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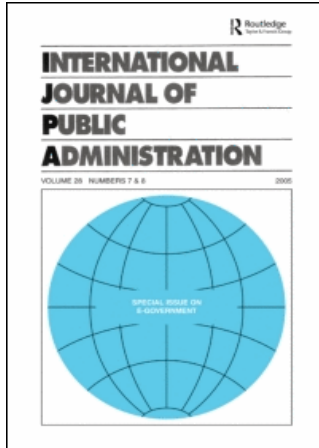
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PERFORMANCE IN THE THIRD SECTOR: A MICRO-LEVEL FRAMEWORK AND SOME LESSONS FROM ISRAEL

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PERFORMANCE IN THE THIRD SECTOR: A MICRO-LEVEL FRAMEWORK AND SOME LESSONS FROM ISRAEL

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ABSTRACT

Organizational performance is perhaps the most studied topic in management literature. For many years much attention has been given to understanding performance of the first (private/business) and second (public/administrative) sectors. Only recently have studies shown interest in the performance of the rapidly evolving third sector. However, most studies on the performance of Voluntary and Non-Profit Organizations (VNPOs) have so far adopted a distinctly macro-oriented perspective, overlooking micro-level viewpoints which may have special merit for a broader understanding of effectiveness and efficiency in these bodies. This paper provides an insight into this less studied dimension of performance analysis and tries to illuminate its advantages for VNPOs. The model applies existing knowledge from other fields such as organizational behavior and labor studies, and puts forward a theory that may prove useful for third-sector organizations struggling to improve results in a turbulent public arena. Furthermore, we provide some preliminary

findings as collected in Na'amat (an Israeli VNPO of working women) that support the usefulness of this model.

INTRODUCTION

Organized voluntary activity in modern nations has rapidly expanded in recent decades. With the years it has become evident that no bureaucracy is capable of being everywhere, all the time, and with optimal resources and remedies for all social problems. Therefore, initiatives have been taken to do things better than governments and to provide quality services and goods which otherwise may not have been delivered. A collaboration of state agencies with third-sector bodies seemed like a solution for many social problems. Consequently, better understanding has become essential on how to run Voluntary and Non-Profit Organizations (VNPOs), how to manage their human resources better, and most importantly, how to enhance their performance. High performance of third-sector bodies is essential not only for maintaining general organizational survival, but first and foremost for the healthy development of society and for the prosperity of citizens who derive primary benefit from third-sector services. However, it seems that some straightforward managerial questions on how to run the business of VNPOs better have so far lacked satisfactory scholarly attention.⁽¹⁾

If the third sector exists to respond consistently to new challenges in the public service arena, a much more detailed and inclusive theory, inspired on both the macro- and the micro-level prospects, is required, which can guide voluntary organizations to better performance. While macro theory in this field is relatively established,⁽²⁾ micro theory needs further development and empirical research. The best and most effective means, as suggested in this essay, is to follow existing knowledge available from other disciplines of the social sciences, mainly organizational studies, psychology, business management, and human resource management. Inclining toward such a specific effort, we propose a theoretical model of employees' outcomes as well as some preliminary evidences for the usefulness of this approach. The study focuses on the need to apply behavioral concepts and methods in the study of VNPOs. We agree with Forbes⁽²⁾ and with Kanter and Summers,⁽³⁾ who argue that today effectiveness, outcomes, and performance of third-sector organizations are problematic concepts in that they can mean different things to different people. In line with this, we propose that better understanding of employees' outcomes is vital since it is an indispensable dimension of overall organizational performance and effectiveness, and it carries unique advantages that so far have not been fully cultivated in VNPOs. A micro-level theory also serves as a powerful tool for the healthy

scientific development of third-sector systems as well as an additional practical instrument for managers. Thus, It may have special value for creating productive relationships among the third sector, public systems, and markets in the 21st century.

Managing Individual Performance in the Third Sector: Between Good Will and Good Practice

The literature on effectiveness, efficiency, and general performance of VNPOs reveals that the field has moved in many directions. As recently argued by Herman and Renz,⁽⁴⁾ “studies [on effectiveness and performance] are characterized by varying theoretical perspectives and research objectives, which make accumulation and integration impossible.” A study by Forbes⁽²⁾ summarized the different empirical endeavors that examined effectiveness and efficiency in the third sector between 1977 and 1997. Most of the effort was found to have been dedicated to building a macro theory that emphasized concepts such as board effectiveness and performance or board power,^(5,6) strategic planning practices^(7,8) or organizational climate, structure, and size.^(9,10) Forbes⁽²⁾ also categorized these approaches into five groups: (1) emergent, (2) system resource, (3) goal attainment, (4) reputational, and (5) integrative, an approach defined as multidimensional. Clearly, the micro-level prospect, which is so prevalent in the study of private and public organizations, has received little consideration. With the slight exception of the reputational approach, which aims at associating effectiveness with “the reported opinions of key persons such as clients or service professional”,⁽²⁾ hardly any evidence exists of a satisfactory micro-level framework to illumine the performance of third-sector employees.

More specifically there is a need to distinguish two types of micro-level studies on performance in VNPOs: (1) studies dealing mainly with volunteers, and (2) studies dealing mainly with paid employees. To date, the very few studies on individuals' performances in VNPOs have discussed an important yet narrow perspective of *volunteers'* actions and programs.⁽¹¹⁾ We believe that it is also important to examine performance of paid employees in VNPOs. In general, the present essay discusses issues theoretically relevant for employees of both groups. However, since our framework relies heavily on past studies, which mostly examined paid employees, implications should be drawn first and foremost for third-sector paid employees. Other implications, beyond this range (i.e., for volunteers), must be treated with some caution.

Why do we find the distinction between volunteers and paid employees so critical for performance analysis? First, an investigation of third-sector

organizations in 22 countries revealed that 18.8 million individuals were paid employees, while the number of volunteers in those countries totaled 10.4 million. This reflects an estimated global ratio of 1.8 : 1 between paid and not-paid members of VNPOs.⁽¹²⁾ In Israel the ratio is even larger. According to Gidron and Katz,⁽¹³⁾ some 85% of third-sector employees in Israel are paid workers, obviously constituting the main workforce of Israeli third-sector organizations. Such figures illustrate how substantial and necessary is a close inspection of paid employees and their individual performance in VNPOs. A more comprehensive research in this direction can bridge the gap between the prevailing good will of VNPOs as frequently represented by volunteers' inputs and the implementation of good managerial practices within them, which refer to both volunteers and paid employees. Integrating micro-level analysis of employees' performance with macro-level approaches is an important step in this direction. Second, since not much research has been conducted specifically to evaluate the performance of paid employees against the performance of volunteers in a given organizational unit a comparative analysis has not been possible. If one seeks a better understanding of volunteers' production one must compare it with the outcomes of paid employees in the same organizational arena. The model proposed here may suggest one means of making such a comparison.

A Micro-level Framework of Performance Analysis and Its Added Value in the Third Sector

Figure 1 presents a theoretical micro-level framework and model of performance analysis in the third sector. Before starting with the explanations and rationale of the model's value, it may be useful to comment on what it is not. First, it is not the ultimate option for measuring employees' performance in the third sector but only a suggestion as to how a micro-level framework may contribute to the development of integrative theory of performance. Second, the model suggests certain measures of individual performance that are highly relevant to third-sector agencies, as well as antecedents of such performance. Nonetheless, these can be replaced by other measures, according to the needs and orientations of the specific organization. Third, the model does not enforce strict internal relationships among its constructs. It should be viewed only as a prototype for core relationships that need to be put under further empirical investigation, as will be demonstrated later.

The model is based on job satisfaction as a central facet of employees' performance. This variable has received exceptional attention in organiza-

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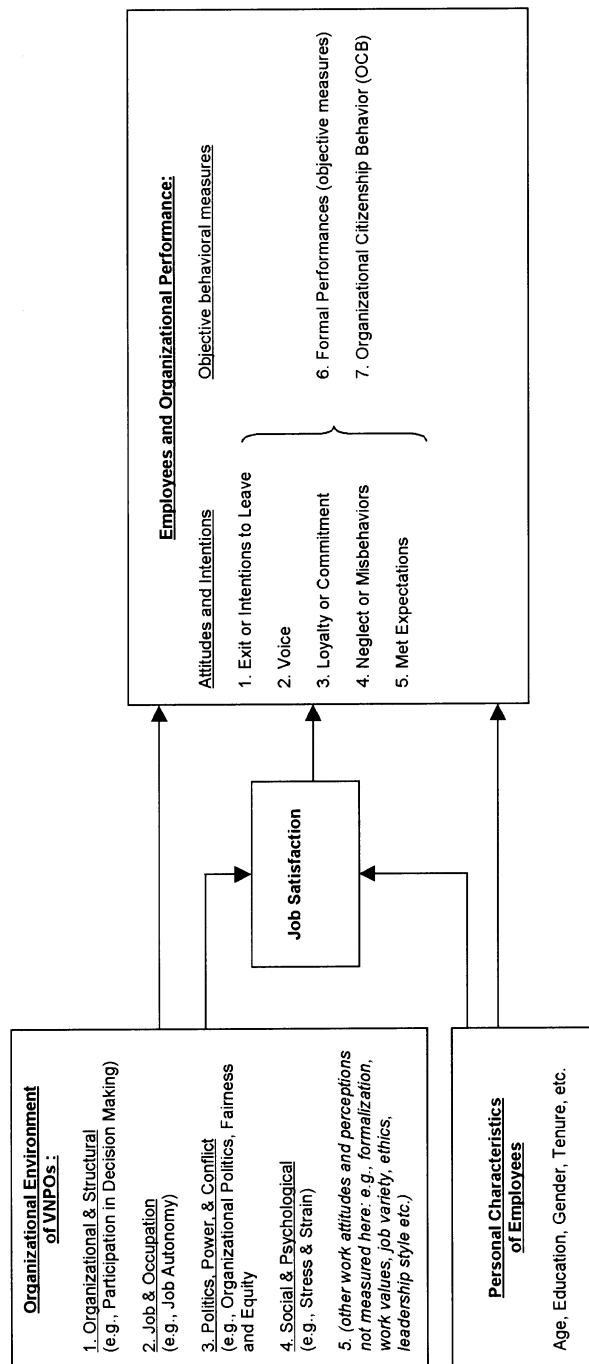


Figure 1. A theoretical model of employees' performances in the third sector.

tional behavior research.⁽¹⁴⁾ It has evinced manifold relationships with other important job attitudes and work outcomes, and has shown foremost explanatory power in many studies.⁽¹⁵⁾ Scholars agree that job satisfaction should be included as a core element of models of employees' performance in all work spheres and organizations.⁽¹⁶⁾ In line with this, job satisfaction is integrated in our theoretical model as a mediator between two core groups of variables: (1) hypothetical determinants of performance, also named *organizational environment* constructs, and (2) explicit indicators of *employees' performance*. The mediating role of job satisfaction implies that it serves as a core interface between diverse variables in the organizational environment and work outcomes. Satisfaction is affected by the third sector's environment and, as will be explained latter, it affects individuals' performance. In addition, and as widely accepted in every micro-level assessment of organizations, personal variables have been incorporated in the model as controllers. For simplicity, we begin directly by discussing measures of employees' performance and by exploring their relevance to third-sector organizations. An investigation of antecedents and determinants of performance follows this overview to cover better the general scope of the essay.

Patterns of Performance: Formal and Informal Measures of Performance

A vast literature on management sciences deals with employees' performance and their contribution to organizational success and goal attainment.⁽¹⁷⁻¹⁹⁾ For example, studies have shown that objective measures of employees' performance are essential for better understanding overall organizational effectiveness.⁽²⁰⁾ Modern organizations use supervisors', clients', or co-workers' reports to learn more about individuals' productivity, and frequently to relate performance to rewards and incentives in the workplace. Another important distinction is usually made between formal and informal indicators of performance. While the conventional way is to concentrate on formal job duties, responsibilities of the self, and fulfilling one's role requirements, an alternative pattern of performance evaluation takes into consideration other, more informal duties, that are not an integral part of one's work.

The informal prospect of micro-level performance may be extremely useful in the study of the non-profit sector. This dimension reflects prosocial activities and altruism in the workplace that are frequently defined as Organizational Citizenship Behavior (OCB). OCB is a relatively new concept in performance analysis but it represents a very old human conduct

of voluntary action and mutual aid with no request for pay or formal rewards in return. The concept was first introduced in the mid 1980s by Dennis Organ⁽²¹⁾ and theory on in this area has expanded rapidly in the following years.⁽²²⁻²⁴⁾ As defined by Organ (1988), OCB reflects a “good soldier syndrome” which is so necessary for the prosperity and good functioning of every organization. It means doing a better job, making an effort above and beyond formal requirements, and filling the gap between procedures and regulations on the one hand, and dynamic reality on the other. OCB is usually perceived as exerting exceptionally good behaviors for the sake of the organization and informally supporting its members. To date, and as far as we could find, no study has investigated the meaning and implications of OCB behaviors in the third sector. Obviously, such behaviors are important to private organizations since they affect their competitiveness and profitability. Yet the consequences of OCB for public and not-for-profit organizations also deserve further consideration. They may influence the effectiveness and efficiency of public services as well as VNPOs, but they may furthermore influence these systems’ reputation, image, legitimacy, quality of service, and responsiveness in the eyes of citizens-clients.^(25,26) Accordingly, VNPOs must be committed to increasing OCB among their paid employees. Otherwise, some very basic notions of the good spirit of voluntarism in VNPOs are damaged, leading to poor organizational performance and hampered goal attainment. Thus, OCB represent a powerful element of free-will conduct, most relevant in third-sector organizations, which highlight values of voluntary personal actions especially among paid employees. Consequently it is interesting to examine how OCB is manifested in interpersonal relationships within work units of the non-profit sector.

EVLN: Exit, Voice, Loyalty, Neglect

According to Hirschman,⁽²⁷⁾ employees customarily react to an organizational reality using one of three main alternatives: (1) Exit—intention to leave the organization, (2) Voice—intention to stay and fight for one’s beliefs and personal goals, (3) Loyalty—willingness to adjust and comply with the current situation. Theoretical as well as empirical examinations of Hirschman’s theory^(26,28) suggested another possible reaction, namely (4) Neglect—staying in the organization but expressing dissatisfaction by unproductive activity or even injurious behavior. While exit and neglect are considered negative work outcomes, voice and loyalty are defined as positive outcomes. Similarly, exit and voice are defined as active behaviors while loyalty and neglect are more of passive ones.

Among the four work outcomes listed above, neglecting one's duties or becoming involved in misbehaviors despite environmental pressures is, we believe, an important performance indicator highly relevant for VNPOs. These negative actions are defined by Organ⁽²⁹⁾ as a "quality of forbearance" (pp.44-45) and reflect a somewhat opposite dimension of OCB, a tendency of demotivation, anti-voluntarism, under-performance, and general active/destructive actions in the workplace. In many respects they contradict the very basic notion of "good will" and voluntary action as accepted in the third sector. When paid workers choose to stay in the organization but express dissatisfaction by unproductive activity or even injurious behavior they may be considered as neglecting their job. For example, employees may put less effort in their work, defer certain assignments without justification, or show no creativity or initiative even though they are capable of it and are encouraged by the organization to do so. Other forms of neglect in public and third-sector organizations reflect little consideration for citizens'/clients' needs or carelessness in using collective property. Frequently, neglect is interpreted as misbehavior or as an activity that damages the organization, not always because of overtly vicious intentions but sometimes through irresponsibility or sloppiness stemming from low attachment to or lack of identification with it.⁽³⁰⁾ An employee may remain with the organization but neglect his/her essential duties and assignments when he/she has no other job alternatives or wishes to requite the organization for being unfair.⁽²⁸⁾ As mentioned above, neglect is considered a more passive and covert dimension of performance, with the potential for long-term damage to every organization but mainly to non-private ones.⁽²⁶⁾

It is noteworthy that EVLN have demonstrated significant correlation with other performance indicators (i.e., formal and informal performance) and have proven methodological consistency over the years, especially in the study of public and not-for-profit organizations.^(26,31) Hence, third-sector organizations may benefit from using these important constructs since they illustrate better ways of improving human resource management. In addition, a reduction of withdrawal rates and an increase in loyalty and voice tendencies may also contribute to the effectiveness and efficiency of VNPOs in several ways. They (1) increase internal cohesiveness and stability; (2) improve organizational prestige and image, thereby promoting processes of resource attainment, distribution, and redistribution; and (3) minimize human resource expenditures on personnel recruitment, selection, and staffing. Such indicators are worthy of examination in every organization that seeks operative progress, but they acquire even higher significance and added value in the non-profit context, where other hard performance indicators are at best difficult to measure and at worst entirely

invalid and inapplicable. Often VNPOs lack bottom-line financial measures⁽⁴⁾ so they must adopt what Eccles and Nohria⁽³²⁾ called a multiple measure or “business model.” A micro-level theory may well serve this perspective, suggesting useful strategies for better management of VNPOs’ outcomes.

Met-Expectations

In addition to the above measures of performance, we believe that reasonable met-expectations of paid employees in the third sector represent another work attitude strongly correlated with personal motivation and outcomes. Vroom⁽³³⁾ developed the expectancy theory, and argued that expectations significantly affect employees’ motivation, satisfaction, and personal performance. The expectancy theory relies heavily on the fit between individuals and their work environment. Here we raise another question. Do third-sector organizations employ only well-suited individuals? Moreover, how should VNPOs define such suitability and what can be done to improve it? From available knowledge gathered in private and public organizations it is quite clear that third-sector bodies that employ better-suited individuals reach their goals more effectively. They exhibit high levels of production and improved quality of performance, and they encounter only minor problems of absenteeism and turnover. Empirical evidence exists today to support these statements. An extensive meta-analysis of 31 studies and 17,241 people from all three sectors was conducted by Wanous et al.,⁽³⁴⁾ who found correlation of $-.29$ between met-expectations and intentions to leave the organization. A correlation of $.19$ was reported between met-expectations and job survival, and of $.11$ between met-expectations and objective reports on job performance. Employees’ met-expectations and other formal and informal reports on performance are accordingly weighty indicators of how well any organization is capable of fulfilling its goals and how well the goals conform to employees’ needs, aspirations, actions, and outcomes.

Considering the accumulated knowledge in general managerial literature of all the above facets it is logical to include them in every micro-level model of performance analysis, be it in the private, public, or third sector. Still, with the years, use of micro-level variables has become especially important for public and non-profit organizations. While performance analysis in private organizations draws much substance from cost-benefit indicators, profitability, efficiency, economy, and value for money measures, these do not constitute a practical apparatus in the case of public services and third-sector organizations.⁽³⁵⁾ Such systems must use other indicators capable of compensating for the absence of dollar-estimated ones. Micro-

level theory of performance can respond positively to this challenge, suggesting behavioral and perceptual facets of performance which offer advantages beyond standard profitability measures. As suggested by Herman and Renz,⁽³²⁾ VNPOs that seek better effectiveness and higher performance are more likely to use correct management practices and tools. In our view these desirable managerial instruments must include proper behaviorist methods and offer extensive assessment of employees' performance.

Antecedents of Employees' Performance

A framework of work performance is not complete without elaboration of at least some causes of individual performance in a given atmosphere. Management theory has examined a wide variety of work dimensions that have significant impact on employees' outcomes. Out of these, we decided to focus on four environmental areas: (1) *organizational and structural constructs*, examined here by employees' participation in decision making; (2) *job and occupation constructs*, examined here by employees' job autonomy; (3) *politics, power, and conflict in the workplace*, represented here by employees' perceptions of organizational politics, fairness, and equity; and (4) *social and psychological constructs*, demonstrated here by employees' stress and strain. It is important to understand these attitudes for several reasons. First, they have the potential of better explaining processes in the work environment of third-sector bodies, thus enhancing effectiveness and efficiency of work dynamics. Second, they serve as first indicators for a decline in actual work performance and help to explain them theoretically. Third, they have a practical advantage for third-sector managers who wish to "stay tuned" to paid employees' feelings as core pre-signals for future developments inside the organization.

Organizational behavior literature has evinced stable relationships between the above constructs and employees' performance. First, participation of third-sector employees in decision making as well as higher levels of their job autonomy may enhance personal motivation for work, and thus positively affect work outcomes and performance.^(17,19) Second, internal conflicts and power relations in VNPOs may influence performance through employees' perceptions of fairness and equity.⁽³⁶⁾ As suggested by Batsleer⁽¹⁾ "handling conflict is an inherent and integral feature of voluntary sector management. Voluntary organizations are no less prone than organizations in other sectors to fierce conflicts of interest and identity." Moreover, the opposite may be true. "The wide-ranging personal and sectional values, aspirations and interests which different groups of staff and volunteers bring to their work add a singularly intractable edge to all the customary layers of

conflict with which managers have to cope" (p.237). Therefore, we decided to include a construct of organizational politics in the model. It represents the degree of internal conflict and level of fairness and equity in a work unit that emerges when individuals quarrel over organizational resources. Next, the social and psychological work environment of third-sector organizations can at times be stressful due to tight affiliation with the public. Studies have shown that stress and burnout are relatively high in public service organizations⁽³⁷⁾ and that they may negatively affect personal work outcomes and performance. These facets were integrated in the model as additional determinants of performance.

Finally, our framework suggests that job satisfaction mediates the relationships between performance indicators and antecedents of performance. It is argued that satisfaction with one's workplace and surroundings is a precondition that allows performance of third-sector employees to improve; in its absence, it deteriorates. Last it should be noted that the proposed model as set out here leaves ample room for future inclusion of other important variables which, for parsimony and simplicity, have not been covered.

SOME LESSONS FROM ISRAEL: A MICRO-LEVEL PERFORMANCE ASSESSMENT IN NA'AMAT

The next sections report on our attempt to perform a micro-level assessment, as proposed so far, in 16 day-care centers of Na'amat, an organization of Israeli working women. Today this organization is distinctly classified (socially, economically, and legally) as a third-sector organization, but it has undergone some changes in recent years.⁽³⁸⁾ We planned on using our suggested model in the assessment process to learn more about paid employees' performance and to impart to the management some useful implications stemming from our experience.

In recent decades Na'amat, like other bodies of the Israeli third sector, has experienced a process of evolution and expansion⁽³⁹⁾ which necessitates more attention to proper managerial dynamics, more specifically to ways of improving individual performance to adhere well with growing demands in the environment. However, the study of employees' performance in Na'amat, or in any other Israeli third-sector body, is not widespread. Carefully perusing the relevant literature, we found no study specifically interested in the actual performances of paid or not-paid employees in these organizations. Accordingly, the following sections are aimed at illustrating the barriers of micro-level performance analysis, ways of overcoming such difficulties, as well as other useful lessons relevant to our model.

Background

First, employees of Na'amat had not undergone a performance evaluation process for many years. From preliminary interviews with past and present senior managers of Na'amat, we learned that such a process was viewed as unnecessary, costly, and mainly as interfering with labor-relations norms as reflected in the traditional structure and culture of the Histadrut (the general federation of labor in Israel), to which Na'amat belongs. This culture considered too close an inspection of employees' behavior as a potential threat to their labor rights. As a labor union, the Histadrut tried both legally and practically to minimize the inclusion of performance appraisals in formal work processes for fear of economic pressures on employees.

Only in 1995 was the initiative first taken to evaluate individuals' performance in Na'amat. Two reasons should be mentioned that caused this change. The first was a transformation in the formal status of Na'amat. It was made a more independent body, becoming increasingly detached from the Histadrut and moving to fiercer competition with other Israeli women's organizations (e.g., WIZO) in a variety of fields. The second was a transformation in the organization's leadership, which became more open to external knowledge and to developments in the field of organizational management. The 1995 effort was still experimental, and was conducted by the internal department of human resources. It involved proper assessments of work attitudes, job satisfaction, and behavioral intentions, and objective data provided by supervisors, but it also met many obstacles and much resistance from both employees and managers. At that time resistance was mainly from ground-level members who felt threatened by the possible consequences of the process. Hence, further implementation was delayed and the instruments underwent extensive improvement. It also involved a more thorough preparation of employees to reduce resistance and to point out the collective potential and advantages for all members.

Following the 1995 intra-organizational initiative we reached agreement with the organizational headquarter to make a second attempt in this direction. The idea was based on an assumption that our external position, as an independent academic body, would have better chances of success because of our image of greater objectivity and academic prestige. After carefully learning the past lessons we conducted our performance assessment project during 1998 as a separate, amended, and extra-organizational venture. Our venture was fully coordinated with the organization's headquarters but was not controlled or monitored by it in any way. The organization was promised a full statistical report on the results of the study. We developed a new questionnaire, which included

many past measurements but was more parsimonious (to remove barriers of low response rates) and also relied on our earlier rich experience with other Israeli public and private sectors.

Operative Assessment and General Results

First, 200 questionnaires were distributed among paid employees at 16 day-care homes of Na'amat. Supervisors were then asked to report on employees' formal and informal performance (OCB) by means of a short 15-item questionnaire. The entire procedure was voluntary, and all participants who agreed to take part were assured total anonymity. We received by direct return 155 questionnaires (response rate of 77.5%), which we used in our final analyses. The direct return method was adopted to reduce resistance of employees and to maintain full confidentiality of the information provided. All participants were paid women employees, average age 49 (s.d. = 9.8) and average tenure in the organization 9.4 years (s.d. = 6.7). Of the employees, 76% had high school education and 24% held an academic degree; 79.7% were married, 82.1% worked part-time, and 83.0% had tenure. Average monthly income was around NIS 2600 (\$650).

Since our goal in this paper is mainly to describe the process of intervention and assessment, as well as to highlight some of its milestones, we will only mention that our study generally succeeded in providing support for most of the relationships regarding employees' performance in Na'amat as proposed in the theoretical model.⁽⁴⁰⁾ Job satisfaction of these third-sector employees was found to be an important job domain responsible for employees' performance. It was positively related to participation in decision making and to job autonomy, and negatively related to internal conflict, politics, and stress and strain. In addition, job satisfaction was positively and significantly related to most of the performance indicators as tested here (loyalty or commitment, met-expectations, formal performance, and OCB as reported by supervisors). Other general assertions of the model also received supported and showed the usefulness of a micro-level performance assessment in one third-sector body as suggested earlier in this paper.

DISCUSSION

Forbes⁽²⁾ encourages a continuous empirical investigation of organizational effectiveness and performance, since "they have much to teach both researchers and practitioners who seek to fully understand the potential

applications—or misapplications—of a concept that is likely to have significant influence in the nonprofit world in the years to come” (p.185). Referring directly to non-profit organizations, Drucker⁽⁴¹⁾ recently argued that “People determine the performance capacity of an organization” and that “no organization can do better than the people it has” (p.145). Furthermore, Drucker suggests that “an effective non-profit manager *must* try to get more out of the people he or she has. The yield from the human resource really determines the organization’s performance.” The prime goal of our paper was to illustrate how a micro-level framework of performance can be applied in the field of third-sector studies and serve it well theoretically and practically. Better functioning of VNPOs and higher performance of their employees are mutually related and have the potential of pushing these systems forward and improving their added value in society. Knowledge on human performance analysis is available in proximate fields such as management science, organizational behavior, and labor studies.^(42,43) This knowledge can and should be used and applied in VNPOs in a more consistent and professional way than has been the case to date. Our paper has tried to illustrate how this challenge can be addressed.

The dearth of micro-level theory of performance in VNPOs until recently (as demonstrated in our case of Na’amat) may be for several reasons. (1) We have witnessed a normal evolutionary process of a science in motion which, in its first stages, was more interested in macro-level exploration and theory; in this process we have only recently reached the stage that permits micro-level contemplation of third-sector performance. (2) Third-sector theory involves knowledge from a variety of disciplinary sources such as social work, sociology, political science, and management; hence, interdisciplinary borders have to be bridged as a preliminary condition for micro-level theory to emerge. (3) Managing third-sector employees seems like a business, close in type and in nature to management of human resources in private and public systems. Thus, it is argued, we already know what we need to know, and no specific theory is necessary in this case. However, a more thorough examination of available knowledge on the third sector reveals that most of these assumptions do not hold in practice and that a specific micro-level theory of performance is more than essential for these bodies. Considering that most members in VNPOs are paid workers a closer and more systematic study is needed of their performances and outcomes. This has not been done until now. The prime individual motivator of paid employees for becoming part of a third-sector organization turns out to derive from vocational, practical, or other self-interests, and not necessarily from altruistic, voluntary, or collective interests, as some people may think. This motivation should be identified

and better explained. It is possible that performance of third-sector employees is more inspired by the special conditions and environment under which these bodies operate. These conditions must be well defined, classified, and empirically examined in light of Forbes⁽²⁾ who argued that studying organizational outcomes and performance is especially problematic in the context of non-profit organizations. These bodies have a distinctive legal and financial status; they consist of separate organizational structures, unique managerial mechanisms and processes, separate environment type and customers, and most importantly, a particular type of human resources, both paid and not-paid, which permit the fine and smooth functioning of the entire system. Thus, VNPOs require independent scholarly attention to all aspects. In our view they also merit the development of specific micro-level theory on performance. This of course does not imply that present knowledge on employees' performance as available in the behavioral-management sciences is of no use. On the contrary, precisely this wisdom should be used as a theoretical lodestar on the way to a better understanding of employees' behavior in the third sector.

Yet perhaps another explanation to the deficiency of micro-level framework for studying performance in VNPOs is even more powerful. The third sector functions in the twilight zone between public and private organizations, maintaining close relationships with both markets and state agencies.⁽⁴⁴⁾ For many years VNPOs were discussed in the same breath with public systems. Like state agencies, VNPOs too provided public goods and received massive direct support from the state (financial, managerial, ideological, and political). With the passage of time managers in modern VNPOs have come to consider cost-benefit considerations, market behavior and preferences, accountability requirements, and public/clients'/customers' demands and needs.⁽¹⁾ VNPOs of our era operate in a complex arena, between markets and states, and consequently adopt characteristics of the first and the second sectors. In many ways, our example of Na'amat show much similarity with these processes and developments. Hence, as in our case, collaboration of governmental organizations and private bodies with the third sector promises to yield some solutions for public concerns but it also raises new problems relevant to a complex, dynamic, and modern public environment.

Moreover, recent years have witnessed greater orientation of VNPOs towards private-sector management.⁽⁴⁵⁾ As an updated development of Bozeman's⁽⁴⁶⁾ argument that "all organizations are public", we suggest a conceptual addendum: "but third sector organizations are turning more private." That is, they conceive private-sector strategies of operation, private-sector thinking on profitability, and most importantly private-sector

methods of performance analysis, control, and assessment.^(4,41) It is possible that they are also highly influenced by the new public management (NPM) approach which became so popular in public agencies during the 1980s and 1990s and made them more business- and economics-oriented.⁽⁴⁷⁾ Like all other organizations, third-sector systems can work properly (more or less), or alternatively become ineffective. Accordingly, third-sector employees can perform better or worse for a variety of reasons. Taking an organizational behavior perspective, VNPOs may benefit from a more extensive understanding of work processes and individuals' performance. They can learn how to achieve their goals more effectively and increase value for money by directly amplifying the performance of their major workforce, which is paid employees. Society and the public interest, as primary clients of these organizations, will benefit all the more from such improved operation. Perhaps this is the only way to respond positively to the social challenges as set by academics and public servants who care about overall societal prosperity in the years to come.

How can third-sector employees be encouraged to do a better job and deliver higher inputs to the overall VNPOs performance effort? At least five relevant explanations are suggested in light of our framework: (1) organizational and structural variables (e.g., more participation in decision making); (2) job and occupation variables (e.g., more job autonomy); (3) politics, power, and conflict (e.g., less organizational politics and higher fairness and equity); (4) social and psychological variables (e.g., lower levels of stress and strain); and most importantly (5) better job satisfaction. In line with this, It is recommended that OCB and neglect or misbehaviors be used as additional constructs of individual performance indicators that may have added value in the context of VNPOs. In many respects, the third sector may be considered a natural habitat for the emergence of OCB and consequent behaviors that evince mutual help, altruism, aid, and support for fellow workers or for clients of the organization. The presence of large numbers of volunteers in these bodies closely harmonizes with this claim. The organizational environment of the third sector is presumed to emphasize good citizenship behaviors in all their forms. It encourages mutual supportive actions among people and promotes values of companionship and self-initiated assistance. The work atmosphere in a third-sector organization may thus provide individuals with better skills, legitimization, and justification for actions of good will. Theory sometimes defines this process as a *spillover effect*⁽⁴⁸⁾ in which values and dispositions from one domain (the general external goals and macro-organizational values) are manifested in other domains (the particular internal and micro-organizational relationships), and vice versa, to yield a range of behavioral similarities. OCB may thus be inspired by

general organizational tendencies and goals of doing good and right things for the sake of community and for other citizens as individuals.⁽⁴⁹⁾ Hence, OCB seems a variable worthy of special attention and examination in the voluntary sector.

On the assumption that OCB (as well as anti-negligence behavior) represents exceptional voluntary values and human conduct close in type and nature to the generic altruistic values of VNPOs, future studies may find interest in developing a more specific theory relating these constructs and explaining them better from an unconventional perspective. Such studies may benefit by using the spillover theory. However, our study did not probe the assumption that OCB is more widespread in third-sector organizations or that neglect is less prevalent there. Such differences may exist but this question should be carefully and more extensively examined in future comparative studies. In any case, and as widely suggested in our framework, OCB and neglect serve as an additional layer in the process of micro-level performance analysis and help in the construction of a “multiple measure” for VNPO effectiveness as proposed by Eccles and Nohria.⁽³²⁾ It is hence recommended that future studies seek a continuous development of theory and empirically guided research in this arena. In future years, these effort may result in a more solid behavior-anchored theory of third-sector performance.

Finally, the conventional wisdom of our era does not doubt the usefulness and contribution of third-sector organizations to the national economy and to the accomplishment of social goals on the communal or national level. The importance and centrality of such organizations is growing apace in most of the western world. From an Israeli viewpoint, Kramer⁽⁴⁵⁾ argued that “it is likely that, like their counterparts in the US, the UK and the Netherlands, Israeli VNPOs will grow somewhat in size and complexity, and become more formalized and professionalized” (p.21). One interpretation of Kramer’s viewpoint is that Israeli VNPOs, like similar organizations across the globe, are expected to undergo considerable criticism in the future, so their performance must be well examined and studied. Like private and public organizations, which have become increasingly appreciative of performance analysis due to tendencies in recent years toward a business-oriented management, third-sector organizations in Israel and across the world need better theoretically and empirically guided research in the field. Our framework may contribute to the conceptual expansion of such ideas. However, the generalizability of our model should be carefully examined in future empirical studies before any firm conclusions can be drawn. Only under these conditions may such a framework show some usefulness for the continuously emerging third sector.

APPENDIX A

Na'amat: An Israeli Third-Sector Body in Motion

To understand the special function of Na'amat in Israeli society one must go back to the early 1920s. Women workers were part of the various forces that joined together to establish the Histadrut, the first workers' union in pre-state Israel. Motivated by ideological ideas of socialism and a new spirit of equality among individuals, women workers believed that the Histadrut could become an organization in which the unique needs and demands of women would receive fair representation and consideration. Very soon, however, deep disappointment beset the women's leadership. They recognized that their efforts were sterile, premature, and unrealistic at that point in time. In the spring of 1921 a group of young women immigrants from eastern Europe established the Women Workers' Council (Hebrew: *Mo'etzet Hapo'alot*), which was an autonomous body within the Histadrut. This council had one ambitious goal: to advance the interests of women, particularly working women, in Israel and to fight for equal opportunities for women by any means. The organization grew rapidly, and within a decade it established the Organization of Working Women, an internal unionization of several groups of women with similar goals, in the Histadrut.

Na'amat, the present form of the women's organization, was founded in 1976, almost 28 years after the establishment of the state of Israel and after some fundamental national-Zionist goals related to security, immigration, and absorption of Jewish immigration (*aliya*), as well as settlement interests, had been successfully achieved. Women leaders in the Histadrut decided that the time had come for further changes in the social status of Israeli women. They initiated a massive revitalization of the organization's structure, leadership, and targets. Reform of the organization's structure combined with changes in leadership roles re-defined Na'amat as a more independent body. Legally it is considered today a not-for-profit organization but with much linkage to the New Histadrut (in full, The New General Federation of Labor in Israel) which was established in 1994 as a continuation of the old general workers' union, the Histadrut. Today, the new-old women's organization fights to improve legislation on women's issues and to promote the social and economic status of Israeli women in a relatively stable but highly developed modern democracy. Na'amat is formally defined as a VNPO and a socio-political women movement. Its internal institutions are constituted by relative representation of the political parties, and are democratically elected every four years by the 250,000 members of the movement. Na'amat has about 80 branches across Israel. It

is the employer of approximately 5000 workers in three main units. (1) About 4000 professionals work in an elementary education system covering 330 kindergartens and day-care homes for 25,000 children. (2) About 850 professionals work in a special high-school system mainly aimed at providing second-chance education for teenagers (estimated number 3500) who dropped out of high-school for various reasons. (3) About 150 administrative workers staff the organization's headquarters and branches. No exact figures exist on the total number of volunteers in Na'amat. Best estimations are of around 2000–3000 volunteers active in a variety of social fields and citizenship aid.

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