

How to Encourage Employees' Acceptance of Performance Appraisal Systems in Korean Nonprofit Organizations? An Empirical Exploration of the Influence of Performance Monitoring Systems and Organizational Culture

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Abstract

As the consequences of the raise in the roles that nonprofit organizations play in providing public services, there is a need to generate solutions for the financial scandals involving nonprofit organizations that have ensued. Nonprofit organizations receive government funding as “third-party agents” of the government to deliver the meaningful outcomes required on performance measures. Many nonprofit organizations utilize performance appraisal systems to improve their accountability and demonstrate organizational trustworthiness. This study employs confirmatory factor analysis and hierarchical multiple regression to examine data from the 2013 Korean Nonprofit Sector Survey. The results are as follows: (a) The current human resources and organizational monitoring systems in Korea play the most significant role in increasing employees' acceptance of performance appraisal systems (APAS); (b) Korean nonprofit organizations' new public management (NPM) culture is positively associated with APAS; and (c) the type of organizational culture (NPM or Confucian) moderates the relationship between performance monitoring systems (PMS) and APAS among nonprofit organization employees.

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Introduction

Recently, the spectrum of public service providers has been extended to contain not only those duties directly for the government but also now includes employees working in nonprofits that serve the community. This trend has been manifested in an increasing interest in governance rather than government, and complex interrelationships between nonprofit organizations and governments (Word & Park, 2015, p. 92). On the increase is the role that nonprofit organizations (NPOs) play in providing many social services to generate solutions for NPOs' financial and managerial scandals concerning the legitimacy of NPOs (Carman, 2008). Nonprofit organizations receive government funding as "third-party agents" of the government (Wyszomirski, 2002) and also to deliver the meaningful outcomes required to report on performance measures.

From the perspective of public management theory, a number of authors have offered Performance Monitoring Systems (PMS) as an effective means for increasing employees' accountability and improving organizations' performance (Berman & Wang, 2000). PMS can also help nonprofit organizations to avoid going bankrupt or becoming irrelevant, and serve to enhance their efficiency and accountability in the midst of turbulent internal and/or external environments.

To resolve obstacles to private donations for charity activities, nonprofit organizations should enhance transparency in their operations as well as enhancing expertise to secure the same degree of efficiency as for-profit corporations (Son & Park, 2008). Thus, PMS are used as a tool to enhance organizational and social accountability in Korean nonprofit organizations.¹

A performance monitoring and appraisal system is conventionally managed according to two major assumptions, which are broadly defined as developmental and summative.² Although a few studies verified the relationship between performance appraisal systems and work motivation (e.g., S. E. Kim & Rubianty, 2011; Oh & Lewis, 2009), organizational performance (e.g., Cho & Lee, 2012; Rahman, 2006), and fairness and justice (e.g., Daley, 2007; Erdogan, 2003; Harrington & Lee, 2015) in the public sector, very few exclusively probed the cognitive aspects and impacts of PMS in the nonprofit organizations' context. This research is anticipated on the idea that a PMS leads nonprofit organizations' management to the actualization of their mission, visions, goals, and purposes; it may positively affect the acceptance of performance appraisal systems (APAS) by employees and makes an important contribution to the improved performance of an organization.

Drawing on the 2013 Korean Nonprofit Sector Survey datasets, this research seeks to answer three main questions.³ First, what key elements of PMS could significantly

enhance the APAS by nonprofit organizations' employees? Second, does the organizational culture of nonprofit organizations significantly and directly affect APAS? Third, does organizational culture interact with specific PMS in a way that increases the level of APAS (i.e., moderating the effects of the organizational culture)? To respond to these inquiries, this research investigates the subcomponents of both PMS and the APAS in Korean nonprofit organizations, and examines the moderating effects of organizational culture. Finally, this research suggests theoretical and practical implications for future performance evaluations and management research in nonprofit organizations and in the public sector.

Theoretical Background and Hypotheses

The Roles of PMS: Agents or Stewards?

In this study, we use both agency and stewardship theories to examine how PMS can provide either positive or negative outcomes for organizational employees who are involved in the process, and consider how those outcomes influence members' willingness to become further involved with the PMS (T. Kim & Holzer, 2016). As mentioned previously, PMS have two major purposes: developmental (development) and summative (evaluation). Similarly, agency theory involves more motivation by personal goals, extrinsic incentives, and tangible rewards, as do summative approaches, whereas stewardship theory is more likely to pursue mission-based and organization-wide collectivist goals that focus on intrinsic and intangible rewards, as do developmental approaches.

Agency Theory

The idea of agency theory is founded on the transaction cost related to agents more likely to concentrate on maximizing self-interest in the economic organization (Milgrom & Roberts, 1992). Because of problems related to the principles of dealing with agents, they tighten control monitoring systems using organizational resources. Agency theory suggests that principals distribute their duties and services to agents, who are then expected to achieve the principal's missions and goals. The theory hypothesizes that an agent might pursue self-interest, rather than the principal's interests, which is why interests, missions, and goals should be aligned. The main principle of agency theory emphasizes information asymmetry in the principal-agent relationship. Thus, based on opportunism, agents exploit adverse selection and moral hazards.⁴

The following assumptions determine the principal-agent relationship: (a) Principals and agents are self-interested actors and rationally maximize utility with divergent interests and conflicting goals, and (b) agents generally have more power and authority to access and hold information than their principals regarding individual and organizational tasks as well as the environment (Park, 2010). For the agent aligned with the principal's goals, trust and a better reputation as well as less monitoring and

reporting can be incorporated over time. An evolved principal–agent relationship based on alignment may also lead to contractual stability and, therefore, to fewer instances of bid letting (Van Slyke, 2007).

This research assumes that three types of PMS play a central role in aligning the goals of principals (i.e., central government officials and managers who supervise and assess nonprofit organizations' performance) and agents (i.e., nonprofit organizations' managers and employees eligible to report their performance results) in a way that diminishes the negative impacts of adverse selection and information asymmetry.

Stewardship Theory

As stewardship theory describes reciprocal relationships among people in a different way, it has been suggested as a complementary or rivalry theory to agency theory (Davis, Schoorman, & Donaldson, 1997). The theory proposes two critical features: it (a) emphasizes public service values, and (b) stimulates and strengthens the values of intrinsic motivation such as altruism and philanthropic aims (Dicke, 2002). Generally, as nonprofit organizations pursue altruism as a core mission and value and provide public service ideals, their managerial principles could be related to stewardship, trustworthiness, and reciprocity (Gelles, 2000).

The actor performing the task is referred to as the steward. The theory suggests that stewards have a tendency toward pro-organizational, collectivist behaviors, and that they place higher value on goal convergence with the principal than on individualistic and self-serving behaviors. Stewardship theory explains "situations in which managers are not motivated by individual goals, but are stewards whose motives are aligned with the objectives of their principals" (Davis et al., 1997, p. 21). The basic assumption of stewardship theory is that the relationship between the principal and steward is formed by intrinsic intangible rewards such as trust, reputation, collective goals, autonomy, responsibility, reciprocity, and mission alignment (Van Slyke, 2007), and that opportunities for growth, achievement, affiliation, and self-actualization arise (Davis et al., 1997). Stewardship theory posits that stewards focus on overall organizational success and maximization of principals' interests. To reduce transaction costs and pursue collective interests, stewards are actively involved in shaping a contract and participating in decision-making and information exchange processes (Van Slyke, 2007).

Stewardship theory posits that agents hold a high level of identification with the missions and visions of organizations. Furthermore, it emphasizes the intrinsic motivation, altruism, and collective behaviors of agents (Sundaramurthy & Lewis, 2003). Thus, we posit that some PMS could play a seminal role in this stewardship process, nurturing trustworthy relations among employees, fostering mutual goal alignment between different stakeholders (e.g., supervising and supervised agencies), and generating different impacts on individual and organizational outcomes. We consider supervising public agencies to act as principals, and the nonprofit organizations being supervised as stewards.

PMS: Nonprofit Organizations' Perspectives

PMS are the main mechanisms for self-regulation and balance between external and internal control of the organization (i.e., enhancing accountability, transparency, and trust). While this balance is being established, the issue of PMS and processes becomes especially important owing to increasing competition for funds and stakeholders' demands for greater accountability (Kaplan, 2001). Jain (1996) pointed out that nonprofit organizations concentrate on maximizing "operational performance" by organizing their core functions and procedures in a way that maximizes service delivery. Some scholars have emphasized the core capacity required to enable an organization to offer a diverse range of services (Fowler, 1997). Nonprofit organizations seek to make the best possible use of their limited human and material resources to enhance the quality of the services they provide. To help achieve this aim, an accurate and unbiased PMS tied to job-related performance standards can be used to develop employees' motivation or organizational performance.

PMS lead nonprofit organizations' management to the actualization of their mission, visions, goals, and purposes. Therefore, PMS are crucial to the survival of nonprofit organizations (Ferreira & Otley, 2009). Some research shows that nonprofit organizations generally organize their PMS around a finance monitoring system (FMS) that measures profitability, a service monitoring system (SMS) that measures how often and how well services are provided, and a human resource and organizational monitoring system (HROMS) that measures the effectiveness of fundraising and administrative capabilities (Henderson, Chase, & Woodson, 2002; Kaplan, 2001). Sawhill and Williamson (2001) suggested that the effectiveness of the PMS could be measured by whether the organization accomplishes their missions, performs its strategies, and obtains the personnel and material resources necessary to realize organizational goals. In this study, we specify the subcomponents of a generic PMS into (a) a SMS, (b) a FMS, and (c) a HROMS.

APAS

Previous research has proven that a higher level of employee participation in the PMS is strongly and positively associated with an increased level of APAS (Cawley, Keeping, & Levy, 1998). Lack of acceptance leads to employee resistance and reduced motivation to work. In some instances, the PMS process is transformed into a pure "paper shuffling" exercise (Roberts, 2003). However, when PMS are sufficiently valid and reliable, they increase employees' motivation, commitment, and engagement. Thus, PMS can help maximize organizational performance and employees' acceptance of organizational decision making.

In general, the term PMS is defined as a process for evaluating organizational and program performance, and managing high performance in the organization appropriately. If employees' negative responses to their evaluation processes are legitimate, it will not matter that the PMS has been well-designed to support the organization's purposes, as the employees do not accept PMS (Hedge & Teachout, 2000). Consistent

with research in the field of applied psychology and communications, Hedge and Teachout (2000) argued that there should be more focus on human cognitive processes (i.e., human attitudes regarding the appraisal process) than on the technical appraisal system. Moreover, Murphy and Cleveland (1995) emphasized the “reaction criteria” (e.g., the recognized fairness and transparency or accuracy of the PMS), the “practicality criteria” (e.g., the perceived acceptance of the time commitment, cost, and political issues), and the “decision process criteria” (e.g., the level of APAS) by employees, and the extent to which PMS promotes organizational decision making.

Taken together, these criteria are significantly associated with the success or failure of PMS. In terms of this argument, newer PMS research has revealed the importance of employee acceptance. In the present study, we attempt to identify three types of APAS in Korean nonprofit organizations: (a) managerial strategy-based APAS (i.e., a macro- and strategic-level focus on the essential factors to effectively operate organizations’ strategic management approaches), (b) result-based APAS (i.e., a meso- and instrumental/operational-level focus on employees’ participation in a PMS’s operation, fairness, transparency, and predictability of outcomes), and (c) index-based APAS (i.e., a micro- and cognitive-level focus on boosting the level of face and content validity, item reliability, construct feasibility, objectivity, and understandability).

PMS and APAS

The Job Demands–Resources framework is used in the current study to provide to a knowledge of the relationship among PMS and APAS. The Job Demands–Resources model suggests that job demands (e.g., performance demands and problem solving) are more likely to be associated with negative outcomes (e.g., unsafe behaviors and absenteeism), while job resources (e.g., opportunities for professional development, strategic planning, advancement, performance feedback) could have motivational potentials, and thereby generate positive organizational outcomes (e.g., intrinsic motivation, performance, and innovativeness) (Schaufeli & Taris, 2014). Research by S. E. Kim and Rubianty (2011) indicated that perceived procedural fairness as a job resource can boost federal employees’ intrinsic motivation in the United States.

Particularly within the Korean nonprofit organizations’ context, we anticipate that PMS are more related to the resource factors that might positively affect employees’ perceptions of their performance appraisal systems because they are highly influenced by nonprofit sector motivation, pro-social values, and other altruistic missions in their work, which accordingly highlight the positive role of PMS.

Taking this into account, we posit that PMS operate as job demands on nonprofit organizations’ employees and decrease their APAS. Resources such as PMS, however, are recognized to facilitate goal achievement, learning, and development by triggering a motivational process through which greater investment in work tasks results in increased APAS (Schaufeli & Bakker, 2004). In other words, nonprofit organizations’ employees would accept a PMS as a job demand if they were to receive contract rewards and/or avoid contract penalties (Amirkhanyan, Kim, & Lambright, 2008). In contrast, nonprofit organizations’ employees would positively accept a PMS if they

were to perceive the importance of the organization's long-term values, missions, and goals, which reflect the more intrinsic and collective dimensions of management systems.

The main assumption underlying the use of PMS is that they can change employees' behaviors and enhance the achievement of the organization's strategic objectives. Many researchers have emphasized that PMS outcomes must be significantly connected with better human resource and finance management activities, more streamlined strategic decision-making processes, and more efficient and effective performance outcomes (Greer, 2001).

However, recent PMS research has verified that a number of factors beyond the objectively measured outcomes of the PMS, such as satisfaction, commitment, and turnover intentions, are also strongly associated with perceived, attitudinal, and emotional outcomes (M. Y. Kim & Park, 2017). In addition, these recent studies have concluded that a perception of fairness influences reactions toward a PMS and, therefore, the success of the system (Dusterhoff, Cunningham, & MacGregor, 2014). Dusterhoff et al. (2014) have also revealed that a summative evaluation system—a perspective of rewards and punishments, utility, rules, regulations, and authority—sometimes meaningfully increases the level of satisfaction with the overall PMS. Moreover, Roberts (2003) examined the relationship between an employee appraisal system (i.e., goal setting, participation of performance appraisal, and feedback) and APAS. Their studies indicate that using different appraisal systems enhances employees' APAS. Several PMS studies have focused on the relationships between individual perceived factors (e.g., motivation, leadership, and trust) and APAS (Mani, 2002; Reinke, 2003).

In addition, T. Kim and Holzer (2016) verified the positive effect of developmental use of performance appraisal on APAS in terms of both distributive and procedural justice. Employees seem to have perceived that PMS have benefits for improving an employee's competency and performance. However, very few have probed the relationships between certain types of PMS and specific APAS subcomponents. Thus, the present study tests whether the different types of PMS (i.e., SMS, FMS, and the HROMS) are managed in a way that increases the level of APAS among nonprofit organizations' employees.

Hypothesis 1a: A SMS will have positive impacts on APAS (i.e., managerial, result-based, and index-based).

Hypothesis 1b: A FMS will have positive impacts on APAS (i.e., managerial, result-based, and index-based).

Hypothesis 1c: A HROM will have positive impacts on APAS (i.e., managerial, result-based, and index-based).

Organizational Culture

From the perspective of person-organization fit theory, organizational culture plays a prominent role in individual and group behavior in organizations (O'Reilly, Chatman,

& Caldwell, 1991). Each employee is suited to certain organizational cultural environments. Thus, to obtain positive organizational outcomes, achieving compatibility is crucial. The organizational framework is built on two dimensions with two axes, each representing a superordinate continuum. The first is the flexibility–control axis, and the second is the internal–external axis. Combining these two axes yields the following four cultural dimensions: group, developmental, hierarchical, and rational (Park, Park, & Ryu, 2013).

After importing the new public management (NPM) paradigm from the West, NPM values and approaches have started to replace traditional Korean nonprofit organizations' culture. Nonetheless, the Asian cultural traditions of Confucianism, legalism, and hierarchism are still widespread across various organizations in Korea. The current study hypothesizes that the two previously mentioned cultural dimensions characterize Korean central agencies in distinctive, albeit not exhaustive, ways. That is, some agencies feature more internal, flexible cultures, whereas others are oriented more toward external and controlled cultures. These idiosyncratic cultural factors will be related to organizational outcomes in different ways (Park et al., 2013). We posit that both NPM and Confucian cultures are influential and dominant in Korean nonprofit organizations. Consequently, this study probes two types of organizational cultures in Korean nonprofit organizations: (a) NPM culture (i.e., performance-oriented culture) and (b) Confucian culture (i.e., hierarchical culture).

Organizational Culture and APAS: An Identity Theory Perspective

The role of organizational culture in boosting APAS could also be explained from the viewpoint of role identity theory. According to identity theory, the various values and cultural identities within the self are captured and constructed in a hierarchical way. That is, all cultural identities possessed by an individual are not equally distributed.

For example, the role identities at the highest property of this hierarchy are classified as salient identities. Stets and Burke (2003) denoted that a salient identity "is likely to be played out (activated) frequently across different situations" (p. 135). For example, if nonprofit organizations' employees have a NPM-friendly salient identity and currently work in a department dominated by NPM culture, then they are more prone to have positive perspectives of the performance appraisal system. Likewise, if nonprofit organizations' employees perceive their salient identity as Confucian and more traditional, and work in an agency where Confucian culture is dominant, then they are likely to possess a higher level of APAS because of the congruence between their individual values and the organization's culture.

This study was undertaken by separating sample data into three categories: service-delivery, capacity-building, and policy-influencing nonprofit organizations. We posit that an organization's missions, goals, and structures characterize its organizational culture, and that each employee's values, attitudes, and dispositions are mirrored by the culture. That is, organizational-level cultural factors, individual-level perceptions, and values are mutually interacting. We propose that employees' acceptance of organizational systems, such as PMS, may be dependent on their cultural point of view;

hence, employees' APAS may be meaningfully influenced by different types of organizational culture, such as NPM cultures (i.e., performance-oriented) or Confucian cultures (i.e., hierarchical).

For example, M. Y. Kim and Park (2013) found that NPM and Confucian cultures are associated with a different type of APAS (i.e., managerial, result-based, and index-based) in Korean nonprofit organizations. The authors argue that the organizational culture strongly supports its employees' perceptions of PMS, and that to increase APAS, organizations need to create and develop a flexible culture. Their findings suggest that cultivating a specific organizational culture could serve as an alternative strategy to boost employees' positive views on organizational systems and institutions. In addition, it is confirmed that morality-based cultural values, such as fairness of rewards and organizational justice, significantly enhance APAS (M. Y. Kim & Park, 2013). Drawing on these previous works, we propose that identifying and defining performance monitoring mechanisms as integral to organizational culture will substantially increase understanding and APAS, and that specific types of organizational culture will significantly affect APAS among employees identified with that culture.

Hypothesis 2a: If employees identify their salient cultural values as NPM in nonprofit organizations dominated by NPM culture, they are more likely to accept performance appraisal systems positively.

Hypothesis 2b: If employees identify their salient cultural values as Confucian in nonprofit organizations dominated by Confucian culture, they are more likely to accept performance appraisal systems positively.

Moderating Effects of Organizational Culture in the PMS and APAS Relationships: A Social Exchange Theory Perspective

Social exchange theory characterizes a relationship by the exchange of resources between two parties (i.e., between an organization and employees; Blau, 1964). If employees are satisfied with the reward, incentive, or evaluation systems provided by their organization, they will be motivated to maintain a positive and pro-social reciprocal relationship and have a positive attitude toward their organization (Blau, 1964).

A transactional relationship is not strictly limited to economic conditions (e.g., providing extrinsic benefits and rewards) but can also refer to psychological, perceptual, and socially valued relationships (e.g., providing organizational fairness, civic culture, and organizational commitment). The norms of reciprocity suggest that employees tend to adjust and balance their attitudes and perceptions. In response to their organization's policies, strategies, and treatment of employees, they manage their reciprocal attitudes and behaviors, either positively or negatively.

For example, Harrington and Lee (2015) studied the relationship between psychological contract fulfillment and perceived fairness of performance appraisal in terms of social exchange theory in U.S. federal agencies. They verified the important roles of

interaction among employee perceptions of performance appraisal system. In addition, Ayers (2015) argued that if organizational strategic management is aligned with performance appraisal systems, employees more easily recognize and are immersed in key goals, and ultimately boost increased performance. We posit that organizational culture or fit with organizational goals would facilitate or dampen the reciprocal relationship between organizational-level systems (i.e., PMS) and employee-level attitudes and perceptions (i.e., APAS). Although some studies have verified that there are moderating effects between PMS and APAS (e.g., Irani, 2008), we found no studies confirming the moderating effects of organizational culture on the reciprocal relationship between PMS and APAS. Given the fact that many Korean nonprofit organizations have adopted different types of PMS (i.e., SMS, FMS, and HROMS) to increase organizational effectiveness using NPM and rationality tools, it is essential that we consider organizational culture as a factor that may significantly affect the role of PMS in nonprofit organizations' employees' APAS.

Hypothesis 3a: NPM-based organizational cultures will significantly regulate the reciprocal relationship between PMS (SMS, FMS, and HROMS) and APAS.

Hypothesis 3b: Confucian-based cultures will significantly regulate the reciprocal relationship between PMS (SMS, FMS, and HROMS) and APAS.

Research Model and Methods

The research model for this study is structured as shown in Figure 1, which describes the relationships between PMS, organizational culture, and APAS. Hierarchical and performance-oriented cultures are designated as moderators in this study. With regard to outcome variables, APAS is categorized into three subconstructs: managerial strategy-based, result-based, and index-based.

Data Gathering and Sample Characteristics

To verify the hypotheses, the empirical section of this study uses the 2013 Korean Nonprofit Sector Survey datasets collected from May 1 to 30, 2013. This dataset includes three types of Korean nonprofit organizations that operate performance appraisal systems. A total of 715 questionnaires were sent out for the survey, and 400 (55.9%) were returned. Quota sampling, a method for determining the specific number of individuals needed to represent various subpopulations, was employed for all nonprofit organizations. Table 1 provides detailed information about the main sample characteristics. The targets of the survey were designated according to the evaluation of members of multiple nonprofit organizations by the central government or local government agencies and whether they are supported. In particular, with respect to financial problems, effects upon the policy-making process, and management efficiencies that are unable to be considered free of support and evaluation, the subcategories were organized according to budget scale, number of members, and organization size.

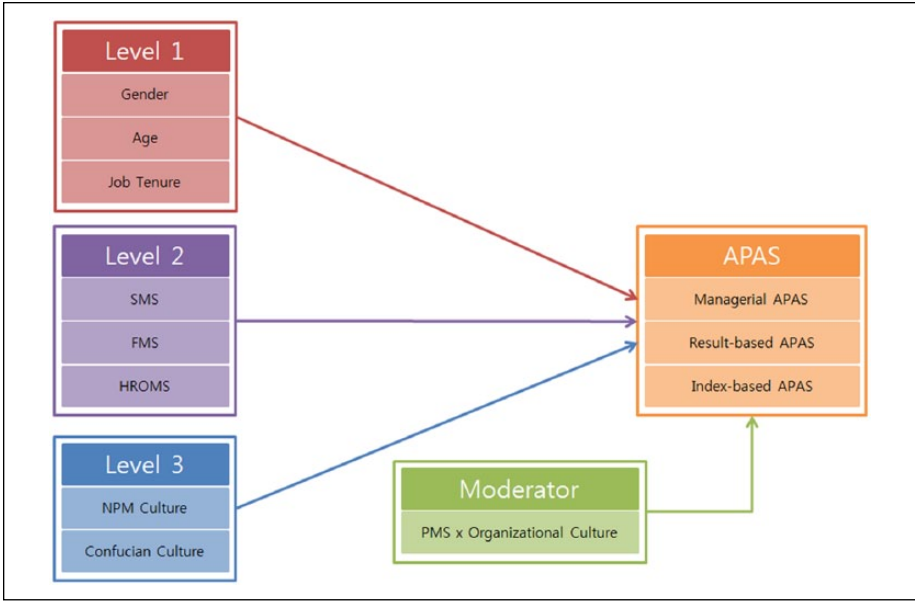


Figure 1. Research framework.

Note. SMS = service monitoring system; FMS = finance monitoring system; HROMS = human resource and organizational monitoring system; NPM = new public management; APAS = acceptance of performance appraisal systems; PMS = performance monitoring systems.

Results and Findings

Exploratory Factor Analysis and Reliability Analysis

Using exploratory factor analysis, we operationalized the main variables. From a set of relevant survey items, three types of APAS, three types of PMS, and two types of organizational culture scales were developed and provided. In addition to exploratory factor analysis, Cronbach’s alpha reliability test was employed to assess internal consistency and to ensure the reliability of each scale. Each scale showed a high level of internal consistency reliability (.818-.946). More detailed results of the exploratory factor analysis and Cronbach’s alpha reliability test are reported in the appendix.

Confirmatory Factor Analysis for APAS

Figure 2 shows the results of the second-order confirmatory factor analysis for APAS. An APAS composite construct (a second-order factor) is significantly and positively explained by managerial APAS, result-based APAS, and index-based APAS (first-order factor). Second, the latent constructs of managerial, result-based, and index-based APAS (second-order factors) are positively related to each other. The model fit is within statistically acceptable levels.

Table 1. Characteristics of Respondents in NPOs (Number of Respondents = 400).

Variables	Frequencies	%
Sex		
Male	109	27.3
Female	284	71.0
Missing	7	1.8
Age		
20s	82	20.5
30s	130	32.5
40s	102	25.5
50s	61	15.3
60s and more	10	2.5
Missing	15	3.8
Type of workplace		
Service-delivery NPOs	205	51.3
Capacity-building NPOs	90	22.5
Policy-influencing NPOs	104	26.0
Missing	1	.3
Organization size		
Small	160	40.0
Medium	88	22.0
Large	110	27.5
Missing	42	10.5
Highest level of education		
High school	16	4.0
College	18	4.5
Bachelor	205	51.3
Master	35	8.8
Doctorate	105	26.3
Others	10	2.5
Missing	11	2.8
Job tenure		
Less than 3 years	174	43.5
3-5 years	81	20.3
5-10 years	91	22.8
10-15 years	36	9.0
More than 15 years	8	2.0
Missing	10	2.5
Performance management agencies		
MOSPA	110	27.5
MOGEF	89	22.3
Metropolis of Seoul	101	25.3
Others	100	25.0

Note. NPOs = nonprofit organizations; MOSPA = Ministry of Security and Public Administration, Seoul, South Korea; MOGEF = Ministry of Gender Equality and Family, Seoul, South Korea.

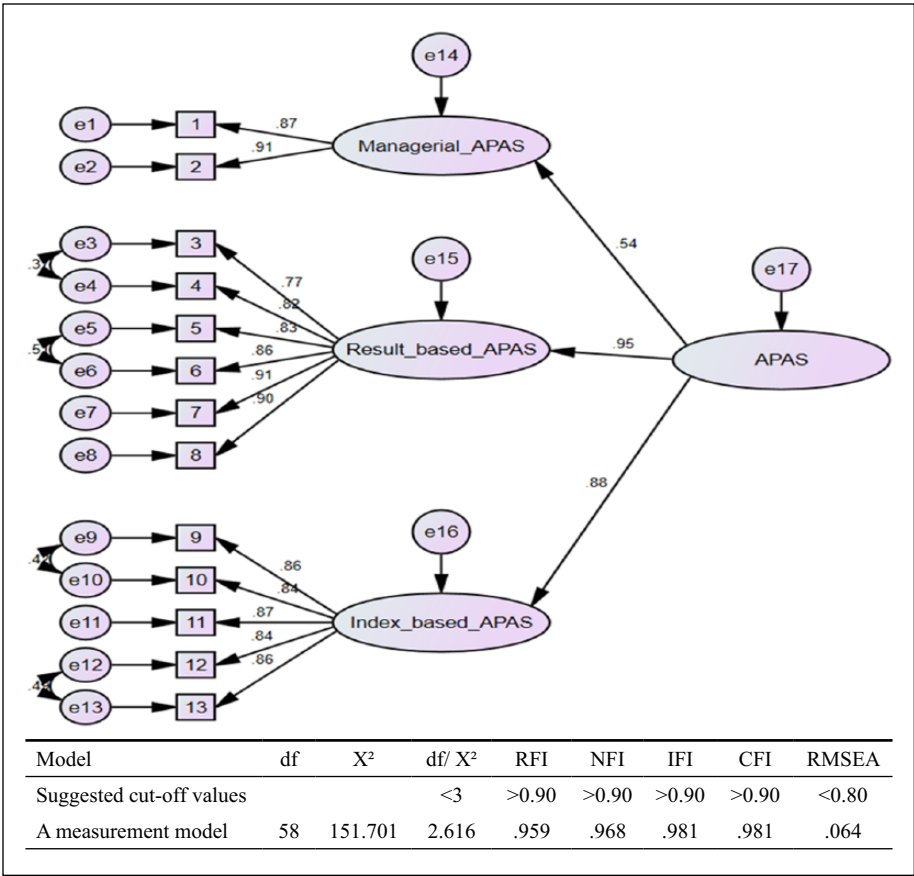


Figure 2. Second-order confirmatory factor analysis for the APAS.

Note. APAS = Acceptance of Performance Appraisal Systems.

All standardized factor loadings are significant at $p < .01$.

Correlation Analysis

The mean and standard deviation of each variable, as well as correlations between variables, are shown in Table 2. For example, SMS are positively correlated with hierarchical culture ($p < .05$) and with performance-oriented culture and APAS ($p < .01$). FMS are positively correlated with performance-oriented culture and APAS ($p < .01$). HROMS are positively correlated with performance-oriented culture and APAS ($p < .01$).

Hierarchical Multiple Regression Analysis

The hierarchical multiple regression analysis was performed to test the hypotheses. The regression analysis was carried out in four steps. Table 3 summarizes the results

Table 2. Descriptive Statistics and Correlations for Variables.

	M	SD	1	2	3	4	5	6	7	8	9
1	0.28	0.45	1								
2	2.45	1.07	.107**	1							
3	2.03	1.11	.007	.414***	1						
4	5.51	0.98	-.015	.038	.079	1					
5	5.91	1.10	-.055	-.014	.055	.755***	1				
6	5.24	1.16	-.013	.089	.097	.724***	.686***	1			
7	4.78	1.08	.040	.056	.025	.287***	.187***	.241***	1		
8	4.47	1.38	.041	.089	-.006	.123**	.056	.030	.548***	1	
9	4.97	0.97	-.003	.124**	.099	.570***	.521***	.665***	.114**	.316***	1

Note. 1 = gender; 2 = age; 3 = job tenure; 4 = service monitoring system; 5 = finance monitoring system; 6 = human resource and organizational monitoring system; 7 = new public management culture; 8 = Confucian culture; 9 = Acceptance of Performance Appraisal Systems.

** $p < .05$. *** $p < .001$.

Table 3. Results of Analysis on Acceptance of Performance Appraisal Systems.

	Model 1 standardized coefficient β (t statistics)	Model 2 standardized coefficient β (t statistics)	Model 3 standardized coefficient β (t statistics)	Model 4 standardized coefficient β (t statistics)
Step 1				
Gender	-.001 (-0.018)	.009 (0.219)	.005 (0.118)	-.011 (-0.274)
Age	.105* (1.823)	.081* (1.874)	.073* (1.703)	.080* (1.879)
Job tenure	.053 (0.925)	.000 (-0.009)	.004 (0.097)	.001 (0.014)
Step 2				
SMS (1)		.162** (2.478)	.122* (1.854)	.114* (1.721)
FMS (2)		.049 (0.788)	.063 (1.032)	.066 (1.059)
HROMS (3)		.507*** (8.649)	.490*** (8.380)	.461*** (7.665)
Step 3				
NPM Culture (A)			.148*** (3.088)	.159*** (3.233)
Confucian Culture (B)			-.007 (-0.159)	-.004 (-0.094)
Step 4				
1 \times A				.003 (0.033)
1 \times B				.143 (1.589)
2 \times A				.042 (0.483)
2 \times B				-.220*** (-2.756)
3 \times A				-.122 (-1.432)
3 \times B				.132* (1.766)
Adjusted R ²	.010	.453	.470	.480
F statistic	2.257*	51.169***	41.158***	24.904***

Note. FMS = finance monitoring system; SMS = service monitoring system; HROMS = human resource and organizational monitoring system; NPM = new public management.

* $p < .10$. ** $p < .05$. *** $p < .001$.

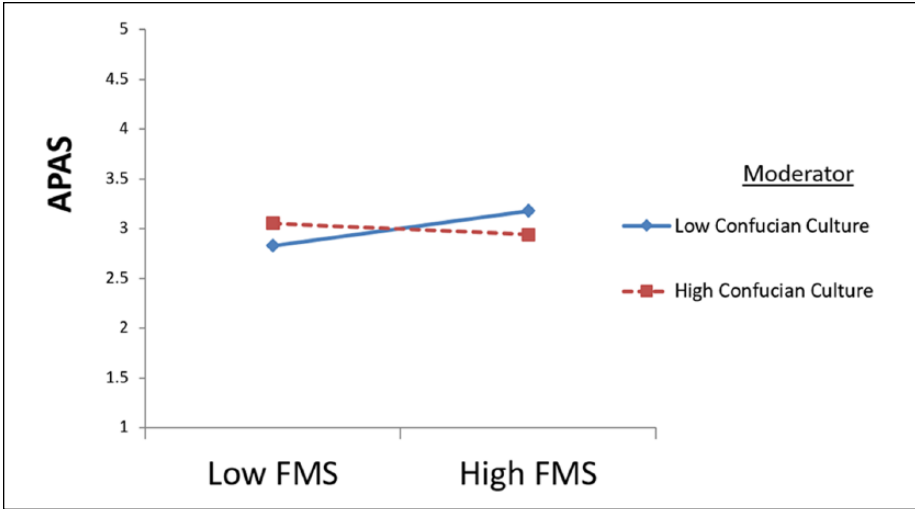


Figure 3. Moderating effect of Confucian culture on the relationship between FMS and APAS.

Note. FMS = finance monitoring system; APAS = acceptance of performance appraisal systems.

of the hierarchical multiple regression analyses of influences on APAS. In Model 4, the total variance (adjusted R^2) explains significant increases to 48.0%. In addition, the standardized regression coefficient β is .114 ($p < .10$) for SMS, .461 ($p < .01$) for HROMS, and .159 ($p < .01$) for performance-oriented culture. These results partially confirm Hypotheses 1a, 1c, and 2a. In particular, we confirmed that hierarchical culture has statistically moderating effects on the relationship between FMS, HROMS, and APAS. These results support Hypotheses 4b and 5b.

Based on z scores, the relationships between PMS and APAS were expressed as regression lines, shown in Figures 3 and 4, under two conditions: NPM and Confucian culture being high (one standard deviation above the mean) or low (one standard deviation below the mean) (Aiken & West, 1991).

When the effect of hierarchical culture is high, the relationship between FMS and APAS is weakened; when low, the relationship is strengthened. However, when the effect of hierarchical culture is high, the relationship between HROMS and APAS is strengthened; when low, the relationship is weakened. Overall, these results partially support Hypothesis 3b.

Conclusions and Implications

Given the fact that an increasing number of nonprofit organizations participated in the government decision-making and policy-generating processes as a form of deliberative and democratic governance, nonprofit organizations can be considered as important national and social policy makers and public service deliverers in Korea. To

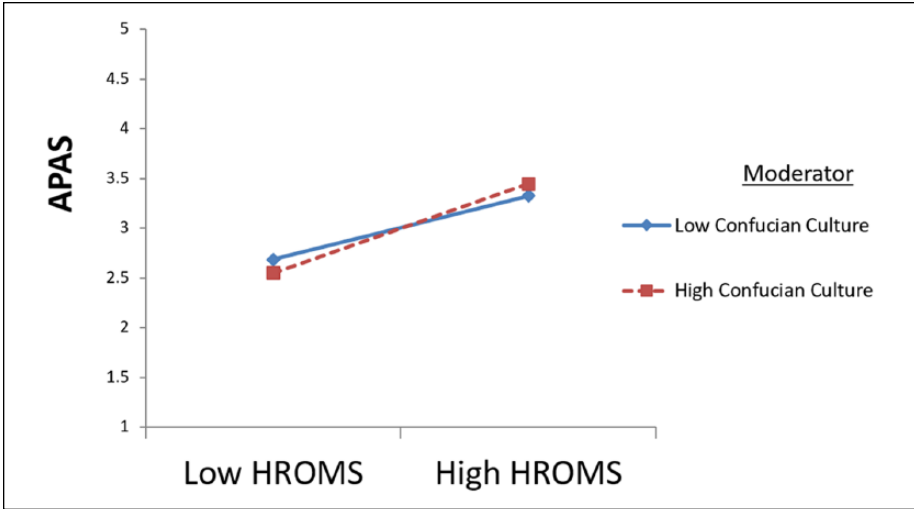


Figure 4. Moderating effect of Confucian culture on the relationship between HROMS and APAS.

Note. HROMS = human resource and organizational monitoring system; APAS = acceptance of performance appraisal systems.

specify and elaborate the issues and problems of the PMS of nonprofit organizations in Korea, three types of monitoring systems are examined. This study was inspired by the question of how different types of PMS and organizational culture play significant roles in enhancing the level of APAS. To effectively respond to the question, we developed hypotheses and elaborated a research model to clearly identify and articulate the influences of antecedent and moderating factors (PMS and organizational culture) on APAS.

First, as confirmed in Hypotheses 1a and 1c, the results demonstrated that SMS and HROMS positively and significantly affect the acceptance of PMS by Korean nonprofit organizations' employees, whereas financial monitoring systems do not. The findings suggest that PMS, which emphasize strategic organizational plans and management, and effective, reasonable, and transparent monitoring schemes, are crucial. The results of our current research are fairly consistent with previous findings (Roberts, 2003), which show that the establishment of mutually evaluative communication channels among different sets of management tools (i.e., evaluating the validity and objectivity of PMS) is crucial in enhancing positive APAS in Korea's nonprofit organizations. Moreover, this result empirically supports the Job Demands–Resources model, which could explain the SMS and HROMS of nonprofit organizations' employees being perceived as job resource factors that increase the employees' positive perceptions of PMS. Thus, nonprofit organizations' employees who use the PMS, and public employees who design the nonprofit organization's PMS focus on the validity and accuracy that constitute its overall

organizational success, nurture trustworthy relations among employees, and foster mutual goal alignment.

In addition, among the PMS impacts, as partially confirmed in Hypothesis 1c, HRMS plays the most significant role in increasing the level of APAS. This finding is a strong indication that designing and implementing human resource management systems and policies specifically for Korean nonprofit organizations is critical, and that nonprofit organizations' human capital should be invested in and nurtured. For example, high-performance workforce systems could effectively be applied to the Korean nonprofit organizations, reflecting the philanthropic values, public interests, and public ethos that motivate the nonprofit organizations. Furthermore, implementing high-performance workforce systems within nonprofit organizations would probably increase the efficacy of service-delivery systems to citizens.

From the perspectives of human resource management and organizational psychology, there should be a close correspondence between human resource management evaluation and organizational management evaluation, and the APAS. As the organization focuses more on evaluating its human resource system, employees may demonstrate increased APAS. Nonprofit organizations may particularly wish to improve their human resource development programs. Because nonprofit organizations have limited financial and human resources, they should assess whether on-the-job or off-the-job training methods are best suited to their individual and organizational performance goals. Multiple methods, such as problem-based learning, case studies, simulations, and role-playing, should be considered.

Third, as partially confirmed in Hypothesis 2a, these results indicate that Korean NPM culture is positively associated with APAS. Thus, when NPM culture that pursues results-oriented value, market and customer-oriented values, and goal and strategy-oriented values (Park & Joaquin, 2012) is dominant, employees are likely to concentrate more on micro and cognitive issues, such as the item validity, reliability, and index objectivity of the PMS. This finding is supported by previous studies in Korea (e.g., M. Y. Kim & Park, 2013) and suggests that relationship-oriented culture and task-oriented culture might differentiate employees' levels of APAS. Thus, to increase overall APAS, it may be necessary to adopt specific strategies corresponding to employees' perspectives.

Furthermore, as partially confirmed in Hypothesis 3b, this study shows that organizational culture plays a critical role, moderating the relationship between PMS and APAS among employees in nonprofit organizations. Consequently, to boost employees' APAS, nonprofit organizations should endeavor to make the three distinct constructs of APAS more congruent with their organizational culture. Although the cultural values considered herein are not conceptually exhaustive, it is believed that certain cultural factors, such as Confucianism, collectivism, and hierarchical cultures, can be broadly captured in Korean organizational culture.⁵

This study also suggests that person-organization fit theory is useful to explain the moderating effects of monitoring systems on APAS. In particular, this study confirmed that the level of compatibility between the individual views of nonprofit organizations' employees and their cultural environments significantly influenced APAS. Thus, we

can assume that to obtain more effective monitoring systems in Korean nonprofit organizations, the cultural compatibility and acceptability between employees and their working agency should be guaranteed. For example, strategic human resource management has attempted to achieve congruence between individual and organizational goals by managing the organization's strategic objectives. With more active participation in the PMS design and implementation process, employees may view the PMS more positively and accept it more fully, which could contribute to organizational effectiveness and accountability.

Limitations and Suggestions for Future Research

Generally, performance appraisal is recognized as a key tool for ensuring accountability in the public sector (Rubin, 2011). As this study deals with the PMS of nonprofit organizations, more precise analysis has examined the perceptions regarding PMS. We believe this study presents a new viewpoint on how to make nonprofit organizations' employees embrace PMS by explaining how employee acceptance of appraisal can provide evidence for the effectiveness of PMS. This study also contributes to the previous research on PMS and APAS by providing empirical evidence from a survey of Korean nonprofit organizations' employees. With a focus on incumbent nonprofit organizations' work systems, cultures, and employees' attitudes in Korea, this empirical study leaves many potential topics for future research.

The theoretical and practical contribution of this study should be admitted in consideration of its limitations. First, even though nonprofit organizations' employees use PMS to evaluate organizational performance, it is uncommon that employees are given the chance to engage in their PMS setting. Moreover, the lack of clarity concerning the effects of individual performance appraisal systems, such as management by objectives and behaviorally anchored rating scales, may have positive effects on employees' performance and motivation (Daley, 2007). Future studies can expand the current understanding of the process of designing PMS and effective individual performance appraisal systems that elicit employees' positive acceptance.

Second, the limited scope of the body of nonprofit organizations (i.e., PMS operated by central government or local government agencies) makes it impossible to generalize the findings to all nonprofit organizations in Korea. Thus, future research needs to address the generalizability of these findings by studying the PMS and APAS in nonprofit organizations in broader contexts. Furthermore, while this study examines a single Asian country, future researchers can compare the antecedent and interactive effects of PMS and cultures on APAS across borders, especially between the East and the West.

Third, future research should include the PMS, APAS, and other organizational contingencies of nonprofit organizations. Other relevant issues related to PMS and APAS require further research. Investigating the antecedents and consequences of APAS is one example of an issue that requires additional study. The various attitudes and behaviors of nonprofit employees that depend on different structural and cultural relationships within nonprofit organizations warrant more rigorous and systematic

research based on in-depth case studies or content analyses. Some advanced panel data analyses, such as latent growth curve model (that can analyze whether the level of APAS has shifted during the study period and, if so, how and when), would also contribute to a better understanding of this topic.

Finally, we cannot confirm the interaction effect of NPM culture in this study. PMS are developed in NPM-driven culture, but this culture, ironically, cannot capture the moderating effect between PMS and APAS. In a future study, we will examine the individual and organizational contextual factors more cautiously to confirm the interaction effect of NPM culture on PMS.

Appendix

Measurement of Acceptance of Performance Appraisal Systems (APAS)

Managerial APAS (three items, Cronbach's $\alpha = .890$)

- a. A performance appraisal system is necessary for an organization to operate.
- b. Performance appraisal system is necessary for an organization to operate well.

Result-based APAS (six items, Cronbach's $\alpha = .946$)

- a. An institutional system is arranged for organization members to participate in the operation of a performance appraisal system.
- b. Opinions of organization members are well reflected in the performance appraisal system process.
- c. Information on the performance appraisal system is transparently disclosed.
- d. The performance appraisal process is carried out transparently.
- e. The results of performance appraisals are calculated fairly.
- f. The results of the performance appraisal are satisfactory.

Index-based APAS (five items, Cronbach's $\alpha = .939$)

- a. Detailed appraisal items well represent the items required to evaluate the organization's management capability.
- b. Detailed appraisal items well represent the items required to evaluate personnel management capability.
- c. Results of performance appraisal are utilized for the strategic planning of the organization.
- d. The performance appraisal is suitable as a criterion for the appraisal of my job activity.
- e. The performance appraisal items well reflect the distinct features of my job.

Measurement of Performance Monitoring Systems (PMS)

Service monitoring system (SMS; four items, Cronbach's $\alpha = .872$)

- a. The service promotion plans are based on organizational characteristics.
- b. Resources (personal and material) in the organization have been utilized reasonably for the project.

- c. The project has been carried out as effectively as planned.
- d. The project goal originally set by the organization has been achieved.

Finance monitoring system (FMS; three items, Cronbach's $\alpha = .871$)

- a. Use of finance for the project is suitable for business goals.
- b. Finance is administered transparently.
- c. Finance is used effectively where necessary.

Human resource and organizational monitoring system (HROMS; four items, Cronbach's $\alpha = .923$).

- a. The personnel management plan in the organization has been established properly.
- b. The opinion of organization members is well reflected in the organization management process.
- c. Organization members understand the operation of the organization well.
- d. The satisfaction of organization members is considered in operation of the organization.

Measurement of Organizational Culture

New public management (NPM) culture (five items, Cronbach's $\alpha = .866$)

- a. All management and actions of the organization are conducted focusing on achievement of goals.
- b. Productivity and effectiveness work as best practices.
- c. Organization members are evaluated based on performance.
- d. Achievement of tasks, rather than personal desire, is regarded as a priority.
- e. All tasks are conducted in terms of means-goals.

Confucian culture (three items, Cronbach's $\alpha = .818$)

- a. Rank is emphasized between superior and junior staff.
- b. Emphasis is on control of overall organization through a strict approval process.
- c. It is more important to carry out instructions without mistake while thoroughly complying with regulations than it is to seek new methods.

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Notes

1. At the end of every year, each nonprofit organization conducts a self-evaluation using performance monitoring systems (PMS) designed by the government. A PMS confirms whether relations among parties are accountable, including those among civics–government, civics–private company, private company–government, and civic societies–interested parties.
2. Developmental perspectives focus on increasing opportunities for employee advancement by enabling the development of the needed skills and competencies identified during the employee performance evaluation, and by arranging organizational resources to support that growth (e.g., knowledge incentive systems). Summative perspectives are strongly related to extrinsic rewards, including promotions, increased pay, and incentives (e.g., monetary incentive systems; Moussavi & Ashbaugh, 1995; Reinke, 2003).
3. The respondents of the survey were designated as members whose job is related to performance monitoring in various nonprofit organizations. In the research, PMS refer to the ways and methods of operating and managing organizational plans and programs related to performance systems in the organization, which are delivered at the organizational level. In particular, the questionnaire was structured so that respondents would answer the questions after reading each statement that was related to PMS in their organization. However, acceptance of performance appraisal system (APAS) refers to personal, individual perceptions, which are addressed at the individual level. All respondents answered the APAS questions after reading the main sentence indicating that questions are related to acceptance of APAS in their organization.
4. Adverse selection refers to the misrepresentation of ability by the agent during the employee selection and hiring process (Park, 2010). When principals are not fully aware of the newcomers' KSAs (knowledge, skills, and abilities) or when the principal is underinformed of the agent's willingness to perform his jobs, adverse selection problems arise. To mitigate this issue, and therefore minimize information asymmetry, hidden action matters. Even after being hired, given the self-interested or rational nature of an agent, employees may cause moral hazard problems (i.e., agent opportunism) by shirking responsibilities (Park, 2010).
5. For example, Confucian values such as Confucianism, collectivism, and hierarchical cultures, one of the most important social and managerial ideologies in Korea, have been grafted into organizations in the style of Confucian management systems (Park, Miao, & Kim, 2015). Confucian values (e.g., face-saving, humility, group-orientation, hierarchy, and reciprocity) are more closely related to the altruistic notion of working as public and nonprofit organizations' employees.

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