Toward a Public Value Framework for
Accountability and Performance Management
for International Non-Governmental Organizations

Mark H. Moore, L. David Brown, & James P. Honan

October, 2001

I. Introduction

Many powerful players are enthusiastic about increasing the accountability of International Non-Governmental Organizations (INGO's). *Donors* to INGO's want to be sure that their money gets to the intended beneficiaries with as little diversion and as much impact as possible. *International development agencies* want to be sure that their relief and development objectives are reliably, competently, and effectively pursued. *Governments* in whose territory the INGO's operate demand that they obey local laws, respect political authorities, and attend to national cultural sensitivities. *Clients and beneficiaries* expect that INGO's will live up to their claims to provide valuable services. *Partners* and *co-producers* require that INGO's fulfill their agreements on how they will operate together. And *target organizations* that INGO's seek to influence -- political and economic institutions or private business entities -- want to know to whom the INGO's are accountable in order to judge how seriously their demands should be taken.

It is important to note that much of the pressure for increased accountability comes from those who have both an interest and some plausible right to hold INGO's accountable. The demands for accountability come from stakeholders who contribute resources, who authorize the INGO's to exist and operate, who work with them to accomplish their mission, who are supposed to benefit from the INGO's efforts, and whom the INGO's themselves call to account. Less talk about increased accountability comes from those who lead and manage INGO's.

But even those who lead and manage INGO's are being forced to think about the issue of accountability. On one hand, they have to consider how to meet *external* demands for accountability that seem to be growing up around them. After all, ignoring legitimate demands for accountability can easily undermine the legitimacy of the INGO's. Questions about legitimacy can reduce their capacities to raise funds, mobilize volunteers, gain authorizations from local governments, and act with energy and conviction in the pursuit of their mission. Yet, meeting demands for accountability can also create difficulties. It can diverts scarce INGOs' resources to counting and measuring rather than doing and performing. It can blunt initiatives and innovations by forcing the INGO to look over its shoulder and seek authorization in advance of action. And it can, in important and subtle ways, skew the focus of the INGOs' efforts and operations.

On the other hand, INGO leaders also have to consider what kind of *internal* accountability to demand. They have to think about how to measure the overall performance and impact of their organization. They have to think about how they can hold mid-level managers accountable for performance, and how their internal systems of accountability promote innovation and learning within the organization. These questions naturally focus INGO managers' attention on the information systems that capture information about costs, activities, outputs, and outcomes of their operations. These systems serve as the technical basis for internal accountability systems, and they also are key to responding to external demands for accountability.

Once the attention of INGO leaders has been focused on external accountability, internal accountability, and their information systems, they can begin to understand how their current accountability system is driving the organizational activities and impacts, and they can explore how that accountability system might be adapted to support their strategic goals more reliably.

How can INGO's balance their commitments to the external stakeholders who demand accountability? To which of these stakeholders are they morally, legally, or technically accountable? How have they responded to past demands for accountability? Have they produced reports that provide information demanded by external groups? Have they consulted regularly? Have they produced special reports to meet specific requests? How have they felt about the demands for accountability? Has the oversight felt intrusive or helpful? Are their commitments to external stakeholders balanced appropriately with respect to substantive purposes and reporting relationships? Are stakeholders' demands aligned with the INGO's mission, or are they diversionary from key goals?

How have responses to internal accountability issues helped or hurt the INGO's performance? How have performance measures guided and animated organizational activity? Are they skewing the goals of the organization in some inappropriate direction because they do not focus on the real value they INGO seeks to produce? Do measurement systems drive performance by holding managers accountable for achieving "stretch goals?" Are they used to foster discussions across the organization about its real purposes, and to explore how present methods help or hamper goal achievement? Is the "voltage" generated by the internal accountability systems too much or too little to produce a sustained, high level of performance?

In sum, the issue of accountability can be used to consider how *accountability systems* can be developed to improve overall INGO performance. By "accountability system" we mean choices about the external groups to whom the INGO owes accountability, the reporting systems constructed to recognize and respond to external accountability demands, the aspects of INGO performance measured, and the ways in these measurements are used inside the organization to motivate performance, allocate resources, or catalyze organizational learning.

The purpose of this paper is to help INGO leaders and stakeholders to think about how to construct effective accountability systems. We should say at the outset that while we think that increased accountability is, in general, a good thing, we also think that there is no objective standard for what constitutes the right kind and amount of accountability. INGO stakeholders have to decide the moral and legal bases for the accountability they demand as well as the prudential question of the impacts of their

demands on the INGO. INGO leaders must make strategic choices about responses to internal and external accountability demands, based on their own assessments of the moral, legal, and prudential implications of their choices for the long run performance of the organization.

Of course, INGO leaders cannot make this decision unilaterally. Organizational stakeholders all have ideas about how the organization should be accountable. Their views be supported by ethics, law, or custom, and they may punish the organization in various ways if it refuses to accommodate their demands. INGO leaders cannot have the accountability system they ideally desire at no cost.

INGO leaders must decide how to structure systems to simultaneously meet demands for accountability and use those demands to help the organization achieve its goals. We seek here to help INGO leaders and stakeholders understand systems of accountability, and explore how to construct better systems.

II. Organizational Stakeholders and Organizational Accountability

Like all organizations, INGO's sit in the midst of a complex network of exchange relationships with other actors and organizations. They get money from one set of actors. They borrow operational capacity from another. They respond to the needs of a third set of actors. And so on. These other actors and their relationships with the INGO either facilitate or frustrate the accomplishment of the INGO's goals. If the financiers don't come up with the money, the organization shrinks or disappears. If employees and allies do not have the needed operational capacity, the organization will fail to deliver intended results. And so on.

Any INGO has a broad, complex, and particular set of working relationships. They have networks of funders that provide resources, government agencies that authorize their work, employees and partners that implement programs, and specific clients they wish to help. In this sense, there is no general structure of accountability that fits all INGO's; each will have its own set of working relationships, based on specific understandings about its accountability to various stakeholders.

Moreover, each INGO has beyond its current set of recognized stakeholders, a potential set of other stakeholders as well -- groups or actors that might recognize a stake in the INGO's work. Some potential stakeholders are friends, and can be mobilized to become more involved. Other latent stakeholders are potential enemies. They may be galvanized by INGO activities they see as opposed to their interests. As a result, the stakeholder environment of each INGO both unique and changeable over time. Those . changes may be more or less favorable to the INGO's goals.

A. Types of Organizational Stakeholders

These facts make it difficult to describe the stakeholder environment of INGO's in general with any precision. It is possible, however, to characterize some common *types* of actors or organizations that show up in the environments of most INGO's. Indeed, the leaders of INGO's can use this list to identify active stakeholders in their environments and potential stakeholders who could become active.

1. Funders

First, there are those actors and organizations that provide funds to the INGO, such as charitable donors, government agencies, purchasers of services, and so on. For many INGOs, sources of funds are often in industrialized countries while the clients se4rved the INGO's activities are in the developing world. Charitable donors may include foundations, large individual philanthropists, or masses of individual donors who believe in the INGO's work. Government agencies can give money in the form of grants or contracts, usually to provide services to populations who might otherwise go without. Some INGOs also utilize funds from private financial actors, such as banks who extend loans, or customers who pay for some portion of the services they are offered. Most INGOs depend to some extent on external sources of funds, though the level of that dependence may vary substantially across INGO goals and strategies.

2. Authorizers and Legitimators

Other stakeholders provide a kind of political support and authorization that allows the INGO to exist at all, shields it and its assets from attack, establishes its political and social legitimacy, and gives it moral encouragement to continue its work. The most obvious such organizations are the national governments in whose territories INGO's are based, raise funds, or carry out operations. Note that authorization and moral encouragement is different from funding, but it is no less a crucial form of support. INGOs require national bases from which to raise funds, borrow money, or negotiate projects with other governments. INGOs also need authorization to operate in host countries in order to carry out international development missions.

INGO's also depend on other sources of political support. Recognition by the general public in the countries where they operate can be important sources of legitimacy when state or other actors challenge them. The support of international institutions, such as the United Nations or the World Bank, may be critical in preserving their independence and legitimacy in some circumstances. They may be sheltered to some degree by international conventions and treaties, and they can be helped or hurt by the existence of agreements among nations that provide an authorizing context for their work. Political legitimacy and moral encouragement can support initiatives and remove obstacles that hinder INGO operations.

3. Volunteers

The time and energy of volunteers in some situations may be as or more important than contributions of funds. Insofar as an INGO enlists volunteers to carry out important functions, they become an important stakeholder. Most INGOs rely, for example, on volunteer Boards of Directors, who provide advice and support that would otherwise be expensive or unavailable. Volunteers usually come to the organization because they value its mission, so they expect it to remain aligned with the cause and purposes that drew their commitment. They expect the organization to accept their commitment and contribution, and to find good ways to use their time and talent.

Some INGOs also use volunteers in their day to day operations, particularly when their work involves occasionally mobilizing large groups to solve short term problems. The line between volunteering and making financial and political contributions

is often blurred, so many INGO's attend to volunteering as a source of other important resources as well.

4. Employees

The line between volunteers and employees may also be quite blurred. Many INGO staff members work for the mission as much as the paycheck. They have often given up chances to earn higher wages elsewhere to work for the INGO because they like the mission. Or, they are willing to work harder than their paycheck requires because they like the mission. So many INGO staff are "quasi-volunteers."

Employees are important stakeholders even if they are not quasi-volunteers. They want the organization to treat them well not only in economic terms, but also in human dignity terms. They would like the organization's purposes and actions to reflect well on them as employees, and to increase rather than decrease their status with their friends and neighbors. If they are long term quasi-volunteers, they may feel entitled to be consulted when the organization introduces important changes in mission or in operations. Many feel that their commitment to the organization earns them some kind of governance rights over its purposes and methods.

5. Partners and Allies

Partners and allies are external to the INGO but critical actors in accomplishing the INGO's goals. Some of these actors are contractually based: They are paid for their equipment, for their knowledge, or for their work. These working relationships can be well established and routine; or constructed to deal with particular problems. Some contractu5tal arrangements persist over long periods of time to the benefit of both patties.

Other external actors work with the INGO from a sense of common cause and partnership. Such alliances are particularly common when the parties recognize that they need each others' capacities to carry out some important initiative, such as expanding a program to cover a wider range of populations or services. Alliances may also be required to accomplish political objectives that require coalitions of organizations with shared interests. Collaborations in political expressions and activities are less likely to involve money and contracts. But often there are important promises and commitments made in explicit political efforts, and these can create as many important claims on an INGO's activities and assets as the contracts they sign in economic activities.

6. Clients, Beneficiaries and Targets

Last but not least, there are the stakeholders who are the focus of INGO strategies and activities. These "external actors" are important because the INGO can only achieve their objectives in interaction with them as beneficiaries of health programs, or clients of capacity-building initiatives, or as targets of policy influence activities. Enhancing their welfare, strengthening their capabilities, or influencing their decisions is the point of INGO efforts.

INGOs are interested in satisfying the needs of clients and beneficiaries, of course. But in many cases their interests in their clients and beneficiaries goes

beyond their satisfaction to recruiting them as "co-producers" of the larger social outcomes that the INGO seeks – such as better public health or enhanced local capacity for problem solving. In short, clients and beneficiaries become a means to a social ends as well as an end in themselves. So it would be a mistake to assume that the only goal of an INGO is to please their clients and beneficiaries. It is important to please those stakeholders, but INGO's have purposes beyond the satisfaction of clients as those clients now understand their interests.

When INGO's act as political advocates pressing claims against other actors, they are often not trying to improve the welfare of those targets but rather trying to influence their activities to improve the lot of other stakeholders. Stakeholders who are targets of political influence activities may also demand that the INGO demonstrate its accountability as a precondition for influence. Government agencies, corporations, and international agencies often ask advocacy INGOs about who they represent or the basis for claimed expertise on the issue.

B. Stakeholders and the Idea of Accountability

Such actors and individuals are commonly called the "stakeholders" of an INGO simply because they have stakes in the purposes the organization seeks to achieve or the activities it undertakes. For the most part, the relationships between an organization and its stakeholders can be viewed as a kind of exchange relationship: a stakeholder gives something to the organization in the expectation that that stakeholder will get something in return. The stakeholder may offer fungible resources such as money and time, or something less tangible such as permission to operate or authorization to represent a group.

The INGO has a strong prudential interest in stakeholder relationships that enable it to do its work. It seeks a "sustainable deal" among stakeholders that produces real capacity to achieve its mission. If it shifts its purposes or its operations in ways that threaten that deal, the stakeholders may withdraw their material or moral support. Thus, as a practical, prudential matter, INGO's may feel accountable to each and all of their stakeholders.

Should INGOs feel or act equally accountable to all their stakeholders? Or is there some moral, legal or prudential reason to feel more accountable to some stakeholders than to others? For private corporations in the United States, for example, a hierarchy of legal obligations shapes company attention to its stakeholders: owners and shareholders are privileged in many respects over customers, employees, suppliers, or local communities. But the legal obligations for INGO's are less well-defined.

How can INGO's order the hierarchy of the claims made by stakeholders? Which stakeholder interests are to be maximized through the INGO's operations, and which stakeholder interests are important but not central to the social value of the enterprise? What principles or ideas should guide INGO's judgments about the nature of their accountability to their different stakeholders?

1. "Objective" Bases for Establishing Accountability Relationships

It is common to think that there is an objective answer to the question of to whom an organization is accountable. For example, one might imagine that *moral principles*

would prescribe the most important accountability relationship. Thus, one might say that organizations should be accountable on moral grounds to those who have contributed assets, or to those groups they are trying to help, or to their original mission as a matter of integrity and moral obligation.

One might equally well imagine that *legal principles and statutes* answer the question of accountability. Thus, for example, one could say that the law requires the INGO to give an accurate account of the use of their funds to those who contributed money, or that the law requires INGO's to be accountable to the states in which they operate, or that the law requires that INGO's live up to contracts written with contractors, suppliers and employees.

Or one could imagine that *prudence and practical considerations* answer the question of accountability. If the INGO wants to continue to operate, it will have to meet the demands for accountability from donors who provide vital resources, from regulators who authorize operations in a particular country, or from clients who make use of their services. And so on.

But as these alternative imaginings suggest, it is not immediately obvious how any one of these dimensions – moral, legal, or prudential – will produce a hierarchy of accountabilities that will be easily accepted by either the INGO or its stakeholders, particularly those disadvantaged by the hierarchy chosen. Since INGOs must in reality deal with all three dimensions, an acceptable ordering must make sense in terms of the interaction of moral, legal, and prudential matters as well.

2. Accountability as a Strategic Choice Made by INGO Management

One could also imagine that the issue of accountability is not determined objectively by any of these concerns, but instead requires choices by INGO leaders. In making choices about accountability priorities, the leaders could be guided by moral and ethical ideas, by legal rights and obligations, and by practical and prudential concerns. But ultimately, INGO leaders the decision about the hierarchy of accountabilities is a strategic choice.

Of course INGO managers and leaders do not have complete discretion about this choice. They are, in fact, surrounded by expectations about who can reasonably decide about accountability and the form it should take. Their stakeholders will be guided to some degree by moral and legal ideas about accountability that they share with INGO leaders, but they will also be guided by their own ideas and interests. They can extract a price from the INGO if it decides not to respond to their demands. Donors can stop giving money. Clients can reject the INGOs services. Partners can find other allies. But still, the leaders of INGO's are to some degree free to choose to whom and how they will be accountable.

Note also, that the issue of accountability is a matter of culture and psychology as well as a matter of real concrete transactions. An INGO can "feel" accountable to some stakeholders as a matter of organizational culture. For example, INGOs that began as political movements often feel more strongly accountable to one another and to their cause rather than to external donors or even to their clients and beneficiaries. INGOs that began as charitable responses to disasters find themselves psychologically committed to the victims who need help.

An organization can also "act" as though it were more accountable to some stakeholders rather than others. It can give more attention and deference to some stakeholders in making important decisions. It can consult with some stakeholders prior to a decision and report to others only after it has been made. It can report on organizational performance in terms that are meaningful to some stakeholders and not to others. It may be easier to provide understandable reports on some issues of interest to some stakeholders (e.g., accounting for donor financial resources) than issues of interest to others (e.g., demonstrating the impacts of political advocacy to clients). These actions can be hardwired into the policies and procedures and reporting practices of an organization as well as *ad hoc* decisions. So, it would be possible to observe explicit and implicit choices about accountability to different stakeholders noting how often the INGO consulted and reported to them, and how it responded to their views.

At any given moment, then, we could say that an INGO operates with some kind of system of accountability in place: it is hearing and responding (more or less enthusiastically) to demands from stakeholders; it is investing in measuring and making transparent certain aspects of its operations; it is filing reports and using information to motivate external support and guide internal operations. Moreover, this system of consulting and reporting operates alongside organizational attitudes and commitments about which stakeholders the INGO owes primary accountability. The operating accountability system – attention, consultation, measurement, reporting -- can be closely aligned with the organization's values and informal commitments. Or the operating system may be a kind of shell that satisfies the demands of some stakeholders while the organization really feels accountable to others.

In any case, an important question facing many INGO leaders is the adjustment or re-construction of the objective and cultural accountability systems now at work in their organization. They may be guided in this partly by moral and ethical ideas, by legal obligations, or by prudential concerns. They may be guided by psychological and cultural commitments of which they are at least partly unaware.

III. Accountability in Different Kinds of INGO's

The issue of accountability is seen quite differently depending on the sort of INGO one is considering. For our purposes here, we can distinguish among three different kinds of INGO's:

- INGO's that deliver services to specific clients, such as providing disaster relief to flood victims or health services to children;

- INGO's that build the capacities of their clients, such as creating village self-help groups or strengthening civil society organizations;

- and INGO's that mobilize campaigns or advocate policies to enable grassroots voice with institutions and policies that affect their lives.

Of course, the lines among these different sorts of INGO's are not entirely clear, and many NGO activities have multiple effects. Moreover, many INGO's are self-consciously

engaged in activities designed to achieve more than one result. Still, many INGO's seem to fit primarily into one or another of these categories.

The issue of accountability appears quite different from the perspective of these different INGO's. Different functions and purposes imply different stakeholders and potentially different ways to think about accountability.

Service delivery INGO's provide services to their beneficiaries, like many private companies. Private sector theories of accountability suggest that primary accountability is owed to those who provide the resources that make possible he delivery of those services – foundations, private donors, government agencies. Unlike private companies, however, service delivery NGOs get financial support for their activities from third parties whose interests are sometimes similar to and sometimes different from those of their beneficiaries. The fact that the organization is supported by financial contributions from third party payers rather than those who receive the services raises an important problem: Does attention to donors dilute the right pf beneficiaries to demand that the INGO be accountable to *them* rather than the *funders.* The organization may find itself *acting* more accountable to donors and funders, even when it is *feeling* more accountable to beneficiaries.

Of course, there need not be any conflict here. The donors and funders may insist that their goals are to help the beneficiaries, and support the client demands for accountability from the INGO. But there could be important differences between the goals of funders and beneficiaries. To the degree this is true, the INGO would face an important strategic issue: namely, whose preferences and interests ought to be the final arbiter of value. INGO's can have their own moral and legal views, but they may also be influenced by prudential concerns about "keeping donors happy."

Capacity building INGO's are animated by an interest in enhancing the abilities of their clients to solve problems by themselves. Experience has demonstrated that capacity-building programs are much more effective when clients participate in defining program goals and methods in terms that adapt them to local preferences and problems. effective capacity building requires that the client have a substantial voice in shaping the character and quality of INGO activities, and that the resulting program is co-produced by INGO and client. There is a subtle but important distinction here between two important different ideas. One is the idea that the INGO should be accountable to clients because they know what they want and need, and so are good arbiters of the value produced by the NGO. The second is that the INGO should be accountable to the clients because they are essential participants in the program of building organizational or community capacity, without whom the program cannot succeed. There is an important difference between the roles of a client who co-produces a capacity-building program and a beneficiary who is receives a service: The co-producer is an essential participant in the capacity-building program, without whose assistance the INGO cannot achieve its goals. So a capacity-building INGO may owe greater accountability to its clients than service delivery INGOs owe to their beneficiaries.

So far, ideas of accountability systems have not been strained too much from a traditional private sector model in which accountability is owed to funders/owners on one hand and clients/customers on the other. For *political advocacy INGO's,* however, the situation changes more dramatically. At the heart of their activity is the challenge of influencing other actors – government agencies, business firms, international agencies –

whose activities affect their constituencies. They may seek to influence the formation of new policies, or the creation of new institutional arrangements, or the enforcement of existing policies. Much of the work of these INGOs involves demand that target actors be accountable to their commitments, missions or policies. A common response from their targets is raise questions about the accountability of the INGOs – and this is understandably especially common when the INGO challenges the accountability of the target.

Probably the most precious asset of advocacy INGO's is their *political weight and legitimacy,* rather than the financial, technical or physical resources they bring to their programs. The political legitimacy of INGO's can be founded on at least four different bases (1) they can use *existing law* by exposing violations and pressing for more reliable enforcement of laws that have already been passed, (2) they can appeal *a transcendent moral value* that is held in the hearts and minds of many individuals, (3) they can represent the views of a large constituency that matters to decision-makers, and (4) they speak on the basis of *recognized competence and expertise* on the issue at hand. Most advocacy INGOs now rely bases from the law, a transcendent moral idea, or technical expertise, or some combination of the three. These bases fit well together and do not require a mass base, which is difficult to create, sustain, and reliably represent. Moreover, in some important respects, these bases of legitimacy often seem cleaner and more objective than a political base.

Yet advocacy INGO's are often exposed to strong counterattacks precisely on the grounds of their accountability. Targets challenged by INGO's on moral values can dispute the applicability of the value or raise other values threatened by INGO positions; targets challenged in terms of expertise can respond with other experts; targets pressed to live up to existing laws and policies can claim mitigating circumstances. For many issues, mobilizing constituencies seen as powerful by key decision-makers to support advocacy claims is critical to success. Advocacy INGOs that mobilize potent political forces often develop their own memberships and accountability as representatives of powerful constituencies, or become moral, legal, or expert resources to campaigns that mobilize constituents with substantial political clout.

IV. The Strategic Use of Accountability and Performance Measurement

The burden of the argument so far is that while one can think that the idea of accountability is an objective thing that allows certain stakeholders to make demands on organizations and obliges organizations to meet those demands, one can also think of accountability as a strategic choice to be made by an INGO. An INGO can decide how it wants to be accountable (recognizing that there are prices to be paid for choosing to be accountable in one way rather than another), and how it wants to use both external and internal demands for accountability in achieving its strategic goals. It can do this by itself, making judgments about the price that will have to be paid if they go one way rather than another. Or it can arrange a process of consultation with stakeholders to help construct a system of accountability. Ultimately, however, the INGO will have to design a framework to guide decisions about how it will be accountable to others and demand accountability of itself.

A. The Strategic Triangle

We have found a simple analytic idea to be quite helpful in thinking about strategic issues with public and nonprofit leaders. The idea is captured by the image of a strategic triangle. (See Figure 1) The strategic triangle is intended to focus managerial attention on three crucial issues as they think about positioning their organizations in the environments in which they are operating.

(Figure 1 about here)

The *value* circle of the triangle focuses attention on the value purposes and goals that an organization seeks to achieve -- the set of results that provide the organization with its *raison d'etre*. For example, a service delivery INGO might seek to prevent starvation among a famine-stricken population or immunizing a vulnerable group against the threat of small pox. A capacity building INGO might focus on creating agricultural co-operatives to increase crop output and reduce environmental damage. An advocacy INGO might seek to pass legislation that would guarantee fair wages and safe working conditions in manufacturing.

The *legitimacy and support* circle focuses attention on sources of legitimacy and support on which the INGO can draw. This circle focuses attention on sources of money to carry out programs and sources of political authorization and legitimacy. The relative importance of money versus political legitimacy and support may vary across different kinds of INGO's. Service delivery INGO's might be focused primarily on raising enough money to meet the overwhelming needs of the people they are trying to help. Political advocacy INGO's, on the other hand, might be concerned with building political legitimacy that can be brought to bear on powerful institutions. Capacity building organizations might need a mixture of money and legitimacy as well as support from their clients.

The *operational capacity* circle focuses attention on organizational, programmatic and technical means to achieve the desired results. It is one thing to have attractive goals, another to have fungible resources and political support for carrying them out, but quite another to be able to transform those resources into productive activities that actually achieve the desired results. For a service delivery INGO the capability to receive and distribute food – embodied in a network of warehouses, trucks, and the ability to recruit a large workforce on short notice – might be the critical operational capacity. For a capacity building INGO, the operational capacity might consist of a core staff that can combine community organizing with improving agricultural productivity. For an advocacy INGO, operational capacity could consist of a large mailing list, close links to media organizations, expertise in policy analysis and development, and a network of allies who can join in sustained campaigns.

The basic idea associated with the strategic triangle is a simple one. It says that in order for an organizational strategy to be successful, it has to be valuable, fundable and authorizeable, and administratively and programmatically doable. What could be more obvious than that?

What is challenging about the idea, however, is that organizational leaders have to be able to touch all three of these bases. They have to have a plausible story about the important value to be created. They have to mobilize enough money and legitimacy

to actually sustain the enterprise and achieve its goals. They have to organize the operational capacity to achieve the desired results. If any of these links is missing, the enterprise as a whole is jeopardized.

B. Accountability and Performance Measurement in the Strategic Triangle

The strategic triangle affords a simple way to think strategically about how an INGO positions itself in its environment, and about the feasibility of particular projects. It also clarifies why it is important to think strategically about accountability and performance measurement. The accountability system focuses attention on activities critical to creating value, generates information and measures of performance in those activities, and reports results to interested stakeholders. Consider how such accountability systems are nestled within the strategic triangle.

First, meeting the demands for external accountability is the single most important way that INGO leaders maintain "legitimacy and support" with external stakeholders. A service delivery INGO must be able to sustain support from its donors to continue to serve its clients, and they often do so by offering evidence that the money is being used for the intended purposes. A capacity building INGO has to maintain legitimacy and support with donors and also with its clients, whose investment in its programs is essential to success. (Note: clients enter here as part of both the legitimacy and support circle and the operational capacity circle.) An advocacy INGO gains support and legitimacy by defining goals and objectives in terms that encourage expanding membership or widening coalitions. Thus the creation of concrete goals and measures of progress by which an INGO can be held accountable is also an important way to build legitimacy and support with key external constituents.

Second, developing performance measures is also key to clarifying the value to be achieved and to guiding and animating INGO operational capacity. It is easy to embrace large and lofty goals; it is more difficult be specific and concrete about what the INGO will do to achieve them. That is both a philosophical and a technical challenge: How can the organization operationally define and recognize the "value" it is creating. Once measures that reliably reflect INGO aims and aspirations are defined, they can be used in management accountability and control systems to guide operations. They can also be used to investigate new and superior ways of accomplishing particular goals. Thus performance measurement plays a key role as part of the accountability system that builds the INGO's external legitimacy and support, helps it recognize the value it creates, and animates and improves its operational capacities.

Because external accountability, performance measurement, and internal accountability tie the strategic triangle together, it is important to align these systems with the overall strategy of the organization. If the accountability system is not constructed to sustain legitimacy and support from important stakeholders, it will not be of much strategic use. If the performance measurement system does not accurately define value that the organization is trying to produce, it will become a strategic liability rather than a strategic asset. If the internal accountability system demands outputs that are neither particularly valuable nor important to the external overseers, then it will drive the INGO away from rather than towards sustained value creation.

IV. Towards a Public Value Framework for INGO's

If the success of an INGO depends on keeping the three points of the triangle in some kind of rough alignment, then a useful framework for accountability and performance measurement would keep track of the organization's status with respect to each point on the triangle. Consider what such a system might be.

A. Recognizing the Value Created by INGOs

The value created by INGOs can be assessed in terms of a pyramid of values and visions, strategic goals, and immediate objectives that allow the organization to recognize (in an accounting sense) the value of its organizational output. A first step in measuring value is of course *articulating the vision and mission* of the INGO in relatively clear terms Often the statements that result from this process are relatively abstract and general ideas about why the INGO exists and what it seeks to accomplish.

A second step in building the pyramid is specifying *the strategies and strategic goals* whose accomplishment will contribute to the success of its mission. This requires describing the INGO's theory of how its activities and outputs can produce outcomes in the longer term that will make a difference.   The strategies of service organizations suggest how their services will improve the lives of beneficiaries; the strategies of capacity building INGOs suggest how increased client capacities will lead to better problem-solving; the strategies of advocacy organizations indicate how their activities will encourage target agencies to change their behaviors and policies.

More specifically, measures of how INGOs create value will include descriptions of how they will use activities and programs to convert inputs of resources and staff activities to produce *outputs that lead to desirable outcomes*. Figure 2 describes a kind of "value chain" by which an organization transforms inputs into outputs, which in turn are expected to lead in the longer term to outcomes. Thus an INGO delivering health services might convert funds and medical staff time into immunization programs whose outputs are inoculations that in the longer term lead to outcomes like reduced mortality from common childhood diseases. Note that it is relatively simple to measure organizational outputs, like number of children vaccinated, and more complicated to unambiguously measure and assess the causality of outcomes, like lower childhood mortality five years later.   Outcomes are more distant in time and causation than outputs, and so are more problematic as a basis for assessing performance even though they are closer to the results envisioned by the INGO's mission.

(Figure 2 about here)

Obviously, there is much to be said about efforts to construct the pyramids of missions, goals, objectives and activities that conceptualize the value to be produced by INGO's and identify performance measures that show the extent to which that value is being achieved. For example, it is now the conventional wisdom that good performance measurement systems in the public sector focus attention on a small number of outcome measures. There are lots of reasons to doubt the wisdom of that advice, for at least two reasons.

First, restricting the focus to only a few measures ignores the fact that many public organizations produce large number of important effects -- some good, some bad.

For strategic management purposes it seems important to be alert to many possible effects, including those that are unintended. Otherwise, we risk optimizing performance on a narrow set of objectives and producing losses along dimensions that were not measured.

Second, we should be wary of focusing entirely on *outcomes*. While it is extremely valuable to have information about outcomes, systems designed to capture information about outcomes are usually not helpful in managing organizations in the short run. Efforts to measure outcomes are too expensive and too slow to provide the comprehensive, fast feedback about organizational performance that is needed by managers charged with improving that performance. Performance with respect to outcomes is important, of course, for how else could an organization know if it was achieving its ultimate goals. But focusing performance measurement on outcomes will deprive INGO leaders of the information they need to hold the organization accountable on a real time basis. INGO's need a mix of outcome, output, process and input measures to recognize the value of their work and to find ways to improve their performance.

B. Gauging Legitimacy and Support for INGO's and Their Mission

The second circle of the "strategic triangle" focuses on legitimacy and support for the INGO. The implicit claim is that INGO leaders need measures that focus their attention on their relationships with financial supporters and political authorizers. Thus, a public value framework must focus attention not only on value production and mission achievement, but also on the strength of the relationships and the flow of resources coming from legitimacy and support stakeholders.

It is useful to keep the ideas of legitimacy and support together. The more legitimacy an organization has in the eyes of the world, the better its chances of raising money, attracting volunteers, and enjoying the deference and trust that will allow it to operate relatively autonomously. It is important to keep in mind that the legitimacy and support often come from many stakeholders, not just clients or donors. Yet, for purposes of constructing a public value framework, it is useful to break this big idea into smaller bits that can be more easily measured.

For example, it is obviously important for INGO's to focus on *sources of revenue* and the state of their relationships with revenue providers. Many INGO's have multiple sources of revenue – charitable donors, members, government financial supporters, and sometimes paying customers for some of their operations. Some organizations have endowment income or income generated from investments. In principle, performance measures could monitor how well the organization is raising revenues from different sources and maintaining relationships with funders. The accounts with each funder could be monitored and developed, and the portfolio could be assessed in terms of growth and diversification and alignment with organizational goals.

For many INGOs, *volunteer energy and commitment* are also an important kind of support and an important demonstration of organizational legitimacy as well. Most INGOs depend on volunteer Boards of Directors for governance and for links to powerful external constituencies, and many also use volunteer support for carrying out programmatic activities. Keeping accounts of volunteer involvement and support is another element of the strategic framework.

In addition to financial contributions, the framework should focus attention on flow of authorizations or political legitimation to INGO's. These resources enable INGOs to operate or to influence key external actors. The relative importance of this kind of support varies across different kinds of INGO's. For service delivery organizations, political authorization and support matter less than for political advocacy organizations. But even service delivery organizations need state authorizations to raise funds or to operate in their territories. They might have considerably more freedom in operations if narrow governmental authorizations are backed by public enthusiasm for what they are doing. Political advocacy organizations, in contrast, are crucially dependent on political bases that provide the clout they need to influence or demand accountability from other organizations.

The construction of a performance measurement system for political authorization and legalization might also begin with creating a set of accounts for political resources. These accounts might include the political resources contributed by sources of funds, since INGOs inevitably take on some of the political coloration and characteristics of its donors. But other accounts affect the INGO's formal or informal authorizations to act and their overall *legitimacy with the general public*. Reputation with the general public can contribute substantially to the INGO's viability in times of political and economic challenge. By the same token *relations with the media* can have significant impacts on INGO reputations and public visibility.

Government regulating and taxing authorities are also important to building or eroding the INGO's overall legitimacy in the context of the government regulations of the countries in which it operates. Related to this is the extent to which the INGO is careful about complying with relevant regulations in those countries.

Finally, contributors to the INGO's overall legitimacy may include *other INGO's and civil society actors*, who are often close observers of INGO activities even if they are not engaged in joint projects. The important questions here focus on the current contributions from these political observers and authorizers and the state of the INGO's relationships with them.

C. Measuring Operational Capacity and Organizational Activities

The third component of the strategic triangle directs a manager's attention to the operational capacity that the INGO uses to convert fungible resources and political support into activities that deliver services, build capacity, or influence other actors. In discussing "operational capacity" as an important construct to be measured, two important things must be kept in mind.

First, the idea of "operational capacity" is a larger idea that "organizational capacity." The operational capacity of an INGO begins with the organization itself: the bundle of assets it controls, the quality of the people it employs, the set of operating procedures and technologies it has at its command, and so on. But many INGO's depend on alliances with external actors to achieve their goals. Sometimes these partners are other INGOs or local civil society organizations with whom the INGO co-operates to deliver services, or build capacities, or influence other actors. At other times (particularly for capacity building INGO's) they co-produce results in cooperation with the clients themselves. In still other situations, INGOs cooperate with government agencies

or with private sector firms to carry out programs that none of the partners could deliver by themselves. So in measuring operational capacity we have to attend to the capacities of partners and co-producers as well as the INGO, and assess relationships with external actors whose capabilities are central to INGO missions.

Second, operational capacity is simultaneously a "stock", and a "flow." We can think of operational capacity as a stock of resources that is available to an organization for use in several different ways, and we can also think of that capacity as a flow of activities that uses its resources in particular ways. Just as we can talk about how much money an organization has and how it is expending it, we can talk about the general capabilities that an organization has and the way it is deploying these capabilities in particular activities.

More concretely, the measurement of operational capacity and organizational activity begins with *organizational output measures.* Often, these measures are related to the earlier discussion of recognizing value. When the INGO identifies valued ends and concrete means and sets them in particular timeframes, it will be able to identify a set of measures of outputs that are expected to be critical links in the chain of ends and means that result in creating long term outcomes and impacts.

These organizational output measures should be complemented by a set of *productivity* or *efficiency measures.* These measures check the relationship between the quantity and quality of output on one hand, and the costs of producing those outputs on the other. These can be supplemented by measures that focus on overhead or direct operating costs to offer assurances that the organization is operating in a lean way, and delivering a large fraction of its value to its clients. (This is particularly important for aid organizations that are often evaluated on this number.)

INGO's often also need produce measures of *financial integrity.* Such measures provide estimates of how much (if any) money was lost to fraud, waste, or abuse in the operation. For most INGOs there is lots of pressure to deliver resources through the value chain without having too much of the resources leak out the sides or into unexpected overhead costs. Since INGOs often depend on reputations for probity and lean operation, challenges to financial integrity can be particularly destructive to their future ability to operate effectively.

Another critical component of INGO operational capacity is *staff morale, capacity and development.* The overall capacity of the INGO depends critically on the continuing commitment of its staff, particularly when the organization depends on staff quasi-volunteering to provide high quality work for comparatively low wages. Since INGO's frequently depend on creativity and innovation to expand their development impacts, the initial capacities and the ongoing development of staff can have great impacts on the organization's viability and effectiveness. Measures of morale, capacity, and development offer ways to create strengths and identify problems within the operational capacity of the INGO.

Since much of the operational capacity of many INGOs depends on their ability to mobilize effective coalitions and alliances, measures of *partner morale, capacity, and relationships* may also be centrally important to building and maintaining operational capacity. These measures may have to be calibrated in terms of partner missions and

interests, if they are to provide accurate pictures of the relationship and its likely future, so once again the INGO must pay attention to external attitudes and perspectives.

Finally, measures of operational capacity should also include accounts of *learning and innovation* in the organization. Over the long run, the performance of the INGO will depend on the rate at which it can learn to improve its operations as well as continue to carry them out more effectively and efficiently. Learning may also focus at the strategic level, as the INGO recognizes changes in the context or in its own capacities, and adapts its strategy and tactics to develop new strategies and programs or event to alter its mission.

D.   The Public Value Framework for Accountability and Performance Management

If we put these three sets of ideas -- creating public value, expanding legitimacy and support, and building operational capacity – together, we have the ingredients for what will call the "public value framework." This framework in essence is a tool for assessing an organization's performance with respect to the problems posed by the strategic triangle. Figure 2 summarizes the elements of the public value framework and their interaction with each other.

(Figure 3 about here)

This framework could be compared to the variety of tools that have been emerging over the last several years for assessing the performance of nonprofits and for illuminating the "balanced scorecard" ass it has been applied to nonprofit organizations, or Sawhill's "capacity, activities, impact" framework for assessing the activities of the Nature Conservancy.

For our immediate needs, however, it is more useful to focus on some of the steps involved in creating accountability systems from the perspective of the public value framework, and how they can be used for external accountability and internal performance manàgement purposes that will enhance INGO abilities to carry out their strategies and missions.

IV.   Constructing Accountability Systems

We have suggested that defining INGO accountabilities and the priorities accorded to different stakeholders is at least in part a strategic choice for INGO leaders. Within some limits, leaders can organize accountability systems to align with the mission and strategic goals of the INGO. Constructing new or revising existing accountability systems involves a number of steps. While these steps are not always covered in the sequence listed here, we believe that at least some attention to each of the issues involved is important to creating and sustaining an effective accountability system.

A.   Defining the Organization's Mission and Strategy

As noted by several prior researchers (see Sawhill paper) it is essential that an organization knows and understands its mission and strategy before attempting full-scale development and implementation of a performance measurement system. Using frameworks like the strategic triangle can help INGO managers clarify missions and strategies for their organizations.

Performance measurement systems can only help leaders and managers deliver improved organizational results if the intended outcomes are clearly defined and consistent with the organization's strategic intent. Not all organizations are ready to create and implement a performance measurement system. In such cases, time might be better spent on planning and strategy development work before investing time and effort on a performance measurement initiative.

B.   Mapping the Organization's Stakeholders

One of the key questions facing an INGO's senior management team is: What stakeholders are expecting what types of performance from our organization? As indicated earlier, stakeholders can include funders, political authorizers, volunteers, employees, partners, clients and beneficiaries, targets and many others.

In order to develop a performance measurement system, the organization needs to be sure that is has a informed and accurate understanding of the accountability context within which it operates. Who are key stakeholders with respect to creating value, or authorization and support, or operational capability? What information do they want? What priority should be accorded to their demands against those of other stakeholders? It is essential that the INGO's leadership assess the relative importance and urgency of various requests for performance measurement data.

C.   Negotiating Relationships and Accountability Expectations

INGOs at the center of many partially conflicting accountability demands must make choices among them if they have limited resources with which to respond. Negotiating with stakeholders to set realistic expectations and to build relationships that do not require continuing large investments of time and energy can be critical to maintaining their support.

Relationships with stakeholder may be particularly important for INGOs that face rapidly changing contexts and the need to take on new strategies that have different implications for accountability. Many INGOs are grappling with the move from service delivery to capacity-building strategies, and this strategic shift potentially alters the balance of priorities between donors (whose accountability demands often dominate service delivery INGOs) and clients (whose demands are accorded more attention in capacity-building INGOs). Many INGOs are also contemplating larger investments in advocacy and political influence strategies – which will require even more dramatic reorganization and redefinition of their accountability relationships and expectations.

D.   Building a Performance Measurement System

Performance measurement is not merely an abstract notion. It involves the actual creation, development, and use of performance data to inform institutional strategy formulation and decision-making. The development of the system itself requires systematic collection of accurate and timely performance data and a system to produce performance reports for appropriate stakeholders.

In many instances, the organization does not regularly collect and produce the data it actually needs for a performance measurement effort. In such cases, the starting

point for building a performance measurement system might be taking an inventory of what data is actually collected and produced by the organization and identifying gaps in data collection and analysis. From here, the organization can begin to improve its data gathering and reporting efforts. From an operational standpoint, it might also be important for the organization to assess its information technology resources to ensure that appropriate assets for data collection, analysis, and reporting are in place.

It is also important that the organization embed performance measurement systems into the organization's existing governance and decision-making processes and mechanisms. These include the senior management teamwork procedures, board of trustees/directors roles, budgeting/resource allocation processes, planning and program review activities, etc.

E.   Clarifying Consequences: Rewarding/Sanctioning Performance

An important dimension of performance measurement systems relates to the extent to which the system actually includes consequences for individual and organizational behaviors. More specifically, it is important to know whether a performance measurement system includes incentives and disincentives which reward and/or sanction performance (or lack thereof). These issues lie at the heart of performance measurement. The questions that arise here might include:

- What does the organization and its employees gain by exhibiting high levels of performance?
- What are the incentives for continuing to produce high levels of organizational performance?
- What are the consequences of sub-standard organizational performance?
- What does the organization lose by failing to exhibit high levels of performance?

An effective performance measurement system will create a set of appropriate incentives for high levels of performance and will also include sanctions and disincentives for sub-optimal performance. Absent actual incentives and disincentives and visible consequences, a performance measurement system becomes an add-on activity that no one in the organization takes seriously or believes is an asset to helping the organization achieve it mission and/or produce improved organizational results.

F.   Learning: Operational, Strategic, Mission

While creating incentive and disincentives for actual organizational and individual behaviors is an important element of a performance measurement system, there are other more fundamental benefits of such efforts. At their best, performance measurement systems actually help an institution's leaders and mangers produce improved organizational results. Put another way, on a good day, performance measurement can actually help people (and the organization) to do a better job.

In order for this to occur, the organization (and its leaders) needs to be open to learning from several perspectives: operational, strategic, mission. Performance measurement can provide an organization's leaders with important feedback in each domain. For example, performance data on actual organizational processes (program delivery, client service, etc.) might help inform conversations regarding the improvement

of operational dimensions of the institution's activities. Similarly, performance measurement data which focuses on the relative strengths and weaknesses of the organization's programs and activities could assist in the review and assessment of the organization's strategic decisions on program/activity mix, resource allocation, and so on. Finally, performance measurement data can serve as a powerful "organizational mirror" which can provide leaders and managers with fundamental insights regarding the institution's mission. The key question here is: Is the organization achieving its mission and how do we know this?
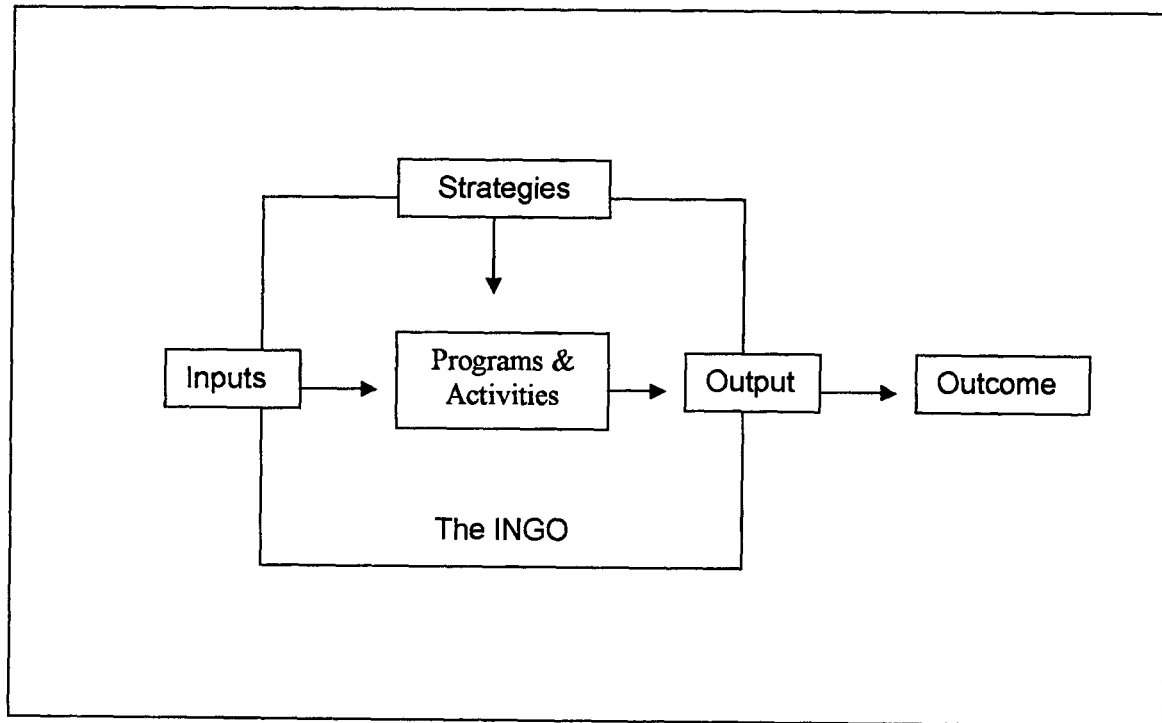
G.   Advice to INGO Leaders

When it comes to performance measurement, commitment and direction must come from the top. Leaders need to signal the importance of creating a performance measurement system and must follow through on implementation and use of such a system over a period of time.

If leaders do not exhibit a commitment to performance measurement systems and initiatives, employees and staff may interpret this ambivalence as a lack of belief that such an effort will not actually help the organization improve its work. More specifically, senior management teams (and boards of trustees/directors) must make an explicit and lasting commitment to performance measurement if it is to be effective. This commitment includes devoting organizational resources (financial, human, and political) to such an effort and a willingness to commit a fair amount of the organization's time to pursue such efforts. Sustaining a performance measurement effort is a key responsibility of leaders – it takes a combination of courage, persistence, and drive to carry out such work.

Figure 1: The Strategic Triangle

Support and Authorization

Creating Value

Operational Capability
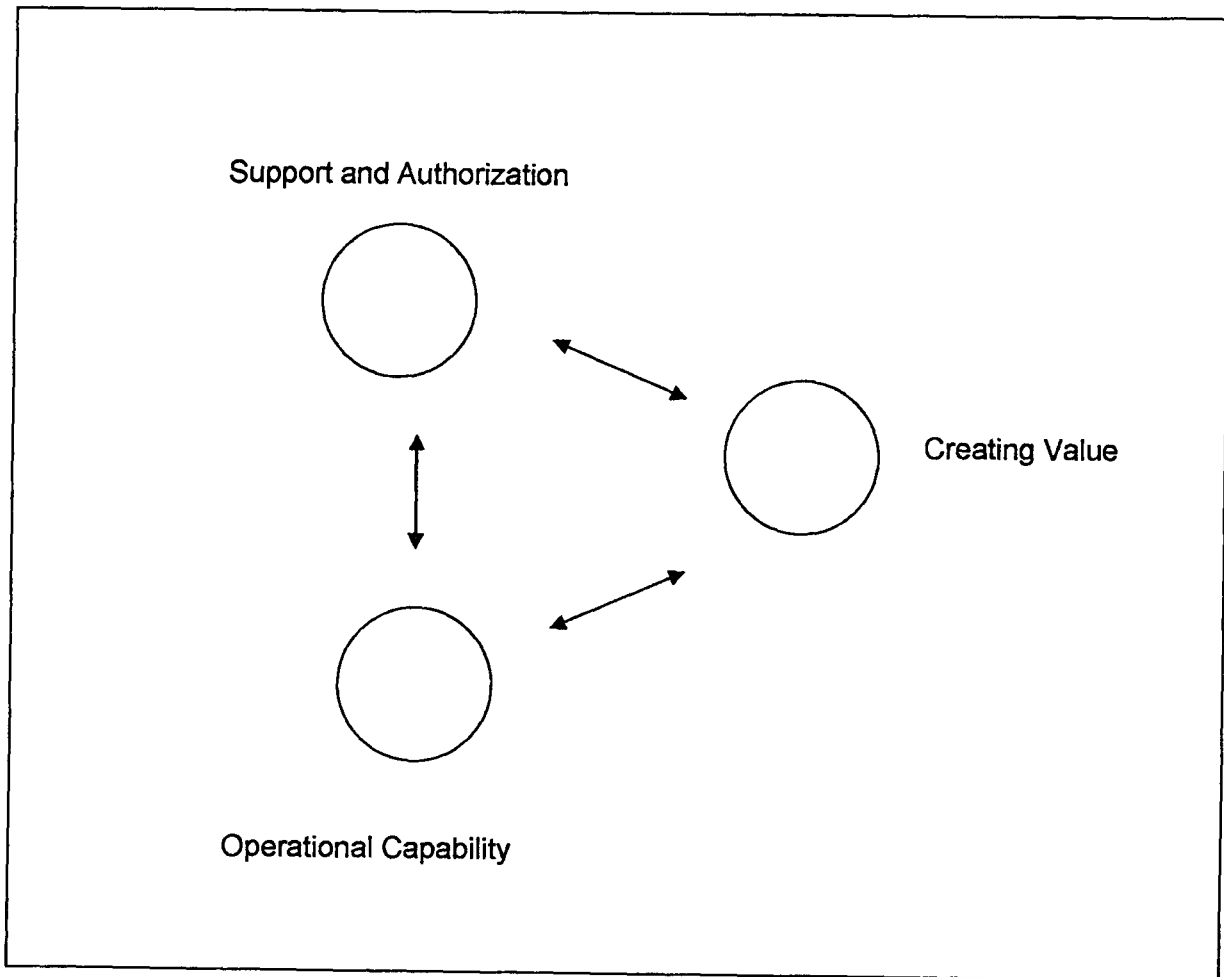
Figure 2: Elements in the INGO Value Chain

Figure 2: Public Value Framework for Accountability and Performance Management

Expanding Support and Authorization
- Funder relations and diversification
- Volunteer roles and relations
- Visibility, legitimacy with general public
- Relations with government regulators
- Reputation with media
- Credibility with civil society actors

Creating Public Value
- Organizational vision, mission
- Strategic goals
- Links among goals, activities, outputs and outcomes
- Range of outcomes
- Activities and outputs that create outcomes

Building Operational Capacity
- Organizational outputs
- Productivity and efficiency
- Financial integrity
- Staff morale, capacity, development
- Partner morale, capacity, development
- Organizational learning and innovation