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Performance Measurement for Non-Profit Organizations

THE BALANCED SCORECARD AS AN APPROACH

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What is the issue?

Even with a well-articulated mission statement, many non-profit organizations struggle with performance measurement.

Why is it important?

Non-profit organizations that fail to link performance to strategy will have difficulties maximizing the effectiveness of their operations..

What can be done?

Following a balanced scorecard approach to performance measurement that is designed for non-profit organizations will turn strategy into action and enable the attainment of strategic outcomes.

MANAGEMENT ACCOUNTING GUIDELINE

GUIDELINE

CONTENTS

Introduction	2
NPO Performance Measurement	2
What is RAISE and How does it Apply to Performance Measurement in NPOs?	3
Stage 1: Plan	4
Stage 2: Strategy Map	6
Stage 3: Balanced Scorecard	12
Stage 4: Review and Assess	16
Strategic Review in Summary	18
Additional Sources of Information	19

Introduction

The non-profit sector in Canada plays an important role in the Canadian economy, employing over two million people and contributing an average of 8.1% to GDP.

Non-profit organizations (NPOs) focus on achieving a social mission and balancing cost efficiency with program effectiveness to help realize the best possible social returns. Many NPOs realize that they must use the tools and nomenclature that for-profit organizations use if they wish to be successful. While for-profits have *customers*, NPOs, which typically address a community need, have *users, clients* or *beneficiaries*. Without traditional forms of profit generating activities to help run their organizations, NPOs are left to compete for funding dollars, volunteers and government grants to ensure they have the resources to serve their community.

While for-profit organizations have owners (and often shareholders), NPOs have multiple stakeholders to consider in their governance matrix, including individual and government funders, regulators, and volunteers.

These stakeholders have differing perspectives and reporting frameworks. NPOs are therefore faced with the challenge of managing multiple priorities, often times with limited staff and organizational capacity. NPOs with strategies linked to performance measures are better equipped to address the conflicting needs of stakeholders.

Most NPOs have well-defined procedures for planning strategy, but many struggle executing these strategies. This guideline document, aimed at senior management of NPOs, outlines one possible approach to strategy execution—a four-step framework called *performance measurement for non-profit organizations* (PM4NPO) which utilizes a balanced scorecard methodology developed by Dr. Kaplan and Dr. Norton from Harvard University.

NPO Performance Measurement

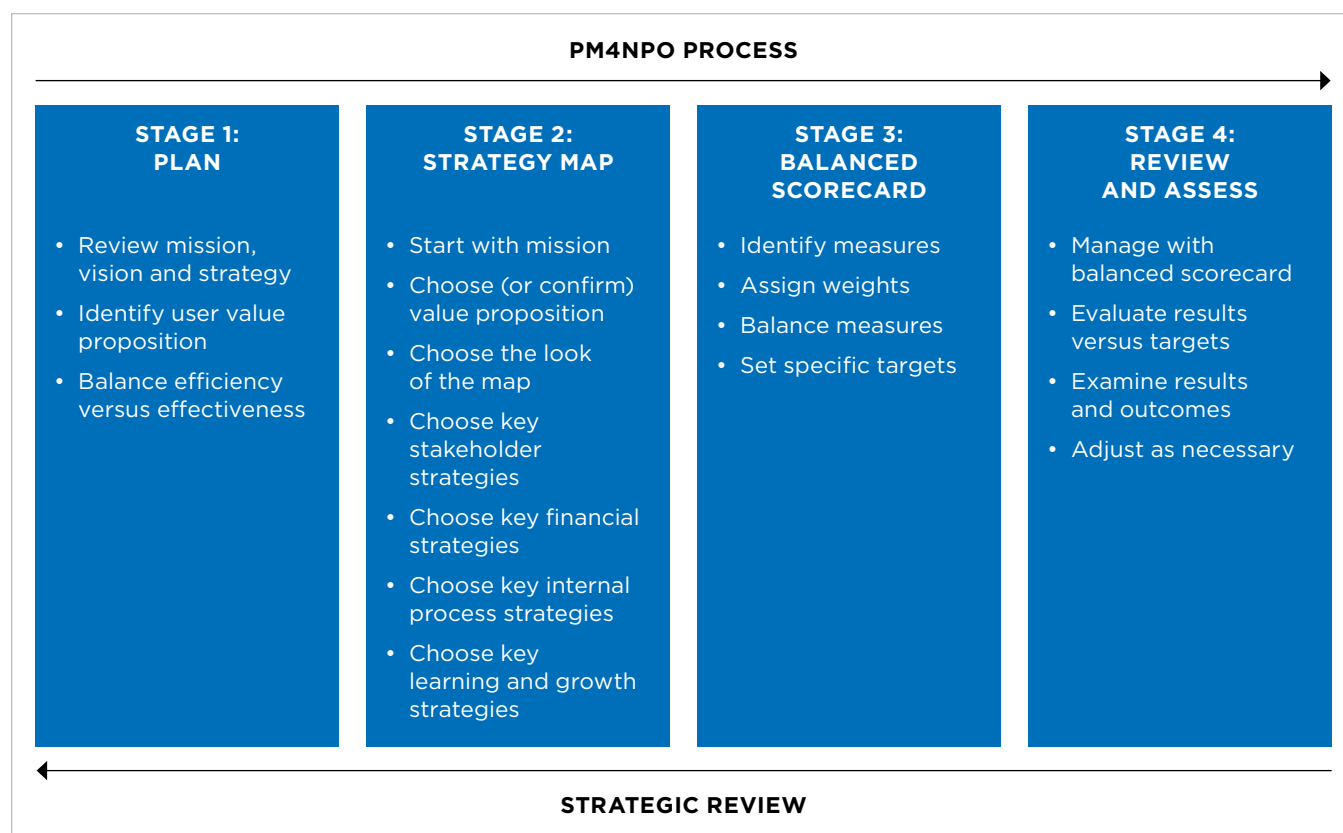
What does it Mean?

PM4NPO refers to a process NPOs can use to develop performance measures, report on performance and discover changes the organization needs to make to improve overall performance.

All organizations strive to achieve their missions effectively. For-profit organizations typically focus on creating wealth for their shareholders while NPOs focus on achieving their social mission and meeting the needs of their stakeholders, many of whom (e.g., individuals or government agencies) may have made financial contributions or have personal interests (e.g., volunteers) in the organization and its work. Because NPOs rely primarily on the financial resources of government agencies and private funders they have a significant fiduciary responsibility to manage those resources effectively. PM4NPO helps NPOs with this responsibility as well as their responsibility to ensure they meet the needs of their volunteers.

The reliance on external funding puts pressure on NPOs to examine all expenditures and ensure funds are used to support their missions. Accordingly, PM4NPO must be directly tied to the organization's mission to assess how efficiently and effectively it is using its limited resources. [Figure 1](#) illustrates a four-stage process for developing a NPO performance measurement system. It is important to remember that performance measurement is an iterative process and should be reviewed annually as part of the organization's strategic review.

FIGURE 1: THE FOUR-STAGE NPO PERFORMANCE MEASUREMENT PROCESS



What is RAISE and How does it Apply to Performance Measurement in NPOs?

In the current global economy, the business environment is always changing. Some changes are so dramatic that everybody notices them but others may slowly creep up over the years until they can no longer be ignored.

Fortunately, performance measurement is one such tactic (in an arsenal of many) that a non-profit organization may employ to address how it will respond to these ever-evolving business challenges. Performance measurement can also ensure a non-profit organization focuses on what matters most (versus reactively responding to “fires” or “crises”)—its customers or core stakeholders—in an effort to respond to external market forces and focus an organization's efforts.

A useful ideology for showcasing the importance of performance measurement is CPA Canada's RAISE philosophy (where Resilient + Adaptive + Innovative = Sustainable Enterprises). By adopting a resilient, adaptive and innovative philosophy as a foundation for our profession, we will not only be poised to take advantage of the present landscape of unprecedented change but also uniquely position ourselves to champion the creation of sustainable enterprises for years to come. Ultimately, the RAISE philosophy can help guide CPAs and non-profit organizations (or enterprises) towards a unique strategy that provides an ongoing sustainable edge. The key drivers are explored next.

Organizations today must demonstrate their **resilience** in the face of constant turmoil and disruption. They need to respond quickly to these constant and unexpected external changes while at the same time sustaining regular business operations. Performance measurement refocuses a NPO's efforts back to what is important as these crises arise and enables organizations to isolate such problems proactively so that strategic focus and awareness are maintained.

Organizations more than ever need to be **adaptive** in their ability to adjust to these ongoing market shifts in the competitive landscape. Given this changed environment, they need to be nimble and flexible enough to "proactively" respond to any and all competitive or market changes. Performance measurement employs methods to adapt.

Opportunities to **innovate** are typically a primary contributor to organizational success and longevity. However, it is one area that many fail to adequately explore or execute upon. Performance measurement is one such vehicle that can be leveraged to communicate the importance of innovation in achieve its strategic and operational objectives.

Embracing such drivers as key components of an organizations strategic and operational plans and decisions, ensures an organization's (or enterprises) **sustainable** competitive edge. Combining the resilient, adaptive and innovative drivers of success results in a unique and robust strategy for adopting and implementing performance measurement processes as explored throughout the course of this guideline.

STAGE 1 Plan

While many NPOs already have strategic plans in place, reviewing these during the PM4NPO planning phase can be useful.

The following steps are essential for effective PM4NPO planning:

STEP 1 Review Mission, Vision and Strategy

The first step in the performance measurement process requires that the Board of Directors and management have a good understanding of the NPO's mission and vision. When the time comes for NPOs to make resource choices based on actual results, a complete understanding of their mission, vision and strategy will help guide decisions. The board will provide the NPO's high-level strategy to management. Management will be required to execute that strategy and report on performance. When reviewing its current mission, a NPO's board and management should reflect on the organization's past and ask two important questions:

1. How are we dealing with the problem(s) our NPO is faced with?
2. What is our unique role?

The answers to these questions will frame the mission and vision statements of the NPO.¹

An organization's vision describes the social outcomes it hopes to achieve. Its mission, on the other hand, outlines the organization's purpose and should include:

- An explanation of the organization's social service or product
- The users or stakeholder groups the organization aims to serve
- The organization's NPO sector
- The key areas where the NPO differentiates itself from other NPOs
- The community the organization aims to serve

With an understanding of the organization's mission and vision, the management team can work with the board to develop strategies for success using a strategy map and balanced scorecard. While the ultimate responsibility for strategy rests with the board, senior NPO management will play a critical role in the strategy's execution and should therefore be involved in the process.

STEP 2 Identify User Value Proposition

The concept of value proposition, the promise of value to be delivered, is based on a private sector model from the mid-1990s, adjusted to suit the NPO landscape. It is important to remember that choosing one value proposition does not entirely dismiss other value propositions.

The intent is for a NPO to focus on one value proposition, while still achieving acceptable (albeit lower) threshold levels in the others. The three NPO adapted primary value propositions² are:

- **Operational excellence:** the low-cost provider of a good or service (e.g., a food bank focusing on moving products at the lowest cost)
- **Product/service leadership:** the innovator in an industry (e.g., a university addressing a previously unmet need by designing a business program specifically for entrepreneurs)
- **Stakeholder intimacy:** providing stakeholders with a unique and/or memorable experience (e.g., a youth swim club's efforts to develop its members both inside and outside the pool)

A NPO must decide which value proposition (or combination of value propositions) is most suitable to its mission while simultaneously maximizing its social impact.

STEP 3 Balance Efficiency and Effectiveness

Efficiency and effectiveness are critical to mission driven NPOs and go hand in hand with an organization's choice of value proposition(s). Generally speaking, efficiency is about "doing things right" while effectiveness is concerned with "doing the right things."

Efficiency is a measure of how well an NPO turns its inputs (e.g., financial resources and human resources) into outputs. With many NPOs vying for limited donation dollars it is important for the NPO to focus on achieving the best output result using the fewest inputs, and therefore an efficient input/output ratio.

1 Rangnan, K., "Lofty Missions, Down to Earth Plan," Harvard Business Review website (accessed June 27, 2012): <http://hbr.org/2004/03/lofty-missions-down-to-earth-plans>

2 Treacy, M., and F. Weirsem, *The Discipline of Market Leaders: Choose Your Stakeholders, Narrow Your Focus, Dominate Your Market* (Cambridge: Perseus Books, 1995).

Another way to look at efficiency could be the accomplishment of a given set of tasks with the least amount of input resources necessary (with no sacrifice to quality). For example, NPOs can arrange to share a service (and the cost of it) with the aim of promoting efficiency. The arrangement might be small and temporary, such as a shared booth at a trade show. Or it might be a shared office space situation. Each promotes efficiency to different degrees.

Effectiveness relates to the degree to which an organization achieves its mission. Effectiveness is a measure of the achievement of the most possible outcomes (e.g., the organization’s mission and objectives) given a finite amount of resource inputs. An NPO that is able to realize more of its mission critical objectives (i.e., creating a larger impact) can be considered more effective than an organization that realizes fewer of its mission critical objectives. While this can be challenging to measure, the [Stage 3: Balanced Scorecard](#) section of this document will demonstrate how it can be done.

Effective planning sets the stage for the NPO to begin preparing its strategy map.

STAGE 2 Strategy Map

A strategy map is an illustrative depiction of an organization’s strategy. The seven steps shown in [Figure 2](#) are considered best practice for NPO strategy mapping.

FIGURE 2: A SEVEN-STEP APPROACH TO STRATEGY MAPPING

	① Start with the critical mission
STAKEHOLDER	② Choose (or confirm) the value proposition ③ Choose the look of the map ④ Choose the key stakeholder strategies
FINANCIAL	⑤ Choose the key financial strategies
INTERNAL	⑥ Choose the key internal process strategies
LEARNING AND GROWTH	⑦ Choose the key learning and growth strategies

NPOs should adjust and customize these steps to suit their specific situation(s). The financial perspective in [Figure 2](#) is positioned beneath the stakeholder perspective – this is merely one of several possibilities for an NPO strategy map (discussed more in [Step 3: Choose the Look of the Map](#)). [Step 2](#) and [Step 3](#) are illustrated in broken-line format to indicate that these steps are not explicitly stated on the strategy map. A sample completed strategy map follows this section.

STEP 1 Start with the Critical Mission

The organization's mission should ideally appear at the top of the strategy map as a reminder that all of the strategic activities are in support of the mission.

STEP 2 Choose (or Confirm) the Value Proposition

Determining the best value proposition(s) is an integral part of the strategy process. There should be a consensus amongst management as to the most appropriate option, because the organization's choice will dictate the direction of subsequent strategy map steps. If the organization did not identify the value proposition during the planning stage, it must identify it now.

STEP 3 Choose the Look of the Map

The appearance of the strategy map (i.e., the ordering of perspectives) should reflect the cause-and-effect logic of the strategy as closely as possible. The strategy map is usually read from top to bottom.

The financial perspective, an integral part of any strategy map, is commonly placed in one of three positions:

1. In the second position on the map, below the stakeholder perspective, a common option for NPOs that have users who pay for a service, requiring the NPO to generate demand (e.g., a symphony orchestra).
2. At the base of the strategy map, common for NPOs that have virtually all of their funding guaranteed. As a result, the NPO's primary focus is how best to spend its funding (e.g., a government agency).
3. At the top, beside the stakeholder perspective, common for NPOs that operate in a landscape similar to the private sector (e.g., a swim club that cannot exist without members and membership fees).

NPOs should choose a strategy map look that best reflects the organization, its strategy and its value proposition(s).

STEP 4 Choose the Key Stakeholder Strategies

Formalizing strategies with stakeholders in mind, such as funders, volunteers, and users involves a two-pronged approach:

- Provide as much value as possible to stakeholders with the resources available.
- Exploit the stakeholder value that has the potential to garner the greatest potential support from funders and volunteers in the future.

An NPO's stakeholders can be a very diverse group, ranging from local individuals and agencies to provincial, federal, and even international partners. The challenge for every NPO will be fulfilling the expectations of each stakeholder. Ultimately NPOs will partner with certain stakeholders out of a need for resources and thus, stakeholder strategies can be translated and categorized into two key areas:

- Adding and retaining funders and volunteers.
- Maximizing the value provided to users.

The funders and volunteers are key inputs to an NPO's success and must be considered very carefully. By focusing on the outcome of the NPO through value to its users, the NPO will be able to address the expectations of its many stakeholders.

Adding and retaining funders and volunteers

To add, retain and maximize support from funders and volunteers, NPOs must tailor their strategies to stakeholder needs and demonstrate that their unique offerings meet needs that are otherwise left unsatisfied. This can be particularly challenging given the possible conflict between various stakeholders, so NPOs must carefully weigh the pros and cons of each stakeholder objective.

For funders, fundraising campaigns and the need to demonstrate effective use of donations are critical. NPOs compete for scarce donation dollars so in order to attract funders, NPOs must demonstrate financial competence and well-articulated visions. Today's funders want to know how their donations are being spent. Because funding dollars are limited, it is very important that the NPO maintain an ongoing relationship with its funders with the aim of demonstrating the value of the donation to the funders. In so doing, the likelihood of on-going funding will increase.

Volunteer management is also extremely important to the NPO.³ The skills, experience and savings that volunteers present are often keys to the organization's success. It is incumbent upon the NPO to understand and meet the schedules, objectives and needs of volunteers. Volunteer Canada, a nationally funded voice for volunteerism in Canada, found that NPOs can improve the volunteer experience by:

- building meaningful relationships with volunteers
- developing HR policies that include volunteer management
- being flexible and accommodating
- being sensitive to gender, culture, language and age
- providing greater online engagement through its web presence, social media and other internet based capabilities.

A well-designed strategy for attracting and retaining funders and volunteers is critical to the long-term success of an NPO.

Maximize value provided to users

A key stakeholder strategy is to maximize value to users by making offerings cost efficient. In order to attract and retain funders and volunteers, NPO initiatives should also be cost effective, regardless of the NPO's guiding value proposition. Tightening process management and eliminating unnecessary costs, which inextricably link stakeholder and financial objectives, assist ongoing efforts to solicit donations.

³ "Bridging the gap: enriching the volunteer experience to build a better future for our communities," Volunteer Canada website (accessed February 4, 2016): https://volunteer.ca/vdemo/researchandresources_docs/Bridging%20the%20Gap%20Fact%20Sheet.pdf

STEP 5 Choose the Key Financial Strategies

NPO financial strategies can be categorized into two key areas:

- revenue and donation growth
- cost efficiency

All NPOs must pay attention to both of these strategies to manage the challenge between pursuing their missions and preserving organizational and financial viability. Fortunately, the organization's value proposition can help it determine where it should spend the bulk of its effort and activity with respect to financial strategies.

Revenue growth strategies

NPOs grow operational revenues by increasing fees, offering additional fee-based services, soliciting more donations from current or new funders, and fundraising. Some social enterprises may even consider selling goods and/or services to their users.

Fee changes are risky because users always have a limit as to how much they are willing to pay. As such, NPOs must have an understanding of their users' limitations. Similarly, organizations must carefully examine the decision to add new services for their users. The NPO needs to ensure that the fee structure is able to cover any additional costs related to the new service being offered.

For many NPOs, revenue growth typically comes from fundraising (i.e., making a compelling case to funders that their offerings add. The type of funder(s) the NPO deals with (e.g., individuals, corporations, government agencies) strongly influences the NPO's revenue-growth approaches.

For smaller NPOs, local fundraising is a critical component of financial success. When selecting potential fundraising strategies, the NPO must ensure that the fundraising activities are in line with the NPO's values—there are many ways to raise money but not all align with an NPO's values.

Cost efficiency strategies

To be effective, NPOs must be transparent and demonstrate that they provide the benefit to users. By focusing on cost efficiency, organizations should be able to minimize administrative costs and ultimately increase the amount of funding dollars they receive.

NPOs must spend wisely to achieve their mandate. Most harness the generosity of volunteers to be more cost effective. Cost-efficient organizations keep both their operating and fundraising costs to the lowest reasonable amounts to maximize the funding going to support users (NPOs will often draw attention to such efficiency in their marketing materials).

STEP 6 Choose the Key Internal Process Strategies

At this point, NPOs establish internal processes critical to achieving the stakeholder and financial strategies the organization believes will fulfill its mission. Four key areas in considering the internal perspective are:

- internal operations excellence
- compliance (including transparency)
- innovation
- stakeholder management

The amount of time and energy the NPO dedicates to each key area depends on its value proposition(s). For example, an NPO pursuing an operational excellence value proposition will have a different emphasis than an NPO pursuing stakeholder intimacy.

In order to achieve its mission on a long-term basis, an NPO must comply with all regulatory guidelines. There is also a need for processes that motivate, identify, develop and launch innovative programs that bring cutting-edge ideas, designs or services to serve unmet community needs.

STEP 7 Choose the Key Learning and Growth Strategies

The learning and growth perspective is about seeking out and bridging any knowledge, skill or ability gaps that could potentially impede the NPO's execution of key internal processes. Learning and growth can be classified in terms of:

- human capital
- information capital
- organization capital⁴

Human capital is the economic value an organization derives from the knowledge and collaboration of engaged individuals. Information capital refers to how organizations utilize their information systems, networks, manuals, databases, files and infrastructure to carry out their internal processes. Organizational capital is the asset that describes an organization's ability to connect employee objectives to organizational objectives.

An organization's approaches to learning and growth will depend on its specific circumstances, the expectations of stakeholders and funders, and its internal business requirements. In short, the NPO's human, informational and organizational capital policies must align to deliver its internal processes, which in turn must align with the organization's mission and financial strategies.

A look at a completed strategy map

The sample strategy map in [Figure 3](#) demonstrates how an organization called Habuela Springs Swim Club (HSSC) adapted the seven steps outlined in [Figure 2](#). In the HSSC strategy map, it is important to note that the organization chose the option of placing its Financial perspective beside its Stakeholder perspective at the top of the map. Also noteworthy is that HSSC used its vision statement (as opposed to a mission) as the platform for [Step 1](#).

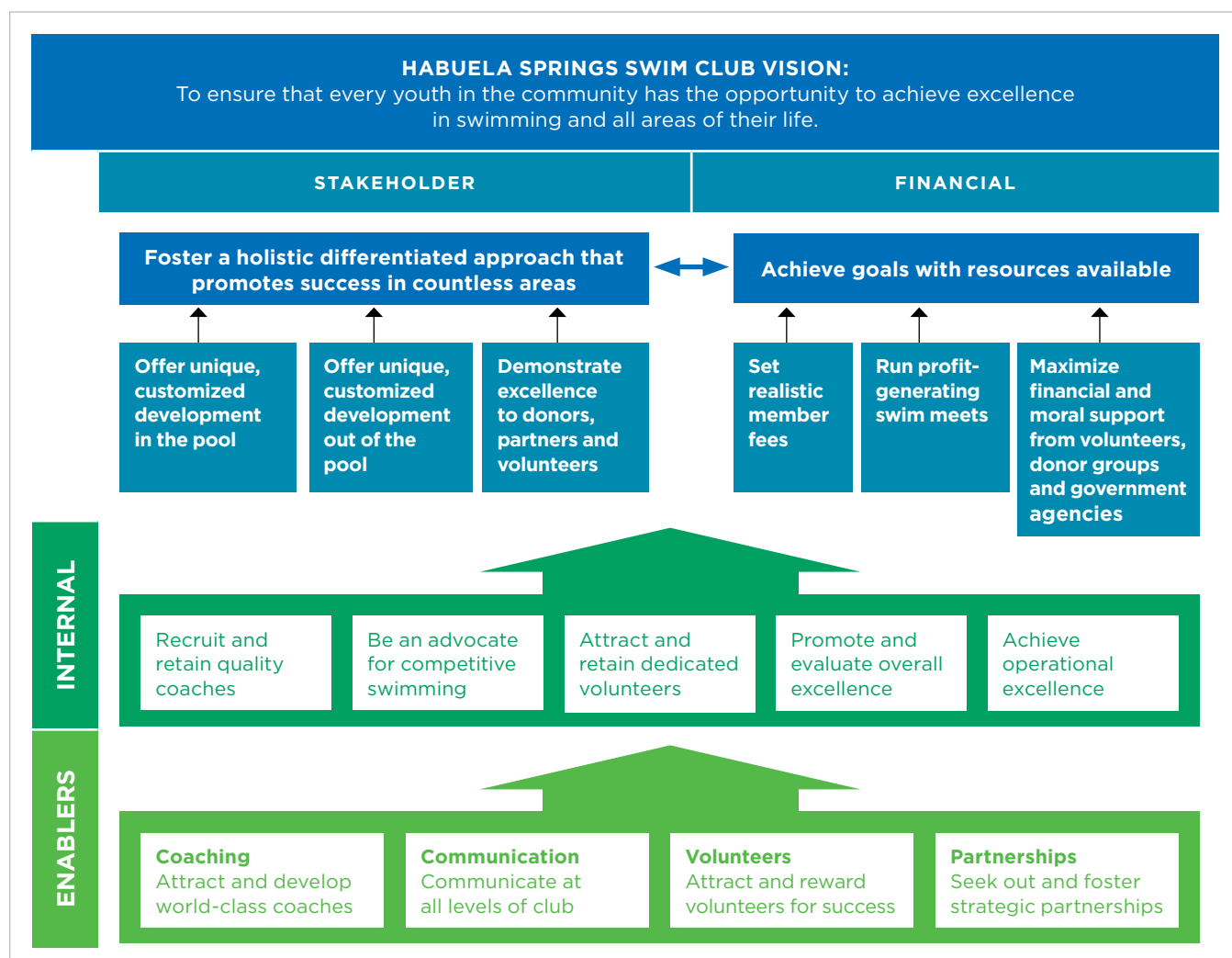
⁴ Kaplan, R.S., and D.P. Norton, "Measuring the Strategic Readiness of Intangible Assets," Harvard Business Review, Vol. 82(2), pp. 52-63.

As indicated previously, all NPOs must adapt the seven-step process to varying degrees so some measure categories may need to be reworded for relevance.

Individual strategic objectives cater to the specific NPO. For example, the HSSC financial objective, “run revenue generating swim meets,” may be reworded for a different NPO based on its own activities. HSSC would want to target organizations that can help it achieve its critical objective (i.e., its vision statement), such as local city facilities, other swim clubs and alumni swimmers. In terms of cause and effect, each box on the map should be linked directly back up to the critical mission.

Taken together, the objectives fulfilled both the resilient and adaptive drivers in RAISE as the overall objectives were meant to be strategic and long-lasting, able to withstand and adapt to the ever-evolving demands of both customers and the changing dynamic of the market.

FIGURE 3: HABUELA SPRINGS SWIM CLUB STRATEGY MAP



STAGE 3 Balanced Scorecard

Balanced scorecards, like strategy maps, are relevant within the NPO sector. Much of the terminology associated with balanced scorecards is adapted from the for-profit world based on an individual NPO's unique characteristics.

After completing a strategy map, an NPO can create a balanced scorecard using the following four steps:

- identify the measures
- assign weights
- balance the measures
- set specific targets

The value of the balanced scorecard comes to the fore when the past is not a good predictor for the future, and disruptive change occurs (which demonstrates an organization's need to demonstrate their resilience — as part of the RAISE philosophy).

STEP 1 Identify Measures

Working from the strategic objectives outlined in its strategy map, an NPO should determine which measure(s) will most appropriately facilitate the actual scoring of the balanced scorecard. The best way to identify these measures is to ask, “At the end of the fiscal period, what information will best indicate whether the objective was achieved?”

In many cases, the most appropriate measures are fairly straightforward. In other cases, it may be necessary to identify multiple measures to determine the achievement of an objective. Generally, the fewer strategic objectives on a balanced scorecard the better. NPOs that try to measure everything will get bogged down in analysis.

That said, the NPO must ensure that its balanced scorecard is comprehensive and represents all essential elements of the organization. The recommended range is four to five strategic objectives per perspective with the understanding that some objectives may require two or more.

Balanced scorecard measures tend to fall into the following categories:

- leading vs. lagging: a leading measure predicts future performance while a lag measure reports on past performance
- efficiency vs. effectiveness: efficiency demonstrates good use of available resources and effectiveness shows whether the use of available resources achieves desired results
- cross-sectional: an appropriate mix of measures from across the entire NPO

Balanced measures should be a blend of all three categories (discussed further in [Step 3](#)). While there are many guidelines for selecting the best measures, one proven method for NPOs is SMART:

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**ealistic
- **T**imely

[Table 1](#) provides a concise cross-section of frequently used objectives and corresponding measures in the NPO sector. It has become common for NPOs to adopt a private-sector mindset with regard to strategic objective and measure terminology, but NPOs are expected and encouraged to customize table measures modeled after the private sector to suit their unique needs.

TABLE 1: NPO OBJECTIVES/MEASURES

PERSPECTIVE	STRATEGIC OBJECTIVE	MEASURE
Stakeholder	Understand funders	<ul style="list-style-type: none"> Number of funding sources profiled Number of meetings with funding bodies/government sources
	Utilize volunteers effectively	<ul style="list-style-type: none"> Total number of volunteers actively engaged Average volunteer tenure Volunteer engagement survey results Amount of voluntary savings
Internal	Work efficiently delivering programs	<ul style="list-style-type: none"> Number of key customer process improvements Actual process cycle time reduction (key customer processes) Service delivery time improvements Program output index (actual units of program outputs divided by program costs) Productivity rate (outputs divided by inputs) Operating costs per employee Program expense as percentage of total expenses
	Efficient administration	<ul style="list-style-type: none"> Number of key administration process improvements Actual process cycle time reduction (key administration processes) Administration costs per employee Percentage of revenues spent on administration Administration expense as percentage of total expenses
Learning and growth	Attract and retain best (employees/volunteers)	<ul style="list-style-type: none"> Employee satisfaction Employee turnover Volunteer satisfaction Volunteer turnover
	Enhance internal skills as necessary	<ul style="list-style-type: none"> Average skills improvement level Number of critical unmet skills
Financial	Raise funds efficiently and effectively	<ul style="list-style-type: none"> Grant proposal success rate Percentage of revenues spend on fundraising activities Fundraising expense as percentage of total expenses

STEP 2 Assign Weights

Perspective weighting is crucial because it sends a message to employees about each perspective's relative importance. While weighting is not absolutely mandatory, NPOs must understand that without defined weights, the assumption will be that perspectives are equal. For example, if there are four perspectives and one is twice as important as each of the other three, that perspective should receive a 40 percent weight and the others should receive 20 percent each. Attaching 40 percent to a perspective clearly communicates its importance.

Few rules exist for allocating weightings. Good judgment is paramount in deriving a weighting plan that makes the most sense to the organization and is as unbiased as possible. Generally speaking, NPOs should indicate that the stakeholder perspective carries more weight than the other three perspectives given its importance and linkage to the organization's mission.

STEP 3 Balance the Measures

In the first iteration of the performance measurement process, a review of the organization's objectives provides a "big picture" view and confirms that the balanced scorecard is balanced enough to achieve the organization's mission. Organizations should ask the following questions:

- Do we have the right number of objectives/measures in each perspective? The standard objective range is four to seven.
- In terms of measures, do we have the right balance of leading and lagging, efficiency and effectiveness, and cross-section?
- Do the weightings still seem appropriate?

Managers should continue to revise the balanced scorecard measures until each question brings about a positive answer.

The completed balanced scorecard in [Figure 4](#) takes the work completed to this point (including the strategy map from [Figure 3](#)) and demonstrates what the HSSC's balanced scorecard might look like at a summary level (i.e., without targets and weights within the perspectives). Often, the wording for each objective in the balanced scorecard can be taken directly from the strategy map. For example, "grow and diversify revenue base" is brought over from the strategy map.

The weightings of the perspectives clearly demonstrate that the stakeholder perspective is slightly more important than the other three. Even though the financial perspective carries slightly less weight than the other perspectives, its presence on the balanced scorecard demonstrates its importance to HSSC.

STEP 4 Set Specific Targets

NPOs use targets and stretch targets to specify what it intends to achieve. Loosely defined, a target is a result that, if achieved, will make the NPO successful. A stretch target is one that, if achieved, will make the NPO extremely pleased because it's often difficult to achieve. Targets and stretch targets should follow the SMART guidelines spelled out in [Step 1](#).

A Look at a Completed Stakeholder Perspective

[Table 2](#) drills down further into the balanced scorecard shown in [Figure 4](#). [Table 2](#) strategic objectives and measures for HSSC's stakeholder perspective. The completion of [step 1](#), [step 2](#) and [step 3](#) of the balanced scorecard development, prepare the organization for the final and most important stage in the performance measurement process: review and assess.

FIGURE 4: COMPLETED HSSC BALANCED SCORECARD (SUMMARY LEVEL)

STAKEHOLDER PERSPECTIVE 30%		FINANCIAL PERSPECTIVE 20%	
OBJECTIVES	MEASURES	OBJECTIVES	MEASURES
Maximize member value in the pool	Swim meet results (gold/silver/bronze points system)	Grow operating revenues to add and sustain programs	Annual revenue (\$000's)
Maximize member value out of the pool	Members' class average and member satisfaction survey	Realize modest earned income level to demonstrate value and plan for growth	Actual realized earned income (\$000's)
Utilize volunteers efficiently and effectively	Volunteer programs quality and satisfaction	Run swim meets profitably	Swim meet profits (\$000's)
Expand and enhance donor relationships	Number of donor agreements and number of donor meetings	Increase donor & fundraising dollars	Actual dollars raised
Forge new donor relationships	Number of potential donors profiled and contacted	Efficient use of financial resources	Overhead costs as a % of total revenue
INTERNAL PROCESS PERSPECTIVE 25%		ENABLERS PERSPECTIVE 25%	
OBJECTIVES	MEASURES	OBJECTIVES	MEASURES
Offer world-class coaching programs	Member feedback score	Attract and develop world-class coaches	Coaching score and wait list
	Swimmer attendance		
Achieve excellent competitive results	Swimmer performance (local, provincial, national meets — out of 10)	Communicate at all levels of the club	Percentage of HSSC members aware of weekly updates
Attract and retain dedicated volunteers	Volunteer turnover ratio (new/departing)	Attract and reward volunteers for efforts at success	Percentage of volunteers affirming intrinsic reward of efforts
Promote and evaluate overall excellence	Average member comprehensive score	Seek out and foster strategic partnerships	Number of partners and potential partners profiled and number of partner meetings
Achieve operational excellence	Coach/swimmer time ratio		
	Available pool time capacity usage (practices and meets)		

TABLE 2: COMPLETED STAKEHOLDER PERSPECTIVE

OBJECTIVES	WEIGHT	MEASURES	TARGET	STRETCH
Maximize member value in the pool	25%	Swim meet results (gold/silver/bronze points system)	75	90
Maximize member value out of the pool	20%	Members' class average and member satisfaction survey	82%	87%
Utilize volunteers efficiently and effectively	20%	Volunteer programs quality and satisfaction	80%	90%
Expand and enhance donor relationships	20%	Number of donor agreements and number of donor meetings	7	10
Forge new donor relationships	15%	Number of potential donors profiled and contacted	10	15
Total Weight (must = 100%)	100%			

STAGE 4 Review and Assess

This final stage is where management takes the information from the balanced scorecard, evaluates the results, draws conclusions and takes action.

The four steps include:

- manage with the balanced scorecard
- evaluate results versus targets
- examine results and outcomes
- adjust as necessary

STEP 1 Manage with the Balanced Scorecard

The Balanced Scorecard, with its measures and targets can be extremely helpful in guiding and managing initiatives within the NPO. The strategy map and balanced scorecard are useful tools for ensuring initiatives fit with current strategy and for allocating resources to those initiatives.

One means of using a balanced scorecard to manage an NPO is to link current and future initiatives to the strategic objectives in the strategy map. A Strategic Initiative Template, a useful tool to assess initiatives against the NPOs strategy map, accompanies this publication in a separate attachment. [Table 3](#) below is a partial chart summarizing how some initiatives fit with an organization's objectives.

TABLE 3: OBJECTIVE-INITIATIVES FIT CHART

PERSPECTIVE	STRATEGIC OBJECTIVE	INITIATIVE 1: ANNUAL DONOR BLITZ	INITIATIVE 2: CREATE LOCAL EDUCATION LOBBY GROUP	INITIATIVE 3: ANNUAL VOLUNTEER APPRECIATION BARBEQUE
Stakeholder	Campaign to new and existing donors	X		
Financial	Grow and diversify revenue base	X		
Internal	Influence public policy		X	
Learning and growth	Attract and retain caring individuals			X

The purpose here is to identify which current initiatives support the various strategic objectives outlined in the strategy map. During this review it is possible to find that many initiatives support a common strategic objective while other strategic objectives have no initiative support. NPOs should strive to ensure they have an appropriate number of initiatives supporting all of their objectives.

Once an NPO has mapped all its initiatives to strategic objectives, it must prioritize the initiatives and allocate resources to them. NPOs then roll strategic initiatives into their budgetary process.

STEP 2 Evaluate Results Versus Targets

Throughout the reporting period, management must incorporate scorecard results with monthly or quarterly performance meetings. NPOs benefit from monitoring the entire perspective as well as individual line items for trends.

[Table 4](#) is an excerpt of the full Balanced Scorecard and depicts the targets, stretch targets and actual results of the HSSC stakeholder perspective.

TABLE 4: STAKEHOLDER FINANCIAL PERSPECTIVE WITH ACTUAL RESULTS

GOALS	WEIGHT	MEASURES	TARGET	STRETCH	ACTUAL	TREND
Maximize member value in the pool	25%	Swim meet results (gold/silver/bronze points system)	75	90	● 76	↑
Maximize member value out of the pool	20%	Members' class average and member satisfaction survey	82%	87%	● 82%	→
Utilize volunteers efficiently and effectively	20%	Volunteer programs quality and satisfaction	80%	90%	● 80%	↓
Expand and enhance donor relationships	20%	Number of donor agreements and number of donor meetings	7	10	● 4	↑
Forge new donor relationships	15%	Number of potential donors profiled and contacted	10	15	● 14	↑
Total Weight (must=100%)	100%					

It is important to remember that the Balanced Scorecard is not the final level of analysis; in fact, the development of the Balanced Scorecard is the beginning of the self-evaluation process. To be effective, managers of NPOs need to examine why results from the Balanced Scorecard deviated from targets. The Balanced Scorecard should never be used to assign blame when results are different than expectations.

STEP 3 Examine Results and Outcomes

Based on the results in [Table 4](#), here are some discussion points that might arise at HSSC:

- Overall, we are meeting most of our targets but there is definitely room for improvement.
- Our swim meet results helped us achieve our target measures, but to get better we still have some work to do. What sorts of things can we do to improve our results at the provincial and national levels?
- Our swimmers achieved our target level for academic performance. They also seem satisfied overall, but are we putting too many demands on the swimmers? How do we balance performance outside the pool with performance in the pool?
- We have done a good job recognizing our volunteers, but we want to do an excellent job. We should continue to improve efficiency and effectiveness with respect to our volunteers, and make their satisfaction level a high priority.
- We planned to have three unique coach/swimmer meetings but only had two. Why? Were there scheduling issues? Could a shortage of meetings impact performance?
- We had planned to have several more donor meetings and agreements than we actually had. Why is this? What happened? We need to take corrective action here.
- We did extremely well forging new donor relationships. This is a great signal for the future. Still, we need to balance this with attention to donor meetings and agreements — all are important.

STEP 4 Adjust as Necessary

Tactical changes (e.g., new initiatives or possibly a revised strategy) are usually the next order of business. The scorecard above indicates that HSSC should consider changing the way it forges donor relationships — for example, the results indicate that not enough attention was paid to arranging donor meetings and agreements.

Strategic Review in Summary

Performance measurement never truly stops: it is cyclical.

Performance measurement — which leverages tools such as strategy maps and BSCs — is an effective and powerful initiative for the professional accountant in business to implement so that it can help keep an organization at its peak of competition. It represents a cohesive set of assumptions that describes a view of the future that is then used to develop a forecast or to test a strategy, plan or strategy. Such future foresight ultimately represents an operating philosophy that governs the mindset, decisions and actions of an entire organization. All NPOs have an opportunity to leverage such a philosophy in their organizations to mitigate some of the uncertainty, volatility and unpredictability they face and in turn, derive unprecedented and ongoing value. The tools, techniques and steps provided in this guideline enable organizations to effectively and efficiently conduct their own performance measurement initiative successfully where others have failed.

During its strategic review, management should look at every initiative linked to the strategy map and determine whether or not each is achieving its desired strategic outcome. A strategic review also examines the cause-and-effect relationships in the strategy map.

For example, HSSC would refer to its balanced scorecard during its annual general meeting to report back to club members on the club's overall performance. When a new initiative does not achieve its intended outcome, the organization must evaluate causes and effects and make adjustments as necessary.

An NPO may encounter more opportunities and good ideas than it can realistically implement. Using its strategy map to remain focused on the critical mission will help the NPO pursue the most relevant opportunities and ideas.

The balanced scorecard, which is linked directly to the strategy map, provides clear performance indicators in relation to the NPO's strategic objectives. It highlights what the NPO is doing well and what it needs to improve, tactically and strategically.

Tactically, performance measurement must be incorporated into regular operational meetings. Strategically, ongoing strategy map reviews ensure the NPO's strategic objectives achieve desired outcomes.

The PM4NPO framework can help any NPO become a high-performing, mission focused organization.

Professional accountants in business by their very nature can leverage their know-how and expertise in guiding organizations towards implementing such a unique customer-centric and competitive strategy. The ability of performance measurement to drive alignment and focus across an organization demonstrates how powerful a tool (or program) it can be (if implemented correctly).

This facilitates the ability for an organization to maintain and sustain itself as a resilient, adaptive, innovative and sustainable enterprise (per the RAISE philosophy) in competitive marketplaces. Ultimately these drivers will aid both the professional accountant in business and organizations in ensuring successful adoption while equipping themselves to engage in the Canadian ideal of good business.

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