

The Accountability Scorecard

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Introduction

Organizations are viewed in many ways – as devices for meeting individual and societal needs; as collections of processes; as assemblages of people; as structures of authority; as open systems; and as legal entities, capable of owning property and engaging in ongoing commerce.

Most organizations are usefully viewed as a web of transactional relationships between the organization and various stakeholder groups. The basic stakeholder groups include suppliers, customers and employees.

The long-term success of any organization depends on its continued ability to exchange its outputs for new inputs (e.g., to exchange goods, services, wages and salaries, dividends and debt servicing for raw materials, equipment, supplies, labor from employees and money from customers, investors and lenders). Another way of defining long-term organizational success is to say that it depends on the ability of the organization and its stakeholders to continually balance, integrate and satisfy their respective needs and requirements – without regularly or repeatedly sacrificing one to the other.

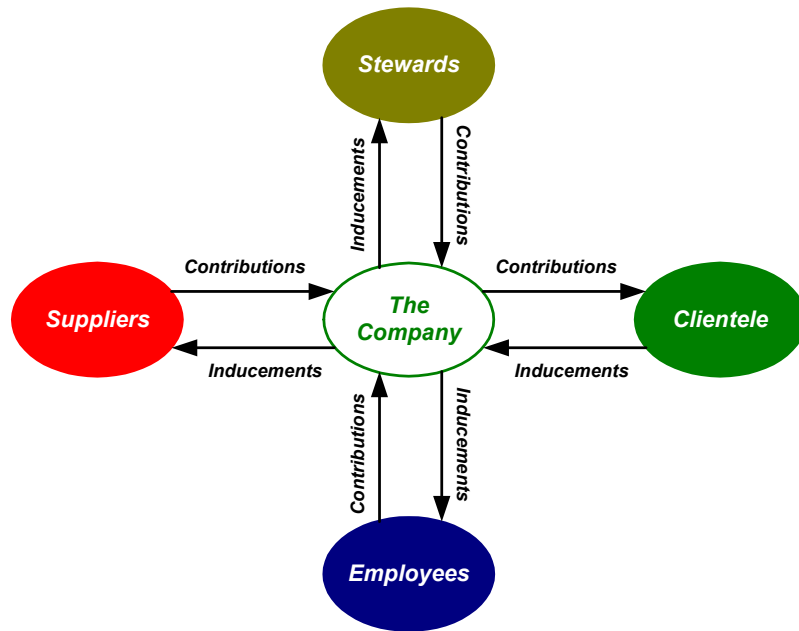


Figure 1 - Stakeholder Relationships
(Contributions & Inducements)

In any transaction, especially those that are meant to continue over time, the parties to it share the responsibility for the relationship; there is an element of mutual accountability.

The purpose of this paper is to describe a scorecard that can be used to gauge the extent to which the shared responsibilities and the mutual accountabilities of an organization and its stakeholder groups are being met. Such scorecards are known as "Accountability Scorecards."

Balancing and Integrating Stakeholder Needs and Requirements

Stakeholders may be thought of as groups of individuals or organizations significantly affected by what goes on at an organization, with a stake in having it go well, and for

whom the organization wants things to go well in return. The organization gives and gets something. So do the stakeholders.

Some basic stakeholder groups are identified and depicted in Figure 1 and briefly described below.

Clientele

"Clientele" refers to all those an organization serves. The use of "clientele" avoids debate about the meaning and use of terms such as "clients," "customers," and "users."

Employees

Employees are people, other than the officers and directors or trustees of an organization, who are employed by the organization and who are subject to its authority.

Suppliers

The Suppliers stakeholder group consists of individuals and businesses that provide an organization with the money, materials, products and services that are used to create the products and services the organization in turn provides, sells, or leases to its clientele. Suppliers include investors, lenders, vendors, subcontractors and partners. (Technically speaking, employees and stewards are suppliers, too, but they receive separate treatment.)

Stewards

The officers, directors or trustees and other key managers of an organization bear special burdens of responsibility for its performance – financial and operational. They are also responsible for the extent to which the organization satisfies the needs and requirements of other stakeholder groups. Most important, they are concerned with the organization's impact on and contribution to society, and for its continued viability as an organization. As a stakeholder group, senior managers, executives, directors, and trustees may be viewed as the "stewards" of the enterprise.

The Underlying Framework

The underlying theoretical framework of an Accountability Scorecard is what organizational theorists term the "contributions-inducements" relationship that exists between an organization and its members (Barnard, 1938; Cyert & March, 1963; and March & Simon, 1958). This, too, is depicted in Figure 1.

According to the theory, organizational "members" (e.g., employees, suppliers, and even customers) make various contributions to the organization in return for certain inducements. Employees, for example, might contribute by performing assigned work, producing specified results, or simply making available time and energy to be expended as directed. The inducements employees typically receive include pay, benefits, opportunities, recognition and, in some cases, the prospect of continuing employment. Suppliers, in addition to whatever else they're supplying, might contribute favorable terms in exchange for prompt payment, larger orders, or long-term relationships. Customers, of course, contribute money, as do lenders, investors and, in the case of some nonprofits, donors. Customers receive goods and services; lenders and investors hope to receive a return on their

loans or investments. Money received from customers, lenders, and investors is used as part of the inducements offered to other stakeholders (e.g., to pay employees and suppliers).

A satisfactory contributions-inducements relationship exists when both parties view it as such. The contributions-inducements relationship with customers cannot be unilaterally defined any more than it can with employees. Customer loyalty, for example, cannot be demanded. Thus, in determining how the organization is doing in relation to its key stakeholder groups, the leadership of an organization must ask two questions:

1. How are *we* doing with respect to getting what we want from them?
2. How are *they* doing with respect to getting what they want from us?

The first question can be answered from an internal perspective. Answering the second question requires more than empathy. To find out what stakeholders want and determine how well the organization is doing in their stakeholders' eyes, the organization must engage the stakeholders in two-way dialog.

Nonprofits and government agencies are special cases. They do not exist to turn a profit or to compete in the marketplace; instead, they exist to serve specific communities or even society at large. For this reason, although it is not reflected in the diagram in Figure 1, society and societal impact must receive special attention in an Accountability Scorecard for a nonprofit or a government agency.

In the last analysis, the objective of an Accountability Scorecard is an appropriate balance of power among the stakeholders. No organization will ever be in a permanent position to dictate the contributions and inducements for any stakeholder relationship. The balance of power ebbs and flows. Better to manage it on a harmonious basis than have it be an eternal source of conflict. Finally, it should be remembered that stakeholders remain stakeholders only so long as the inducements received from the organization make it worthwhile to provide the contributions sought.

Developing an Accountability Scorecard

The first step is to identify the key stakeholder groups. In general, these will consist of clientele, employees, suppliers, and the stewards of the enterprise. Others might include the community at large, regulators, investors, lenders, even donors and volunteers. A simple list naming and defining each stakeholder group will do.

Next, for each stakeholder group, identify the contributions received from the group and the inducements offered the group. Figure 2 depicts the contributions-inducements that a company might seek from its suppliers.

For employees, the contributions might include willingness to perform assigned tasks, reliability, improvements in work processes, and so forth. Inducements likely include such factors as acceptable pay and benefits, a secure earnings stream and recognition. A

two-column form with the name of the stakeholder group at its top will serve to capture the contributions and inducements.

Once the contributions and inducements have been identified, the next task is to prioritize them. For each stakeholder group, identify the most important contributions and the most important inducements. If the lists are not long, it will help to rank order the items on them.

Then, determine basic measures of the important contributions and inducements. The task here is to identify ways of assessing the extent to which the contributions and inducements are acceptable to those receiving them. It is important to check perceptions of the contributions and inducements with the relevant stakeholder groups.

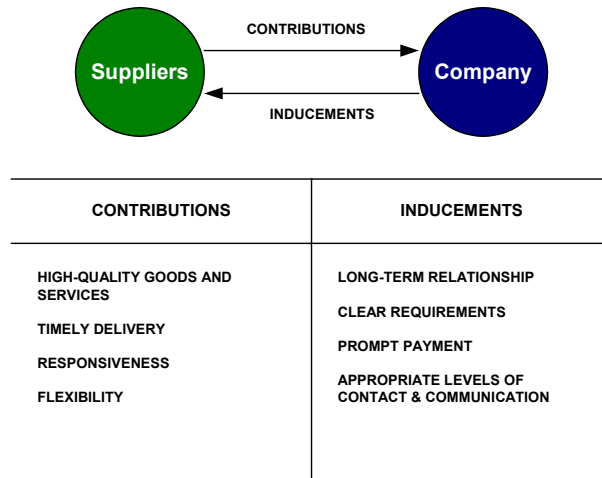


Figure 2 - Supplier Contributions & Inducements

Finally, in concert with the stakeholder groups, put the measures into effect and determine what they say about the extent to which the contributions and inducements satisfy the needs and requirements of the organization and the various stakeholder groups. Significant gaps indicate areas requiring attention.

Recap

An Accountability Scorecard is a means of assessing the transactional relationships between an organization and its critical stakeholder groups. The responsibility for these relationships is shared and the organization and its stakeholders are mutually accountable for the quality of those relationships.

An Accountability Scorecard provides information about the factors that determine the long-term success of an organization. It is not a means of exercising short-term control; however, it does provide a basis for near-term actions intended to have long-term effects.

Ultimately, an Accountability Scorecard provides the basis for strategic conversations between the stewards of an organization (i.e., its senior management) and its key stakeholder groups.

The steps involved in preparing an Accountability Scorecard are:

1. Identify the stakeholder groups

2. Identify the contributions received from and the inducements provided to each stakeholder group
3. Prioritize the contributions and the inducements from the perspective of the organization and its stakeholders
4. Establish measures of the contributions and inducements
5. Apply the measures

References

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