same problem to find proper performance measurements as many other nonprofit organizations (R.N. Anthony & Young, 2003).

The structure of the M&E system of Vi Agroforestry can be compared with the Logic Model. The employees perform activities, which will result in output that will contribute to different outcomes in different time perspectives (McLaughlin & Jordan, 1999). Bo Lager says that the M&E system have two purposes and one of those is to satisfy donators. The dependence Vi Agroforestry faces from SIDA and the pressure from other stakeholders leads to a situation where there are many objectives and these objectives are too divergent, which is a common trap for non-profit organizations (Kanter and Summers, 1994). In addition, SIDA require that the organization can present results from the implementation, a general behavior from donators according to Ebrahim (2005).

An explanation why the M&E system is so comprehensive can be found in the theories of Ittner and Larcker (2003) who proclaim the importance to find a cause-effect link between strategy and performance measurement. Studies regarding the public sector (Guthrie et al., 2001) have shown that it is difficult to see this link in non-profit organizations and the same pattern can be found in Vi Agroforestry. The organization is exposed to external pressure, which results in ambitious objectives, and the objectives nature makes it difficult to find the links between the objectives and the performance measurement. The consequence is that the organization uses many indicators to cover all the different activities to get an as accurate picture as possible of their performance (Guthrie et al., 2001).

The empirical findings show that the number of objectives and the pressure to measure performance affects the M&E system, which creates organizational misbehaviors. These misbehaviors sources from two general problems in the M&E system. The first one is that the objectives are broken down into many indicators. The second problem is how other external organizations or factors affects measurements that the employees cannot control but are accountable for. These findings are presented and analyzed in the following parts.

The M&E system of Vi Agroforestry consists of 65 indicators that measure the progress towards the different objectives. Authors (McKenzie & Shilling, 1998; Atkinson, Waterhouse & Wells, 1997; Neely, 2007) have found that too many indicators can create misbehaviors and this can be seen within Vi Agroforestry. Results from the interviews shows that employees tend to have difficulties to choose which activities that are important and for example focus on new indicators just because they are new or copy others employees' method to implement activities without considering the specific local factors in their environment.

The respondents describe how the indicators evaluate their performance and stress how important it is to perform well but how they do not have time or knowledge to implement all of the 65 indicators. This results in more focus on activities that are easier, because of higher demand or knowledge, to implement. This can be compared with Merchant's (1990) and Guthrie et al. (2001) findings on how organizations that put pressure to meet targets create myopia, which appear as employees taking short-term decisions. If the employees emphasize more on one activity because they know they can perform this well, the other activities lag and the organization have problem to achieve their organizational objective. Another short-term decision described by Jorge Suazo is how the employees do not want to attempt training sessions because they are too time consuming. Instead they focus on implementing more activities to be able to show results.

From the result of the interviews the respondents describe a situation where their operations to achieve the objectives are affected by other factors, and the broad objectives makes it possible for other organizations, or other factors, to affect the outcome. Both government decisions and other NGO:s who work with small-scale farmers can influence the outcome. An example is the HIV/AIDS activities and how field officers are dependent on other organizations to achieve targets related to these activities. It is important to consider these factors in the

M&E system; otherwise it will become less valuable for management and create misbehaviors (McLaughlin & Jordan, 1999; Merchant & Van der Stede, 2007). This might be exemplified by how some zones show better results than others due to the fact that other NGO:s are working with the same activity in the same area. In addition, the fact that employees are evaluated on measurement they cannot fully control creates misbehaviors when they try to protect themselves from uncontrollable factors. This can explain why they stress those activities they have knowledge about and are easy to implement (Merchant and Van der Stede, 2007).

In addition, the M&E system of Vi Agroforestry system engages many resources. Each project has an M&E officer that helps the organization to structure data and coordinates the data gathering, which is a part of the field officer's daily duties. The misbehaviors from the M&E system can also be seen as indirect costs. This finding can be compared with the engagement of resources and the indirect cost that have been seen in the public sector when implementing performance measurement systems which result in relocation of resources from producing services to an extended control system (Guthrie et al., 2001).

To summarize, the overall pattern regarding the use of performance measurements in Vi Agroforestry fits with the theories of Ebrahim (2005) when he discusses how donators stress short-terms measurement which creates myopias for the whole organization. Vi Agroforestry is required to show impact and their broad objectives result in an M&E system that is too comprehensive, which create misbehaviors.

5.2.1.2 BUDGETING

Vi Agroforestry has a budget process where employees on all levels in the organization participate. The empirical results describe how they contribute to the budget and the overall impression is that the employees do not stress to achieve budget targets, and thus the organization seems to have loose budget control (Van der Stede, 2000). The reason for the loose budget control might be the fact that Vi Agroforestry operates in an uncertain environment (Covaleski & Dirsmith, 1983). In uncertain environments tight budget control can be difficult to emphasize but the participation can be important because of the information exchange that occur between different management levels (Brownell & Dunk, 1991). This example can be found within Vi Agroforestry where the budget is decentralized to be demand driven and the management uses the information from budgeting to coordinate different activities within the organization.

When the organization started to face more dependence, the budget processes started to change from a highly decentralized participation processes to a more centralized and controlling process, a pattern that can be seen in the findings of Bruns and Waterhouse (1975). Even though the processes still are in the same manner, the programme office now has more extensive control and emphasizes cost control to larger extent. Upper management requires more information and interacts more in the budget processes, which also correlate with findings of Bruns and Waterhouse (1975). This means the budget controls have become tighter (Van der Stede, 2000), and more cost target focused during the centralization process. The empirical findings indicate that some of the

employees feel constrained to fulfill their duties, which corresponds with these theories.

5.2.2 ORGANIZATIONAL STRUCTURE

There are several dimensions to consider when analyzing organizational structure, which is presented in chapter two. In the following section vertical structure, degree of centralization, formalization and specialization are emphasized and analyzed.

5.2.2.1 VERTICAL AND HORIZONTAL STRUCTURE

In Vi Agroforestry, employees are very aware of what decisions they have the authority to make and when they have to receive permissions from their superiors. It is a clear hierarchical structure where every managerial level has a certain authority and manages units below in the organization, from the programme office and all the way down to field officer level. According to Ax et al. (2005), typical characteristics of an organization with vertical structure are clearly defined responsibility levels and top-down governance between units in the different levels of the organization and thus, it is straightforward to see that Vi Agroforestry has a vertical organizational structure.

As discussed previously, Vi Agroforestry faces very high uncertainty in their environment and has a vertical organization form. Several respondents describe how the conditions change from time to time in everything from weather and drought to different stakeholder impacts on their objectives, and according to Manolis, Nygaard and Stillerud (1997) vertical control increases the ability to adapt to changes in the market conditions. The different decisions that needs to be taken in the organization most often involves uncertain conditions and this is exemplified by James Rutakahweire who describes how he must take varying external factors into consideration performing his daily duties. According to Aoki (1986), decisions made under these circumstances are placed under hierarchical control, which can be seen in Vi Agroforestry.

5.2.2.2 DEGREE OF CENTRALIZATION, FORMALIZATION AND SPECIALIZATION

Managers on project and zone levels in the organization have a significant degree of freedom to implement RESAPP the way they find suitable. This is exemplified by Wilfred Assimwe's way of describing how he can decide in what way the strategic plan should be implemented in his project and by zone coordinators who are very free to decide regarding many issues without the need to seek approval from superiors. According to Waterhouse and Tiessen (1978), decentralization is when authority is decentralized to lower organizational levels and decisions are taken closer to the market and this implies that Vi Agroforestry have a decentralized organization structure.

The organization is decentralized regarding daily operations. This is due to the fact that uncertainty creates a need to cover all different aspects before a decision is taken. In addition, the planning, and to some extent the budgeting process, are decentralized in the organization. The reason for this is that the knowledge of the varying local conditions and what specific challenges the target group face are best known among the people working with the implementation, which is appropriate way to handle uncertain environment according to

Waterhouse and Tiessen (1978). According to Merchant and Van der Stede (2007) decentralizing tendencies are natural in organizations that face high uncertainty. Waterhouse and Tiessen (1978) also describe how it is difficult to create routines and procedures in decentralized organizations and how individuals lack any of these to follow. This is not a pattern we have found within the organization of Vi Agroforestry, but instead there are numerous guidelines and regulations for the employees to follow, which is discussed at more length further below.

According to Brown and Malmi (2008) empowered employees is required in organizations facing high uncertainty. In Vi Agroforestry it is very common to question decisions from superior managers and lobby for your own ideas regarding the ways activities should be implemented, which is thus beneficial in the environment they act in.

The empirical findings indicate a trend towards centralization in the organization, described by mainly Bo Lager but the same impression came from some project managers. This trend has its main source in the outside pressure from SIDA on the organization to regionalize and have a more unified approach of their operations. As a result, the organization created the programme office to provide better information to donors and coordinate the projects in the same way. This pressure has, as stated previously increased the last couple of years since the funding has become more restricted and there is more focus on evaluation. Pugh et al. (1969) found a pattern that dependent organizations are more centralized and have a more centralized authority structure and less autonomy in decision-making, the same development that can be seen in Vi Agroforestry. The pressure from SIDA to be accountable might be another reason for the centralization in Vi Agroforestry according to the theories of Pugh et al. (1969). Their theories say that pressure for public accountability requires central committees to approve many decisions, which can be seen in the perspective of Vi Agroforestry when the organization have regional management meetings.

During the interviews we have noticed that Vi Agroforestry clearly communicates accepted organizational behaviors and how the employees should perform their tasks. This is communicated by numerous guidelines; manuals and memos from both programme and project level down in the organization. According to the theories of Pugh et al. (1969), Vi Agroforestry can be defined as an organization with high formalization. The centralizing tendencies in the organization have increased the formalization in recent years. This comes from the fact that when an organization is centralized it is necessary to communicate unambiguous procedures to carry out instructions from upper management and these instructions are usually formalized written documents (Waterhouse & Tiessen, 1978).

Since the number of organizational objectives has increased the last couple of years, the duties in the organization thereby have increased to cover all areas Vi Agroforestry operates in. According to Pugh et al. (1968) specialization regards division of labor and the distribution of duties in an organization, which implies that the specialization in Vi Agroforestry has increased the last years. This goes

hand in hand with the findings of James and Jones (1976) who concludes that an increasing number of activities result in increased labor division and task specialization. This can simplify control in an organization by predicting employee behavior due to the reduction in variability. This can be compared with the tendencies in Vi Agroforestry where the need of control in the organization has increased lately due to external pressure.

5.2.3 INFORMAL CONTROL

Bo Lager says “Vi-spirit” and Jorge Suazo “Vi Family” to capture the culture within the organization. The implementation of activities and the methodology Vi Agroforestry uses is what many employees accentuate is important to them and to different extents motivates them. However, the organization is still very result oriented, have a strong focus on achieving targets and promotion is of importance.

Jorge Suazo describes how there is a change in the organization over time and that employees today do not interact with the farmers in the same manner as before, which have reduced the spirit of the family. Bo Lager describes this reduction in spirit as a discrepancy between upper management and other individuals in the organization. This discrepancy shows how upper management, who have been in the organization for a long period, to greater extent are motivated by implementation compared with lower management where salary and the extra facilities provided are more important. From these empirical findings it is distinguishable that individuals are motivated by different factors and have different values, which can be compared with the theories of Verplanken (2003) regarding goal incongruence. This can imply that there might be value incongruence between the organizational values and the vast majority of the employees’ values, which can result in less pleased employees (Verplanken, 2003) and possibly worse organizational performance (J.R. Anthony, Steven & Quinn, 1998). The discrepancy creates vague subcultures, and tendencies of changes in motivation from implementation to salary and promotions can be seen. The lesser degree of a homogenous culture can be a contributing factor to the development towards more formal control and focus on performance measurement (Birnberg & Snodgrass, 1988).

Vi Agroforestry uses training and written documents to clarify and communicate accepted behavior. When Bo Lager describes that newly recruits attend training it can be a very useful way to communicate the desired behavior and clarify expectations (Merchant & Van der Stede, 2007). The Human Resource manual can be compared with the way Merchant and Van der Stede (2007) describe how organizations communicate how they want their employees to behave. The Human Resource manual state a number core values that the organizations want the employees to fulfill and describe that is proper behavior. Formal written documents can be a method to contribute to, what Simon (1995) calls belief systems, a better understanding of what is meaningful in the organization. Thus, Vi Agroforestry creates a desired behavior from their employees by both trainings and written documents.

5.3 DEGREE OF FIT AND CONTROL PACKAGE OUTCOME

As the analytic framework describes, this thesis investigates the fit between the control package and the contingency factors and the fit between the control elements. External fit between contingency factors and control package affect to a large extent the internal fit, which makes it somewhat difficult to distinguish between them. However, to simplify for the reader there is first a presentation of the fit between control elements isolated from the contingency factors and then the effect the contingency factors has on the control package is described. The reason for this is due to the fact that it becomes difficult to just understand the internal fit between control elements when the contingency factors have a significant influence on the control package and the organizational behavior.

The purpose with this thesis is to assess the fit in the control package of Vi Agroforestry. According to several authors (Abernethy & Chua, 1996; Samuelsson, 2001; Brown & Malmi, 2008), and our definition of control package, the control elements operate together to achieve the organizational objectives. In previous sections we have analyzed the different control elements separately. To be able to evaluate the fit in the control package of the case organization we now analyze how these elements are coordinated and operate as a package. This part is thus an analysis of the fit in the control package and the contradictions we have found in the analysis above, which implies some repetitions of this analysis. Since all the references are already presented above, most of the statements are without references.

5.3.1 FIT WITHOUT CONSIDERING CONTINGENCY FACTORS

Without consider the contingency factors, Vi Agroforestry has today a relatively high degree of fit between different types of control elements but we have during the interviews and observations seen a trend toward misfit.

The overall pattern today is that the organization has a control package with a decentralized and vertical organization that is controlled by performance measurement. The vast majority of employees within the organization are empowered, think it is important to achieve targets and promotion is an important status symbol. As previously mentioned, the variations in how activities should be carried out differ from time-to-time, which implies that implementation of activities cannot be done in the same way in all the seven projects. Thus, it is not possible to control how different individuals in the organization implements the activities, the only possible way to control is to measure achievements. The organizational culture supports both the formal control and the organizational structure with result orientated and empowered employees. Ouchi (1979) discusses these patterns of control as output measurement control and Merchant and Van der Stede (2007) as result control.

The trend towards misfit can be seen when the organization becomes more centralized and more formalized but at the same time hold employees responsible to achieve targets without having the same authority or resources to achieve them. This contradiction is created when the budget process and authority becomes more centralized and the organization incorporates more regulations.

The organization has a budget process that is designed to be demand driven with high degree of participation. Employees can exchange information and attach cost to the activities they plan to implement but there is a tendency of more focus on cost control and more centralized budget process. This can be contradictory to the performance measurement and the organizational structure. Employees are responsible to achieve targets but then they cannot control the cost that is attached to the activities, which according to the empirical findings leads to a situation where employees feel somewhat restraint. The organization is still decentralized but a trend can be found towards more centralization. The centralization implies more formalization, which can create a contradiction between performance measurement and the organizational culture. Employees are responsible to make the decision they find are best suitable to achieve targets but regulation constraints them in their decision-making. The employees are empowered and it is important to achieve targets and with formalization implies more direct control, which can create a contradiction.

5.3.2 FIT BETWEEN CONTROL PACKAGE AND CONTINGENCY FACTORS

Vi Agroforestry has two factors with major impact on the control package and these are dependence and uncertainty and these needs to be considered when designing the control package.

Dependence is the first contingency factor of major importance to Vi Agroforestry since the organization is facing high pressure from external organizations, and in particular SIDA. This contingency factor is not only affecting and influencing the organization, it rather pressure Vi Agroforestry so they are forced to align some organizational objectives and activities to fit donator objectives.

Dependence affects all parts in the control package but essentially formal control and organizational structure. As a result of this dependence, Vi Agroforestry focuses much on measurement to satisfy donators. The creation of 65 indicators makes the employees take short-term decisions and it becomes difficult to know what is important. In addition, the broad objectives does that many other factors can influence the measurement, which results in less valuable measurement and more difficulties to assess performance. The budget behavior has also changed as an effect of the dependence and lack of funding. The control package is designed to handle the dependence to SIDA but creates unintended behaviors and undesirable control package outcome.

In the organizational structure there has been a trend towards more centralization and formalization the last years, as a result of the dependence. The pressure from donators to create more information and be accountable for the entire region has resulted in centralization. To be able to carry out the decisions from the programme office and have a more unified approach the formalization has increased in the last years. As mentioned previously, a result for the on going centralization and formalization, the control package moves toward internal misfit.

The other significant contingency factor is uncertainty and it creates some challenges for decision making in the organization. The local variations strongly

influence the organization structure and the design of the formal control element.

The organization has today an organizational structure to tackle uncertainty with a decentralized and vertical organization. The vertical structure makes it possible to adapt to changes in the local conditions and the decentralization simplifies for employees with knowledge about the local variations to make the correct decisions for organizational progress. In addition, for organizations acting under these conditions it is valuable and important to have processes for information sharing in order, which the participative budget process to large extent contributes to.

The control package of Vi Agroforestry has been designed to handle uncertainty in a suitable way. The control package outcome is that employees can make decision that are adapted to the environment they act in, which implies a high degree of external fit between the control package and the contingency factor uncertainty. However, there is a trend towards misfit when the organization becomes more formalized and centralized, which makes it more difficult for individuals within the organization to handle uncertainty.

Through the empirical findings, contradictory forces pulling the organization in two directions can be seen. Dependence and uncertainty creates contradiction within the control package since both influences how the organization is structured. On one hand there is a need to tackle the uncertain environment, which implies a decentralized structure and less formalization. In uncertain environments it is difficult to specify what needs to be done and thereby written procedures is inappropriate, which implies less formalization in uncertain environments. On the other hand, the dependence is pulling the organization in the opposite direction. When donators pressure the organization to become more of a regional programme than seven individual projects, the organization has centralized much of the decision-making authority. To make sure of execution of the decisions made in upper management levels, these must be communicated through formalized elements. These two contradictory forces makes it very complicated to adept the control package to both of these contingency factors at the same time. The development of the control package of Vi Agroforestry implies that dependence is the strongest.

The collectivistic culture in the organization makes it unsuitable with individual performance measurements, which is the performance measurement system that is exclusively applied in Vi Agroforestry. This implies a mismatch between the control package and the culture of the individuals in the organization where the control package does not capture how individuals interact in the organization. At the same time there is a tendency of masculinity in the organization, which implies a contradiction in the willingness to use individual performance measurements. However, in the empirical findings collectivistic culture appeared more explicit than masculinity. If so, there is a misfit between the contingency factor national culture and the control package.

CHAPTER SIX CONCLUSIONS

This sixth chapter is divided into three parts. The first part reflects on and suggests how Vi Agroforestry can improve the fit in their control package. The second part presents the findings in this study that might have a general interest to all NGOs and can be compared to other research findings. The third part contributes with suggestions for further research on this topic.

6.1 SUGGESTIONS REGARDING THE CONTROL PACKAGE OF VI AGROFORESTRY

The purpose with this thesis was to:

“describe and analyze how contextual factors affect the control package of the NGO Vi Agroforestry. Further, the degree of internal fit in the control package is assessed, and suggestions are provided on how it can be improved.”

The first impression of Vi Agroforestry is that the organization has a relatively high degree of internal fit in their control package if you look at the organization briefly today. However, during the interviews and observations that gave us a deeper understanding of the organization we noticed a trend towards misfit. The organization is sacrificing internal fit and desired organizational behavior in their need to create a higher degree of external fit between the control package and the dependence.

During this study we have found how control elements creates unintended behaviors and the most significant is the formal control element. This control element, which is highly influenced by donators, creates unintended behaviors and thus, lowers the control package outcome. In this section we describe the situation more explicit, the potential unintended consequence that the organization faces and a possible suggestion on how the problem can be solved.

Situation: Vi Agroforestry has a Monitoring and Evaluation (M&E) systems that evaluate the employees performance. The M&E system is designed as a Logic Model with one development objective, five immediate objectives, 15 outputs and 65 indicators. The indicators assess the performance toward organizational objectives and the indicators are integrated in the daily duties of the vast majority of the individuals in the organization. The organization uses the information from the M&E system in decision-making and when they report to the funders.

Potential unintended consequence: We have seen that the combination of the large numbers of indicators and the pressure to achieve all targets creates myopia in the organization. Indicators generate attention direction difficulties for the field officers regarding what is important in the organization. When the numbers of indicators becomes too many combined with pressure to achieve the targets, we have noticed the effect that employees do not know what is important but they know that it is important to reach the targets. During the interviews we found that the field officers find it difficult to focus on all indicators because they do not have the knowledge or capacity to achieve all of them. What we have seen is that this situation results in short-term decision such as implementing the easiest activities, new activities or copying successful methods without reflecting whether it is suitable for the particular conditions in

the specific area. This implies that field officers focus more on a few activities and as a consequence some other activities will lag, but to achieve the organizational objective all activities need to be performed.

Suggestion: Our suggestion is to decrease the numbers of indicators and communicate the purpose with the indicators. Both the presented theory (McKenzie & Shilling, 1998; Atkinson, Waterhouse & Wells, 1997; Neely, 2007) and what we have found indicate that too many indicators make it difficult to create attention direction. Combined with the pressure to achieve the targets, the employees' behavior results in short-term decisions that make their efforts look good but they do not fulfill the organizational objectives in the most efficient way. Reduction of indicators will help the organization to direct employees' attention and the indicators will become a tool to achieve the organizational objective. The purpose of the performance measurement is not only to evaluate employees but also to report to SIDA, and we believe that this purpose must be better communicated in the organization. This can decrease the pressure on employees further down in the organization and increase the understanding of what is important.

Situation: The organization created the programme office in 2005. The purpose of the creation was to have a more unified regional approach and to be able to meet the pressure of information from donors. When the organization has become more centralized, dependent and faces lack of funding the budget processes have become more top-down. In addition, Vi Agroforestry have become more formalized with more written documents that specify procedures as a step in the direction to become more unified.

Potential unintended consequence: We have found that Vi Agroforestry faces high uncertainty and variations of local conditions between the projects and even between the different zones in the projects. To be able to tackle these circumstances there is a need to decentralize as much as possible since the knowledge of the local conditions is at field officer and zone coordinator level but since 2005 the organization has started to centralize decisions. We believe that these two factors have started to pull Vi Agroforestry in two different directions, which results in that employees are accountable for targets but do not have the authority or resources to achieve all of them. There is none or little possibility to have a centralized structure and formalized procedures and at the same time hold the employees responsible for achieving specific targets. This will most likely result in attention direction problems due to the fact that employees are responsible to reach targets but can't perform their duties in the way they find optimal or suitable in the given situation.

Suggestion: We believe that there are two ways Vi Agroforestry can adapt their control package to this problem. First, the individual targets need to be adjusted in accordance with the resources and authority the field officers and zone coordinators have. Employees have to be able to influence the targets, otherwise myopia behaviors can be developed (Merchant & Van der Stede, 2007). It is of importance to realize that if there is less time, knowledge and resources, the targets need to be adjusted downwards accordingly. Secondly, Vi Agroforestry has to reflect on how they want to control their employees. If it is of greater

importance to have fit between dependence and the control package than between uncertainty and the control package, we suggest that they change the entire control package, and not just parts of it. Vi Agroforestry has to stop using performance measurement or at least simplify to a significant extent. Instead the organization can direct the employees by more formal documents that guide the employee behavior, which implies a lesser degree of external fit to the contingency factor uncertainty. Thus, we believe the organization have to choose between result control and action control.

6.2 GENERAL CONCLUSIONS

As stated previously, this study was conducted on a single organization, which means that no general conclusions regarding NGO:s can be made. Despite this, several interesting patterns and tendencies in such organizations can be noticed from this study, which we believe can be of interest for other NGO:s.

Our first reflection is one that not concerns NGO:s but this type of study. We consider it somewhat of a paradox to combine control package and contingency factors in a study since they are highly correlated and interdependent. Misfit or fit between control elements can be a result of misfit or fit between contingency factors and control package. Thus, the question of where the source of the misfit or fit can be found is complex.

NGO:s appear to face different trends, to which they have to adapt to be a potential receiver of funds. When included in the organizational plans, these objectives are institutionalized and if there is a new trend on the rise, the organization just include this in their plans without considering if it accords with the older objectives. The organizations simply add more objectives to their agenda without reduce older ones. The conflict between ambiguous objectives in NGO:s and nonprofit organizations has been discussed before (Oliver, 1991; Ebrahim, 2005) but this study indicates that the ambiguous objectives increase the complexity that needs to be taken into consideration when designing a control package. To create a control package to focus the organizational efforts to fulfill all these objectives becomes very difficult and the consequence is that it is harder to achieve all the different objectives.

This study indicates that dependence needs to be considered in a wider perspective regarding NGO:s in particular because the unique relationship between NGO:s and their donators affects how NGO:s control their employees. Previous studies have taken this relationship in consideration when studying formal parts of the control package (Ebrahim, 2005; Kanter & Summers, 1994) but this study indicates that NGO:s have to take this special relationship in consideration when designing the entire control package and not just the formal part. What we found in this case study was that the organizational structure changed to a more centralized structure because of dependence even though other contingency factors require a more decentralized organization. Dependence is also affecting the informal types of control since individuals becomes more focused on target achievement. It is of major importance to understand how dependence affect control package for NGO:s, because contingency factors affect more than one control element and control elements

affect each other, a result that have been found by other authors (Brown & Malmi, 2008).

Managers in NGO:s has to reflect on why, how and for whom they are using control elements. Donators require the NGO:s to strive towards certain objectives and they want to see results from their funding. As a consequence, NGO creates new strategies to fulfill the objectives and implement control elements to evaluate these objectives and satisfy donators, but these control elements do not consider the control consequences. When implementing different control tools it is important to recognize that those might bring desired as well as unintended behaviors, as we have seen exemplified in this study. This study indicate that NGO:s implement rigid performance measurement systems, centralizes and formalizes their organizational structure to be able to satisfy donators. The relationship between donators and NGO:s indicates that the size and the comprehensiveness of the control package and the formal control element extents significantly, which may not be necessary to control the organization. This implies that NGO:s facing the same situation as Vi Agroforestry might create control systems that are more formal then necessary and overwhelming for the organization. The size and a more formal control package do not just affect organizational behaviors but is in addition more costly than necessary. These investments in evaluation systems and other attached cost like time and employees are not reasonable with the need of control to reach the organizational objectives. The combination of less funding and more pressure from donators to show results, which drives cost, implies that less resources can be used in the organization's core operations. This conclusion can be compared with the evaluatory trap seen in the public sector how organizations faces a pressure to implement control elements that are costly and at the same time a demand to decrease the total cost, which result in less resources to produce public services (Guthrie et al., 2001).

The question one must ask is to what extent and how valuable it is to measure performance in NGO:s and how possible it is to capture the full effect of their efforts and how much that is due to other organizations and macro factors. The nature of these organizations makes it difficult to capture value or impact in measurements. When other organizations or factors influences NGO:s measurements, the measurement becomes less accurate and the value of them reduces. This study indicates the problem of finding the real performance dimension and accurate measurement results in more measurement, a pattern that can be found in the public sector as well (Guthrie et al., 2001).

6.3 SUGGESTIONS FOR FURTHER RESEARCH

During analysis of interviews and observation a numbers of interesting reflections have been discussed between us that this thesis do not cover. These are presented here as suggestions for further research.

- ***Contingency factors and NGO:s*** – The control package of Vi Agroforestry is significantly affected by the dependence to donators and the uncertain environment they operate in. But many contingency factors presented in the theoretic framework was not applicable for this case study such as strategy and technology. However, this does not necessarily imply that

NGO:s do not face these contingency factors. Our suggestion for further research is to investigate how the contingency factors can be adjusted to fit NGO:s circumstances and if there is any other contingency factors that needs to be taken into consideration when designing a NGO:s control package.

- **Dependence** - The dependence to donators raises questions about control. We present some suggestion for further research which all concern dependence to donators.
 - NGO:s implements formal control elements to satisfy donators. When doing so, they also affect the entire control package. In this study we have investigated how a few contingency factors affect the control package. Our suggestion for further studies is to investigate how to design a control package to tackle dependence and uncertainty at the same time.
 - Some control elements within the control package of Vi Agroforestry creates misbehaviors sourced form the extensive dependence NGO:s faces. Our suggestion to further research is to study how NGO:s implement control elements, how this create behaviors and how aware the organizations are of these behaviors.
 - The Monitoring and Evaluation system in Vi Agroforestry is very comprehensive and well developed, but it might not necessarily need to be this extensive. Our suggestion to further research is to investigate if there is a possibility that NGO:s implement control packages that is too comprehensive to suit the organizational control needs just to satisfy funders, and how much benefit the organization gain from the costs of the control package.
 - Earlier studies (Merchant, 1990) have been conducted to analyze whether high pressure to achieve financial targets can lead to data manipulation and myopia in for-profit organizations. In this study we have found some myopias when Vi Agroforestry and the individuals in the organization faced high pressure to show short-term results. Our suggestion for further research is to conduct a similar study analyzing how the pressure from donators affects individual behavior in NGO:s.

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Interviews and observations

Respondent	Title	Project/programme	Date
Bo Lager	Programme Director	Programme Office, Kisumu	28/4 -2010 18/5-2010
Carina Andersson	Regional Director	Swedish Cooperative Center, Nairobi	12/4-2010
Wilfred Assimwe	Project Manager	Masaka Project	30/4-2010
Kajsa Hallén	Deputy Project Manager	Masaka Project	29/4-2010
Damas Masologo	Project Manager	Kagera Project, Bukoba,	3/5-2010
Jorge Suazo	Project Manager	Kigali Project,	7/5-2010
Kasuja Charles Kato	Zone coordinator	Masaka Project,	29/4-2010
Clement Thobias Mtui	Zone coordinator	Kagera Project, Bukoba,	3/5-2010
Jean Hitimana	Zone coordinator	Kigali Project,	7/5-2010
James Rutakahweire	Field officer	Masaka Project,	30/4-2010
Revina Elias Trasis	Field officer	Kagera Project, Bukoba,	3/5-2010
Clarisse Mukasugara	Field officer	Kigali Project	7/5-2010

Appendix I

The purpose with the interview guide is to guide interviewers and respondents rather than control the interview. We asked open question and then further questions on the subject to get a deeper understanding. We introduced us like students and that we wanted to know general about NGO:s and management.

- Can you describe how a typical day in your work situation looks like?
 - Challenges
 - Critical factors in your daily duties
 - Time perspective
- Can you tell us about how you cooperate within the organization?
 - Group vs. individualistic
 - Influence decision
 - Gender
- Except people within the organization, is there any other organizations or people you cooperate with?
 - Crucial or not
 - How affecting?
- When and how do you know that you have done a good work?
 - Performance Measurement
 - Purpose
 - Affecting daily duties
 - Budgeting
 - Purpose
 - Process
- Are there any reports you have to do or fill in regarding your tasks and accomplishments?
 - Other documents that are important? Guidelines or policies?

What do you think motivates people within this organization to perform their daily duties?

- Does and don'ts in the organization
- Trainings and selections