An Approach to a Balanced Scorecard for United Way Organizations

JAMES CUTT and VICTOR MURRAY
School of Public Administration, University of Victoria, Victoria, B.C.

I. Introduction

United Way organizations (UWOs), through which nonprofit agencies that deliver human services combine their annual fundraising for operating purposes and establish a mechanism for allocating these funds, is a widely-used institutional design in the charitable sector in Canada. In 1998, 125 UWOs in Canada raised $284 million and distributed those funds to 4100 member agencies (United Way/Centraide, 1999).

The durability of UWOs in Canada attests to their relative success but the institutional design faces serious challenges at the beginning of the new millennium. Although specific challenges vary across the country, all UWOs face a widening gap between demand for resources and available donated resources on the one hand and sharply increasing competition for these donated resources on the other. UWOs have responded to these challenges in many ways but a common thread in all responses in Canada, indeed in North America, is an insistence on improved accountability by member agencies.

Agencies have always provided financial information, from budgets to financial statements, that demonstrate their financial propriety. Under the new regime of improved accountability, they are required to provide a broader picture of intended and achieved performance. This includes, first, the use of resources (broadly, efficiency) and, second, the results or consequences of using these resources (broadly, effectiveness) with particular emphasis on outcomes defined as longer-term effects in the community (United Way of America, 1996; Martin and Kettner, 1996; Mullen and Magnabosco, 1997). An inevitable and appropriate consequence of these extended information requirements for agencies is that UWOs are also being required to look at themselves through this same broader lens. This article is about the design of a framework of accountability information for UWOs and, particularly, about exploring the usefulness of one such framework – the Balanced Scorecard (Kaplan and Norton, 1996).

An accountability framework must obviously be consistent with the performance scope of the organization in question and this matter of scope is not self-evident for UWOs. A narrow view of scope would limit UWOs to their traditional resource attraction and resource allocation activities and exclude any consequences for the community as a result of the use of allocated resources by member agencies. A broader view would define UWOs to include their member agencies and therefore to be accountable, at least in broad terms, for consequences in the community. Our subsequent discussion explores the design of accountability frameworks for UWOs defined in both narrow and broad terms. After a brief discussion of the concept of accountability, the original balanced scorecard concept is defined as one method of designing a framework of accountability information. The applicability of this original scorecard to UWOs is then explored in the light of one such application in New England. We then propose a revised scorecard for UWOs and end by exploring the implications of the proposed accountability framework for boards and management in UWOs in Canada.

II. Accountability

The essence of accountability has always been the obligation to render an account for a responsibility that has been conferred (Independent Review Committee, 1975, p. 9). This definition presumes the existence of at least two parties, one who allocates responsibility and one who accepts it with an undertaking to report on and provide an accounting of, the manner in which it has been discharged. The formal, hierarchical "core" model of accountability has been extended, particularly with respect to social services provided by public organizations or private nonprofit organizations, to recognize a broad range of constituencies with an interest in the disclosure of information. A recent panel on the subject of accountability in the voluntary sector in Canada stressed multiple constituencies for information: "Accountability in the voluntary sector is multi-layered – to different audiences, for a variety of activities and outcomes, through many different means. This multi-dimensional nature of accountability is the principal complexity of accountability in the voluntary sector" (Panel on Accountability and Governance, 1999, p. 14). This extended model of accountability amounts to meeting, either by formal obligation in the core part of the model, or by choice in the wider part of the model, the information requirements of the various external and internal constituencies of a program or organization. The balanced scorecard approach discussed in this paper recognizes the need for a variety of kinds of performance information to meet the needs of the various internal and external constituencies; however, the paper is written from the perspective of the governing board and the senior management of UWOs. The balanced scorecard is explored as a way of providing the board and senior management with the information they need to govern and manage the organization. This comprehensive information includes specific pieces or subsets of information which can be used to meet the needs of other internal and external constituencies.

Accountability defined as meeting information requirements is not an end in itself but rather a means to an end, which is always, formally or informally, evaluation and decision-making by those who receive the information. As a purposeful activity, accountability is relevant only because programs and organizations are also purposeful, and define both conduct and performance required for the achievement of their purposes. In short, accountability in any relationship is defined as the communication of information about conduct and performance relevant to the purposes of the program or organization that is served by the accountability relationship. A meaningful framework of accountability must then include the following terms of reference: first, shared expectations about conduct and performance (Day and Klein, 1987, p. 14); second, a shared language or currency in which fulfilment of those expectations will be described; third, shared criteria or benchmarks defined in that currency as to what constitutes fulfilment; finally, a means of communicating conduct and performance (in the shared language and in terms of the shared criteria). Specified at the beginning of an accountability relationship, those terms of reference then define the ways in which the parties to the relationship will fulfil their obligations during and at the end of the relationship.

A sufficient and appropriate framework of accountability information must then be founded on shared expectations and a common currency and criteria. The implication of this definition is that programs and organizations must meet the information requirements of relevant internal and external constituencies across the chronological and recursive governance/management cycle of activities. This cycle can be seen in three parts. It begins with prospective activities (planning, programing and budgeting) – *what are we trying to do, and how will we describe and evaluate progress*? It proceeds to continuing activities (implementation, monitoring, and internal reporting and/or audit) – *how are we doing so far*? Finally, the cycle ends with retrospective activities (external reporting, and external evaluation and/or audit) – *how did we do in meeting expectations over the planning/budgeting period*? The next section of this article deals with the balanced scorecard approach to designing a sufficient and appropriate framework of accountability information.

III. The Balanced Scorecard: The Basic Model

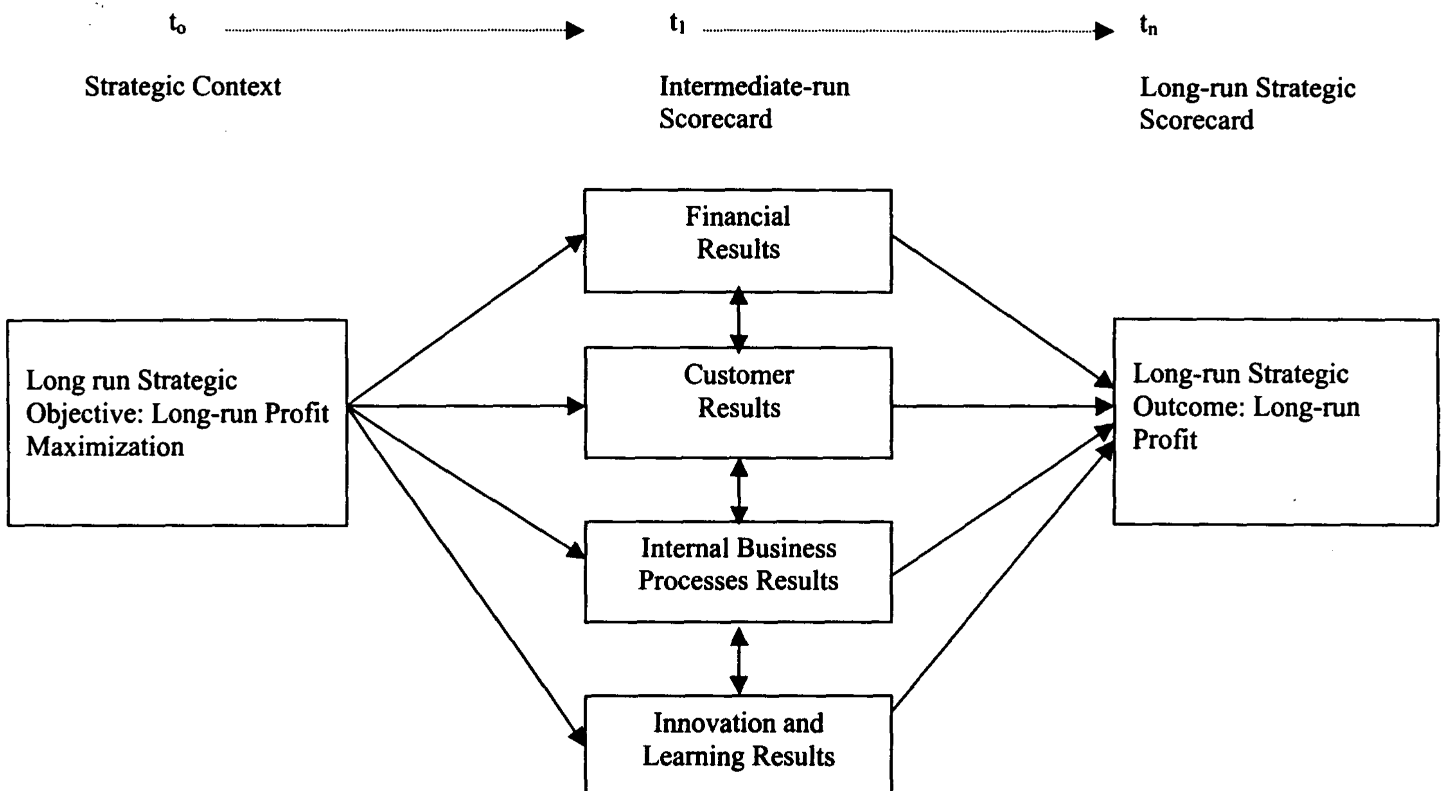
The Balanced Scorecard (Kaplan and Norton, 1966) was developed as a performance reporting framework for commercial organizations or major functions (equivalent to programs in nonprofit organizations). The question, of course, is whether it can be adapted for nonprofit programs and organizations in general and UWOs in particular. The approach is promising. First, it recognizes explicitly one of the central components of the comprehensive definition of accountability proposed above – that multiple (internal and external) constituencies require a multiple-component definition of performance while bringing order to multiple measures of performance by requiring that they be defined in relation to a common long-run or strategic focus. Second, this very strategic focus enables compliance with the requirement that an information framework deal with the governance/management cycle. The approach demonstrates that a framework of performance reporting can be transformed into a framework of strategic management, i.e., an information system for governance and management control and accountability across the whole governance/management cycle. Third, it requires the specification of common currencies and performance criteria and provides a framework for internal and external performance reporting.

The original Balanced Scorecard defines the maximization of long-run profit (long-run revenue minus long-run expenses) as the long-run or strategic operating objective of private commercial organizations or functions. This focus is defined from the perspective of the shareholders whose ownership equity (net wealth) in the organization is maximized through long-run profit maximization. Achieving this long-run objective requires, however, that those who govern and manage the organization have information on a continuing basis about a cross-section of information – a Balanced Scorecard of performance attributes. This scorecard includes revenue minus expenses, which indicates short-run or intermediate financial success in relation to the long-run goal of profit maximization, and information on three other categories of information. These three other categories are not ends in themselves but rather serve the single, focused long-run objective. The Balanced Scorecard thus complements short-term financial measures of past performance with measures of the drivers of future performance. Given one, unifying strategic focus, of which short-term financial results provide simply the most recent historical evidence, all other components of the scorecard are defined as instrumental in the achievement of the long-run objective.

In addition to short-term financial results, there are three other components in the multi-attribute set of information which makes up the Balanced Scorecard. First, the customer component is measured by such indicators as customer satisfaction and retention and market share. Second, the internal business processes component is measured by such indicators as operating cost, product quality and product innovation. Finally, the learning and growth component is measured by such indicators as employee satisfaction, training and productivity and information system capacity. The four components subsume within the comprehensive information framework the perspectives of the primary external and internal constituencies of the organization or function. But this set of measures is much more than a static cross-section of various bits of performance information. Rather, it can be seen as a logic model, a dynamic, chronologically and causally integrated model of organizational or functional performance which can therefore serve as a basis of strategic management – of governance and management control focused on the attainment of the long-run objective. In the simplest representation, outcomes in the area of learning and growth are causally and chronologically linked to outcomes in the area of business processes (e.g., better trained employees lead to more efficient use of resources). Improved business processes are in turn linked directly to long-run expenses on the one hand and indirectly, through customer satisfaction and growth of market share, to long-run revenues on the other and thus, in combination, to long-run profit.

Figure 1 illustrates the Balanced Scorecard in its simplest form. The strategic objective of long-term profit maximization is translated into a set of objectives (ends), strategies (means) and associated performance outcomes in the four components of the Scorecard. The chronological and causal integration of these objectives, strategies and "intermediate" performance outcomes serves the unifying strategic objective of long-run profit. In Figure 1, the formal logic

Figure 1: The Balanced Scorecard
(Private Commercial Organizations)



model, or implied causal sequence, is implicit. The performance measurement framework, either as a prospective means of specifying intentions and targets, or as a retrospective means of determining realized success in achieving these intentions and targets, is explicit.

The question now is whether the Balanced Scorecard provides a useful accountability and performance measurement framework for UWOs.

IV. Applying the Basic Model to UWOs: The United Way of Southeastern New England

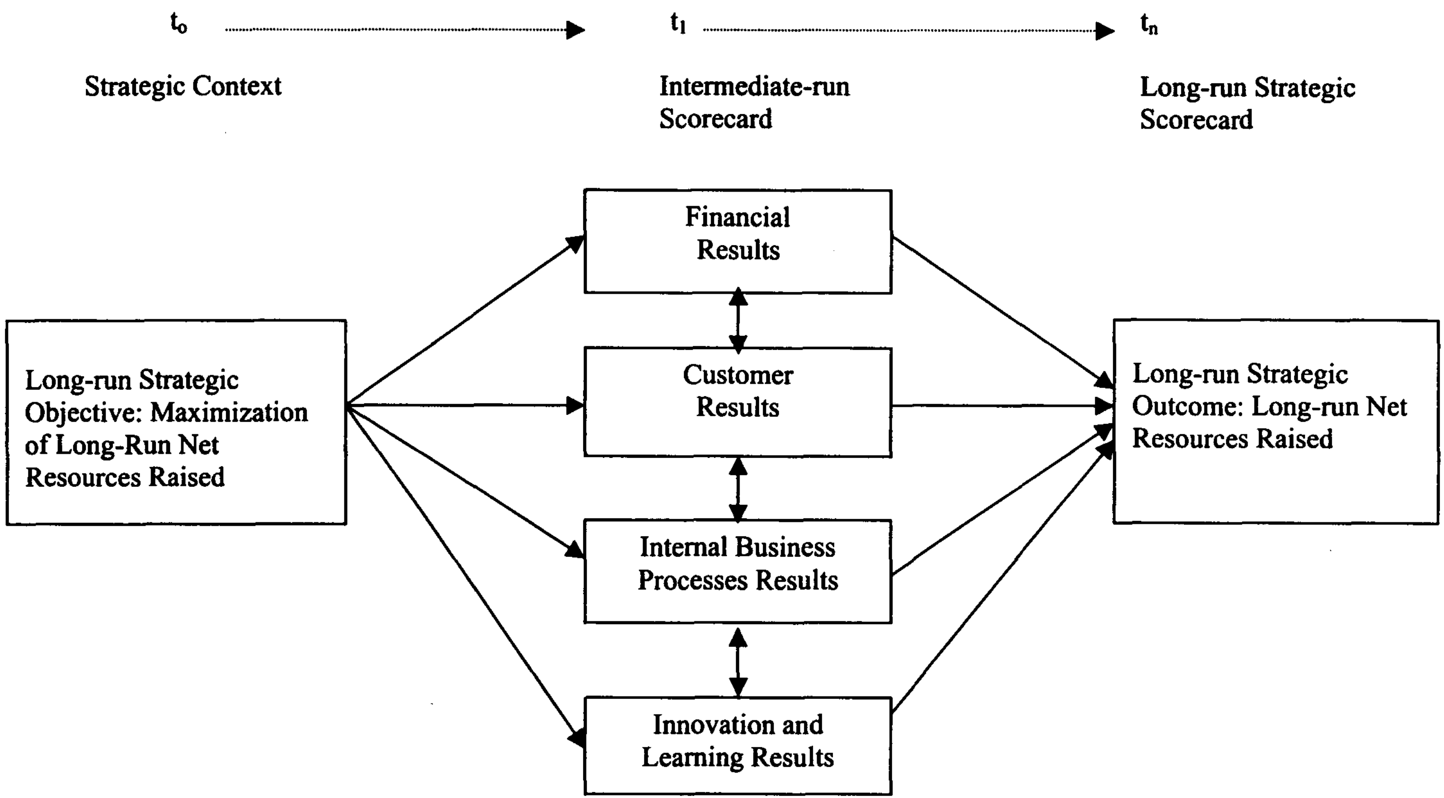
An application of the basic Balanced Scorecard model to the United Way of Southeastern New England (UNSENE) was written up as a Harvard Business School case (Kaplan and Kaplan, 1997). Based on the preference of senior staff for a Balanced Scorecard that resembled that used in the private (commercial) sector, the application defines the Scorecard as a set of the four components of performance information – financial results; the customer perspective; internal business processes; and learning and growth – included in the basic model. A detailed and practical set of performance measures is provided for each component. While the application does not state explicitly an overarching strategic objective and associated long-run outcome, such a unifying perspective is implicit in the construction of the model:

> United Ways have three primary choices. They can be donor-focused, agency-focused, or community focused. UWSENE has definitely become a donor-focused organization, believing that if the donors are satisfied, then agencies will be provided for. That is why we chose the donor as the primary customer on the scorecard...the four basic perspectives (four Scorecard information components) have sufficient flexibility to include objectives that would address the organization's relationship with agencies and volunteers. (Kaplan and Kaplan, 1997, pp. 70–71).

In effect, the UWSENE application deals with UWOs as resource-attraction organizations, with an implicit long-run strategic objective of maximizing net resources raised. The basic Balanced Scorecard can therefore be applied directly (Figure 2). The long-run strategic objective, the unifying focus for which other performance objectives are instrumental, becomes the maximization of financial and other net resources raised (directly equivalent to long-run profit), and the long-run strategic outcome becomes long-run net resources raised. In the set of information components shown in the intermediate Scorecard, financial results include intermediate evidence on net resources raised, customer results all relate to donors and performance objectives dealing with UWO staff and member agencies, including UWO resource allocation (as distinct from resource attraction) activities, are subsumed under the other two categories: internal business processes and innovation and learning.

The UNSENE application is a direct application of the basic Balanced Scorecard model but is a narrow interpretation in two senses: first with respect to organizational function and second with respect to organizational scope. With respect to organizational function, the application implies a long-run strategic

Figure 2: The Balanced Scorecard
(United Way as a Resource Attraction Organization)



objective of resource attraction and defines all other activities as instrumental to the pursuit of that objective. The set of resource allocation activities through which financial and other resources are made available to member agencies is subsumed within the instrumental information component of internal business processes, as is volunteer development. With respect to organizational scope, the exclusive focus on the donor as the customer limits scope at two levels: at the first, it excludes from the framework information on the satisfaction both of volunteers and of member agencies; at a second and broader level, it excludes any reference to the consequences in the community of agency programs provided using resources provided by the UWO. The question then is whether the narrow interpretation with respect to both organizational function and scope constitutes a sufficient and appropriate basis for a comprehensive accountability and performance measurement framework for UWOs.

A sufficient and appropriate accountability and performance measurement framework should provide to both the external and internal constituencies of an organization a picture that is at least approximately complete in that it captures the major organizational ends, means and results. Despite its "bottom-line" neatness, the UNSENE application provides a picture that is at best partial, incomplete with respect to both function and scope. UWOs generally describe themselves as much more than fundraising organizations. An attachment to the UNSENE application describes the mission of the organization in the broad terms that are used generally across North America: "to increase the organized capacity of people to care for one another" (Kaplan and Kaplan, 1997, p. 77). The attachment goes on to describe a corresponding vision framed in terms of alleviating needs or improving the quality of life in the community. In Canada, United Way/Centraide notes that it is more than a combined agency fund development program, and describes its goal comprehensively as follows: "to provide a means by which a cross-section of citizens and agencies, governmental and voluntary, may join in a community-wide effort to deliver efficient human service programs effectively related to its current needs" (United Way/Centraide, Standards of Excellence, 1999, pp. 6–7). At the local level, the United Way of Greater Victoria echoes this broad perspective by defining its mission in the broad terms noted above for the UWSENE and articulates its vision in terms of meeting community needs through the joint efforts of staff, volunteers, and human service agencies (United Way of Greater Victoria, 1998).

If the mission, and associated strategic objective, of UWOs is community building, somehow defined, an accountability information framework should be defined with sufficient scope and in appropriate terms to capture this long-term objective and the intermediate steps to its achievement.

With respect to organizational scope, the framework should define UWOs to include both the core UWO itself, with its staff and volunteers, and the organizations, or parts thereof, with which it collaborates to deliver human services. These latter organizations comprise primarily the member agencies that participate in the joint fundraising and resource allocation activities but may also include two other categories of organizations. First, agency scope may be widened to include nonmember agencies through which UWO resources are regularly or occasionally channeled (a common example would be non-member agencies which receive resources on an emergency "outreach" basis). Second, community partners of various sorts may collaborate directly with core UWOs, with the support of its member agencies, to provide regular or occasional services (an example would be an arrangement whereby a UWO and a local private nonprofit organization or a commercial organization, or a government agency, agreed to share the funding of specific services in the community. In sum, a UWO as an institutional design for community building includes the core UWO itself and the organizations with which it collaborates to provide services: member agencies, other agencies which may receive resources, and various private and public partners.

With respect to the appropriate content of an information framework for UWOs of the organizational scope defined above, the overarching strategic objective, and corresponding long-term performance, should be defined in terms of community building. In this context, the resource attraction, resource allocation, and collaboration activities, and the various administrative support activities that sustain them, are a means to the larger end of community building. To be practically useful, each relevant category of information must be defined in terms of performance measures. Performance results in achieving objectives in all these activities are an integral part of the accountability information framework but are not ends in themselves. Rather, they are means to achieving the strategic objective of community building. Correspondingly, the customer in such an institutional design is the community itself. Satisfaction measures for other constituencies – staff, volunteers, donors, and agencies and partners – are part of the accountability information framework but are a means to the end of community satisfaction rather than ends in themselves.

This broad-scope interpretation seems to paint a picture of what actually happens in UWOs. The question is whether it can be clearly and practically articulated as an accountability information framework, i.e., a Balanced Scorecard that provides a sufficient and appropriate framework of accountability.

V. A Broad-Scope Balanced Scorecard for UWOs

(I) *An Alternative Optimization Criterion*

A major advantage of the basic Balanced Scorecard model is its focus on the optimization of one strategic objective and on the resulting definition of other objectives as instrumental, or means to, that one end. In the narrow UWSENE application discussed above, the target to be optimized could be nicely defined as net funds raised, by direct analogy to commercial net income. However, it has been argued that this fundraising objective is only one of several means to the larger end of community building in a broad-scope functional and organizational definition of UWOs. Although any definition of community building will have economic implications, it seems clear that a definition that comes close to the spirit and substance of UWO mission statements will be primarily noneconomic in nature and certainly not subject to monetary measurement. The profit metaphor works: UWOs are certainly in the business of creating "value" for communities (Porter and Kramer, 1999), of creating "net community assets" or "community equity". But the monetary measure does not work; any such measure of value or assets or equity if it were to be "sufficient and appropriate" would have to be in nonmonetary terms and probably in multi-attribute terms, i.e., both considerations would have to be reflected in an alternative operational optimization criterion.

If the overarching strategic objective must be operationally defined in non-dollar terms – broadly, service effectiveness – then the optimization criterion has to be defined either as the maximization of that effectiveness for a given budget (or cost constraint) defined in monetary terms, or the minimization of monetary costs for a given target level of effectiveness. The former is the more likely configuration and the one that addresses the typical circumstances of UWOs. Essentially, the concept of net income has been replaced by that of value for money, where value is defined in nonmonetary terms. In practical terms for UWOs, the optimization criterion translates into trying to do as well as possible (maximizing effectiveness) for a given budget or cost (total resources available for allocation).

The neatness of this proposed cost-effectiveness alternative to the net income (or cost-benefit) commercial criterion is challenged, of course, by the difficulty of defining *one* overarching measure of effectiveness that would be served and supported by other objectives. Given that the concept of optimization does require a single focus – only one thing can be maximized – and that the concept of community "value" or "equity" is multidimensional, it follows that for UWOs the effectiveness criterion should be defined as an index measure, i.e., a composite (using the same scale of measurement) of measures of the defined key components of community value – combining, for example, measures of the status of vulnerable groups such as youth and the elderly and other matters such as housing and safety. This approach is widely used in the health field where the composite measure is defined as "utility" rather than effectiveness – a preferred such concept is the Quality Adjusted Life Year (QALY) – and the analytical perspective correspondingly defined as cost-utility rather than cost-effectiveness (Ministry of Health, 1998; Edgar, Salek, *et. al.*, 1998.). If it is conceptually defensible, and practical and comprehensible to design such a utility measure for UWOs, then a new Balanced Scorecard could be defined that starts with the premise that UWOs seek to maximize an improvement in community utility for a given budget.

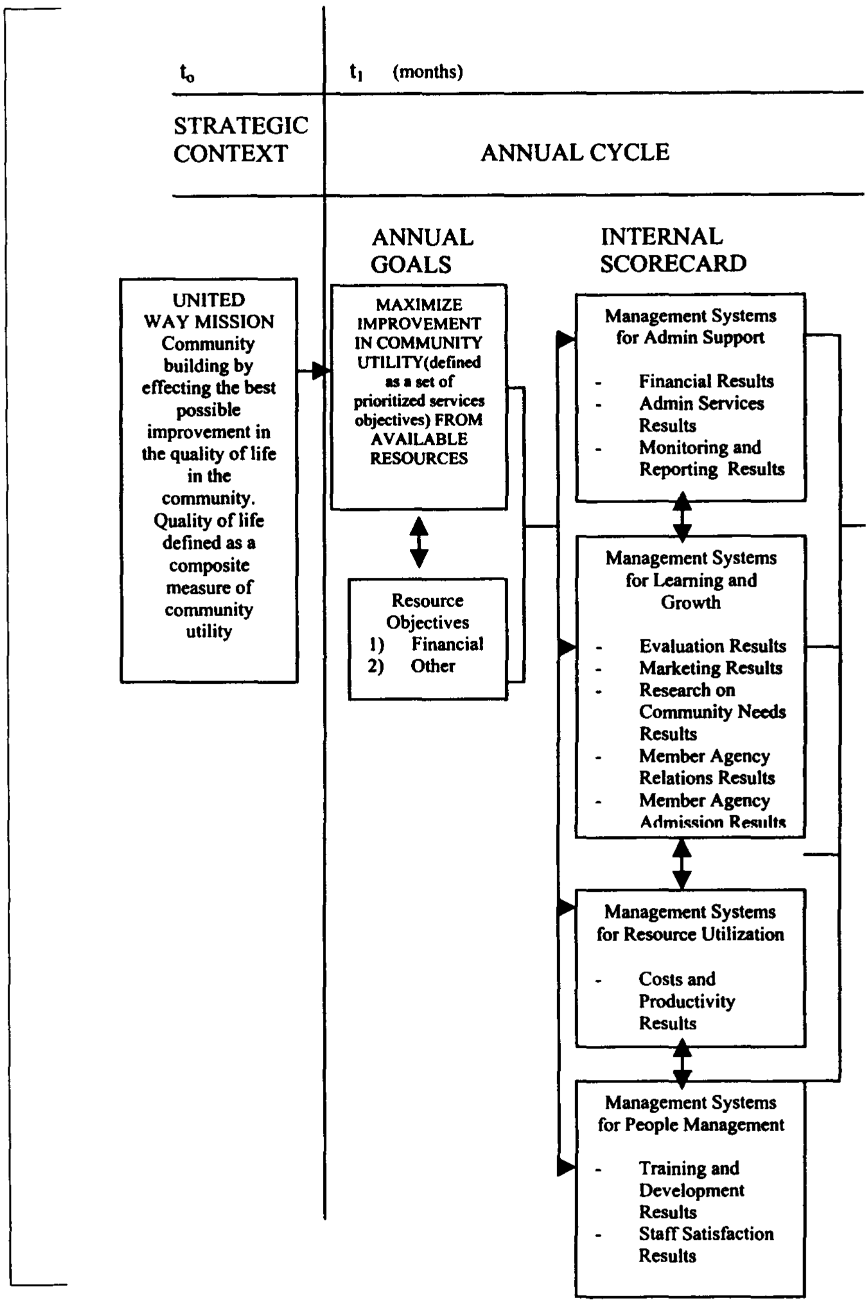
(ii) *A Balanced Scorecard Based on the Alternative Criterion*

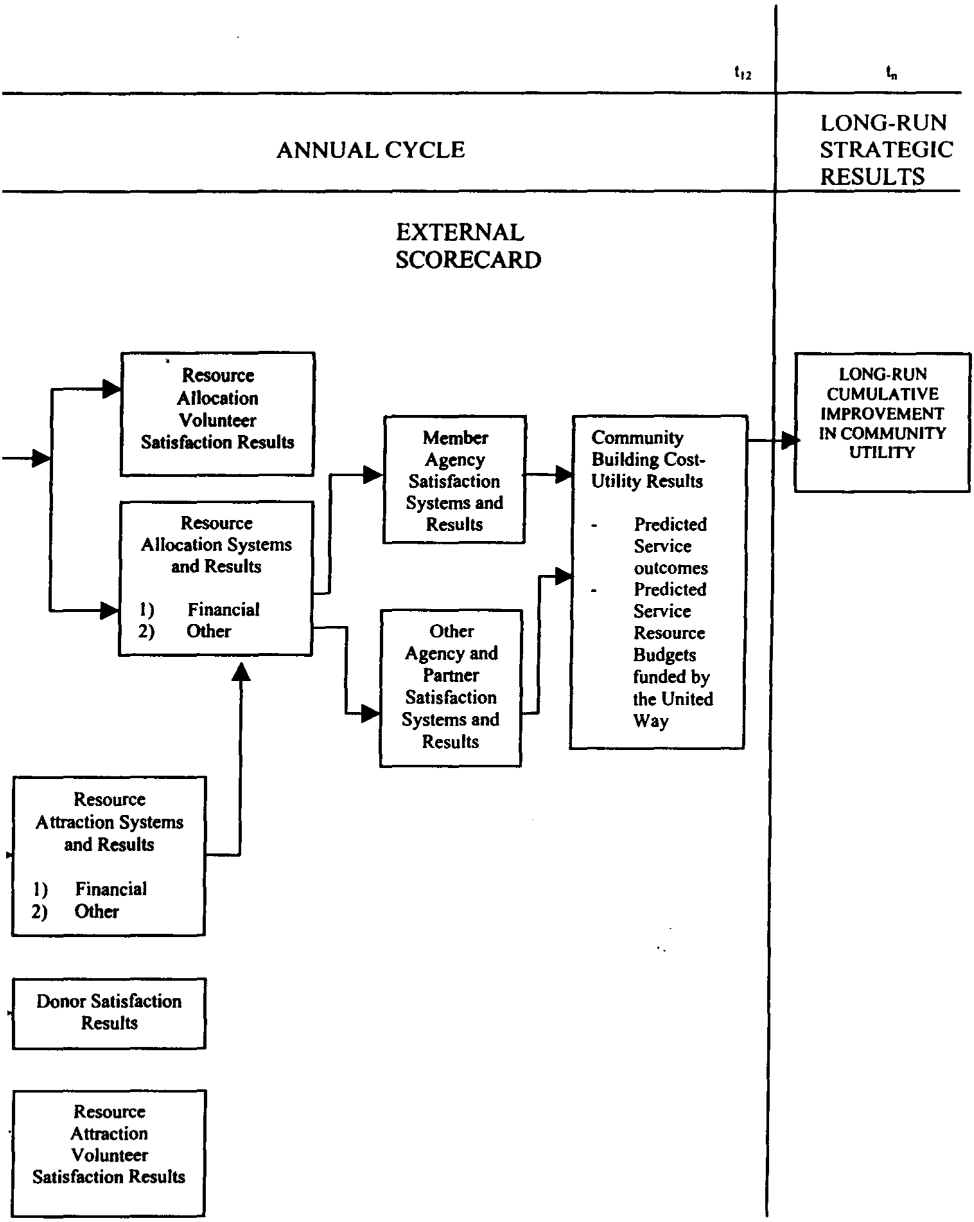
Figure 3 illustrates a Balanced Scorecard for UWOs based on optimizing *community utility for a given budget* as distinct from the criterion of optimizing *net funds raised* used in the UWSENE application. The framework begins with a general "strategic context" that defines the mission of UWOs as community building, and makes that mission practical in terms of a composite measure of community utility relating to the various dimensions of community "Quality of Life". A recent study for Greater Victoria defines quality of life as including affordability, quality of employment, health, quality of housing, community stress, community safety and community participation (Community Social Planning Council, 1999). At the other end of the Scorecard, the long-run strategic results of the operation of the UWO are defined in terms of the long-term cumulative improvement in community utility. Between the strategic context and long-run results lies a proposed scorecard for the annual cycle of activities in UWOs.

The formal optimization criterion, which establishes the focus of the Scorecard, translates the mission into an action plan for the year. It is defined under Annual Goals as the maximization of the improvement in community utility from available resources (for a given level of resources, financial and other). The first part of the criterion , the intended improvement in community utility, is articulated as a set of prioritized objectives for the year. Prioritization of, say, five objectives relating to the dimensions of community utility selected, could be defined formally as a set of weights (for instance, 50 per cent of weight assigned to the first objective, 20 per cent to the second, and 10 per cent to each of the third, fourth and fifth objectives) or simply in terms of ranking. A ranked set of objectives as distinct from a formally weighted set can serve equally well as a basis for decision-making (C. Corbett, 1994). It is, of course, easier said than done to arrive at a set of prioritized objectives but the problem has long been recognized by UWOs (United Way of America, 1974 and 1985; United Way Alberta Capital Region, 1994), and the United Way of Greater Victoria is currently undertaking a broad consultative process to determine such community priorities. Without such an objective function – a clear statement of prioritized objectives – one part of the shared expectations that form the basis of an accountability framework cannot be determined.

The second part of the criterion, and the second part of the specification of shared expectations, determines the targets for the resources, financial and other, that will be used to provide services and increase community utility. The intended increase in community utility is the "value" part of the optimization criterion, and the resource target is the "money" part. In practical terms this can be translated as follows: UWOs will try to raise a specified target amount of resources and will use those resources to effect the best possible increase in community utility. Obviously it would be desirable to exceed the specified resource target since available resources constrain the services that can be

Figure 3:
A Balance Scorecard for United Way Organizations




t_{12}
t_n
ANNUAL CYCLE
LONG-RUN STRATEGIC RESULTS
EXTERNAL SCORECARD
Resource Allocation Volunteer Satisfaction Results
Resource Allocation Systems and Results
1) Financial
2) Other
Member Agency Satisfaction Systems and Results
Other Agency and Partner Satisfaction Systems and Results
Community Building Cost-Utility Results
- Predicted Service outcomes
- Predicted Service Resource Budgets funded by the United Way
LONG-RUN CUMULATIVE IMPROVEMENT IN COMMUNITY UTILITY
Resource Attraction Systems and Results
1) Financial
2) Other
Donor Satisfaction Results
Resource Attraction Volunteer Satisfaction Results

provided. The specification of these two parts of the optimization criterion provides the shared currencies and performance criteria defined in these currencies, for monitoring, reporting and evaluating results over the year.

With the overarching end specified, the rest of the Scorecard describes the various means (management systems) by which that end is pursued over the year, the results achieved in each system, and the overall results for the whole organization. This is the accountability information framework for governance and management control internally and for external performance reporting. In broad terms, the Scorecard is defined in terms of a chronology across the governance/management cycle from planning to final reporting and evaluation. It also attempts, in rough terms, to make explicit the causal sequence that is implicit in the traditional Balanced Scorecard model. What is attempted in this elaboration of the Scorecard between the overarching goal and final results is a definition of the relevant categories of management information. The operational counterpart of those categories – the development of a set of associated performance measures and perhaps general criteria of good performance – is a subsequent stage that would be negotiated after acceptance of a version of the general model.

The management systems defined under the Internal Scorecard heading are essentially internal support systems which serve the mission or "product" systems illustrated under the External Scorecard heading. For each of the four sets of internal support management systems, financial and operating budgets would be established and results monitored throughout the year. Management systems for administrative support include three categories. The first is accounting systems that provide basic financial accounting and reporting services to all parts of the organization. Although this would appear to be similar to the Financial Results general category used in the basic Balanced Scorecard model, it is significantly different because of the alternative conceptualization of UWOs as nonprofit service organizations focused on maximizing community utility for a given budget. The revenue and expenditure information collected and reported within this management system reflects the procedural requirement for UWOs to be accountable for complete and accurate financial accounting and reporting of sources and uses of funds. Although two line items in this financial information – either in the form of budgets or financial statements – deal with the source of funds through UWO fundraising revenue and the expenditure of funds allocated to agencies, the basic financial budgets and financial statements contain no information, by definition, of a consequential or objective-oriented nature related either to success in raising and allocating net resources, or to achieving overall organizational objectives in the community. The consequential part of the Financial Results category from the basic Balanced Scorecard model is dealt with separately under the major resource attraction product system that deals with resource targets and the costs of raising resources. The other management systems under the general head of administrative support include: basic administrative support systems and management information systems for monitoring and reporting results. This whole first category of management systems for administrative support could be broadly subsumed under the Internal Business Processes category in the basic Balanced Scorecard model.

Management systems for learning and growth follow the same heading category in the basic model but vary slightly in content. The systems proposed include: evaluation systems and results (including the evaluation of program proposals from agencies); marketing systems and results; community needs research systems and results; agency relations systems and results; and agency admission (and departure) systems and results. Included in this general category in the basic model are services to staff. The approach to this last proposed in this model, is to assign it to a separate category – management systems for people management. Within this general category are systems and results in staff training and development and systems and results in staff satisfaction.

The final category of internal management support systems is management systems for resource utilization. This is the system that addresses the broad and critical issue of efficiency in all support and product systems and would be subsumed under the Internal Business Processes category in the basic model.

The various internal support systems sustain two major product systems throughout the year. These systems, shown in the first part of the external Scorecard, proceed in parallel but are causally sequential inasmuch as the results of the resource attraction system sustain and make possible the outputs from the resource allocation system. The former determines the final budget constraint; the latter makes the best possible use of these available resources in pursuing community utility through agency and partner programs. The resource attraction system includes: systems and results for attracting financial resources and other resources such as volunteers and gifts in kind; systems and results for measuring donor satisfaction; and systems and results for measuring the satisfaction of volunteers engaged in the resource attraction function. The resource allocation system includes: systems and results for allocating financial resources and other support services to agencies and partners and systems and results for measuring the satisfaction of volunteers engaged in the resource allocation function (who are generally a quite different group from those engaged in resource attraction).

Resources are allocated primarily to member agencies but may also go to other agencies for specific purposes and to partners in the public and private sector. The next part of the Scorecard deals with systems and results for measuring the satisfaction of member agencies, other agencies, and partners. To this point, nothing has been said about the major Customer Results category and focus within the basic Balanced Scorecard model. The argument of this proposed model is that while the ultimate customer is the community, UWOs need information about the satisfaction of a range of internal and external constituencies including staff, volunteers (in both resource attraction and resource allocation), donors, agencies, and partners. The customer issue is thus treated in terms of the range of constituencies whose satisfaction in important to the achievement of UWO objectives.

For each of the proposed management systems, in both the internal and external Scorecard financial and operating budget targets would be compared over the year with reported results, on a continuing basis and at the end of the year in an annual performance report. They thus form the basis of internal and external accountability reporting. But one component, the centerpiece of the end-of-year report, remains.

Building on the results achieved in the internal management support systems and the two major product systems, including the satisfaction of the range of relevant constituencies, the end-of-year "bottom line" for UWOs is shown in Figure 3 as a *predicted* cost-utility score – the predicted improvement in outcomes in services provided by member and other agencies and with partners and the associated resource budget. In short, the bottom line is about predicted value for money. This predicted achievement and associated financial cost reflect the evaluation and resource allocation process through which decisions are made about support for a set of services, and the predicted outcomes of these services in the areas defined within the community utility composite indicator. Actual as distinct from predicted performance would unfold in the subsequent year and become part of the relevant information for the governance/management cycle in that year. It should be stressed that while the scorecard is illustrated as a linear process, the process it endeavors to represents is iterative and dynamic. Much as achieved outcomes become "feedback" to resource allocation decisions in subsequent years, so also such evidence – solid, well-reported, understandable information on the value for money in the community achieved with resources donated to UWOs – feeds back to, and influences, community opinion and associated financial and other resource support for UWO campaigns and thus feasible resource attraction targets. In short, the demonstration of good performance creates a positive feedback loop to community opinion and financial support. The accumulation of the improvements in community utility effected through the annual process constitutes the last component – the long-run strategic results – of the proposed Scorecard.

VI. From Conceptual Framework to Reality: What Is Feasible?

In a certain limited sense the accountability framework proposed in this article is already implemented in UWOs. One way or another, all the questions it raises are answered but they are answered unsystematically, largely subjectively and in a non-integrated manner. Various stakeholder groups, if asked, would be found to have opinions on how much the UWO is doing for their community (as each defines "community"). They will also have beliefs about whether these results are "worth it" (i.e., are the best value for the money raised). Meanwhile, more or less unconnected with these matters, there may be perceptions about how well the campaign was managed, how well the organization is run, how fairly the allocations were made and so on. The problem is that each of the various stakeholder groups (staff, volunteers, board, donors, member agencies) will probably have differing attitudes, beliefs and perceptions all arrived at using their own informal sources of information.

All that the framework advanced in this article is trying to do is integrate all the beliefs in all these matters into a coherent logic model built around a common set of prioritized objectives. It does this by proposing a common information system (or currency) for talking about them both within and outside the UWO. How realistic is it to expect that the process of creating this framework could succeed?

Regrettably, research on the extent to which improved accountability can be achieved is not encouraging. (See: Ashford and Clarke, 1996; Cutt *et al*, 1996; Forbes, 1998; Herman, 1990, 1992; Herman and Renz, 1977; Murray and Tassie, 1994; Paton, 1998; Sargeant and Kaeler, 1998; Shuster, 1997; Sheehan, 1996; Tassie, Murray, Cutt and Bragg, 1996; Tassie, Murray and Cutt, 1998; Taylor and Sumariwallla, 1993.) A framework for reviewing the feasibility question can be created by considering what is needed for any organizational change to occur. There must first be motivation to change in the form of dissatisfaction with the *status quo* and a desire for a better accountability system. The parties to be involved in creating change must have the skills and knowledge to do the job and there must be the necessary resources for the job – time, money and required technology. Given the motivation, ability and resources, the next step is the *process* of creating the new system. When that has been developed, it must be implemented with minimum resistance to the change and sustained over time as the new *status quo* while remaining open to being improved as a result of working with it.

Motivation to Change: In spite of the rhetoric from many sources calling for improved accountability, the tendency among the parties themselves (those to whom accountability is due whom we will call the "evaluators" and those who are being held accountable, whom we can call the "evaluatees" is to resist change. Research carried out by the authors (Cutt *et al*, 1996; Murray and Tassie, 1994; Tassie *et al*, 1996 and Tassie, Murray and Cutt, 1998) revealed that evaluators are frequently content with nonformal information about the performance of evaluatees (anecdotes, impressions) in virtually all areas of the internal and external Scorecards with the exception of finances. In this area there is primarily a desire to ascertain that money has been properly accounted for.

On the part of those being evaluated, little desire was found to create more systematic and rigorous accountability frameworks. Nonprofit CEOs, for example, were by and large content to get to know their evaluators informally, learn the minimum amount and kind of information they wanted and provide only that limited amount to them. They were particularly concerned that they be able to fix up any "bad news" before it got to the public or their boards and to provide "explanations" for any bad news that could not be fixed beforehand.

On the other hand, as was pointed out at the beginning of this article, beyond any given accountability relationship, there is growing pressure to make both the public and nonprofit sectors more accountable. Funders such as the United Way itself as well as governments and foundations, want to see more evidence of outcome-based evaluation of performance. Once it becomes clear that there will be significant penalties incurred by not having formal accountability information systems, more effort will be made.

Ability to Change: Bothwell, 1999; Paton, 1999; and Saidel, 1999 have all noted that, with the exception of large, well funded nonprofits, most nonprofits do not have staff who have the necessary skills, knowledge or background to undertake the development of formal accountability information frameworks. As well, most of those to whom they are accountable, such as funders, do not usually provide this kind of expertise other than by imposing a preexisting set of reporting requirements. Again, these tend to deal with financial reporting rather than other internal or external scorecard components.

One of the growing trends which may act to reverse the "ability problem" is the growing strength of sector-wide umbrella groups and subsector "industry associations" which are both pressing for, and attempting to create, accountability systems designed with the help of experts, that can be adapted for use by similar types of nonprofit organizations (see Leclerc *et al*, 1998). This trend is, however, very much in its earliest stage.

Resources for Change: As in the ability gap, many nonprofit organizations, including UWOs, must run on very low administrative budgets and so have few resources of staff, time and funds to devote to the creation of more formal accountability information systems, however much they might want to create them. To counter this, a trend may be developing in which certain kinds of funders such as governments and some foundations are indicating a willingness to invest in "capacity building" which includes training and technology related to accountability system design.

The Change Process: As noted in the explication of the Balanced Scorecard framework for accountability, it depends at root on the ability to articulate priorities for community building. It also emphasizes that these priorities must be identified with, and through, consultation with all relevant stakeholders in the community. Unfortunately, this is an exceedingly difficult process to complete successfully. Few UWO member agencies will be willing to admit that their services do not relate to a high priority community need while nonmember agencies will argue that their services are more needed than those of some of the current members. There will also probably be a shortage of reliable data "proving" that certain needs are greater than others; hence the initial step of identifying priority community needs will inevitably be an intensely political one. On the other hand, if this necessary consultative process is done with care and skill, it can serve to promote the role and operations of UWOs. In other words, marketing is not incompatible with accountability.

In a similar fashion, the design of the logic model articulating the links between the internal Scorecard elements and between them and the external elements (see Fig. 3) will not be easy, because solid evidence of causal links will be difficult to come by. Again, therefore, a subtle negotiating process between evaluators and evaluatees will have to occur as to which working hypotheses to adopt for the logic model outlined in Figure 3.

Even though the development of the information system will likely be difficult and perhaps painful, there are those who argue that the very process of going through this exercise is in itself valuable and may indeed be of as great or greater value than the final product that it produces (Bothwell, 1999; Paton, 1999). Jointly gathering and exploring information and thinking through the logic models can bond all those involved, increase trust and respect, develop clearer lines of communication that carry over into other decision-making activities, improve the organization's ability to deal with crises, and build commitment. These benefits can occur even if the eventual "product" of an accountability system in implemented only partially or for a limited time.

Implementing the Accountability System: Once a working version of a Balanced Scorecard system is developed, putting it in place will depend on the extent to which those to be held accountable trust that the implementation process will be fair. To the extent that they believe that they will be "blamed" for problems revealed by the system over which they think they have no control they will be tempted not to co-operate or to deliberately provide misleading or incomplete information. This is another reason that the system must be designed from the start with the involvement of the evaluatees. A system that is developed externally and forced on the evaluatees can be easily sabotaged.

In sum, there are many forces at work that make it very difficult to create and implement the Balanced Scorecard system of accountability presented in this article. This does not mean, however, that it is not worth trying to do so. The alternative is that decisions such as to whether to donate to UWOs, or which programs should be supported will continue to be made but primarily on the basis of attitudes, beliefs, and perceptions that depend on whim, chance, idiosyncratic experiences and the like, with all of these varying from stakeholder to stakeholder. If the current trend in society of insisting on better accountability continues, it could eventually lead to coercively imposed regulated kinds of reporting systems that will probably cause more trouble than they are worth.

VII. Conclusion

The proposed Balanced Scorecard for UWOs is intended to meet the requirements of an accountability framework over the annual cycle of governance/management activities. It does provide for the specification of shared expectations and, with respect to the two components of the specified strategic value-for-money objective, for shared currencies (utility on the value side, dollars on the money side) and for shared criteria of performance expressed in these currencies. It also provides a framework for internal and external performance in relation to planned and budgeted targets across the cycle. The Scorecard proposes a set of categories of information and their chronological and causal relationships that constitute the key relevant components and structure of an accountability framework. It does not proceed to the next stage, which would be to associate a practical performance measure with each illustrated information category. This is certainly feasible – the UWSENE application provides such measures – but is probably better seen as a subject for discussion and negotiation after acceptance of the structure of the information framework. A further stage would be to specify criteria of good performance for each performance measure in each information category. This is certainly a matter for negotiation and probably a matter that should be determined nationally for UWOs of comparable size. The problems with implementation are considerable but not insuperable. The key to it all, of course, is the courage to generate and specify a prioritized set of objectives designed to maximize the improvement in community utility. If UWO boards and management have the courage – for it is mainly courage, not technical skill – to bite this bullet, then they will lay the foundation for telling their stories well and making a better contribution to improving their communities.

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