The Strategic Management of Accountability in Nonprofit Organizations: An Analytical Framework

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What notions of accountability are relevant to the management of nonprofit organizations? Kevin P. Kearns finds existing public sector conceptualizations ill suited to nonprofit agencies. He offers a framework stressing the strategic and tactical choices facing nonprofit organizations and discusses its policy and management implications. Kearns claims that the framework can prove useful as a strategic tool for conducting "accountability audits" of nonprofits as well as conceptual foundation for discussions of public or institutional policy.

Private nonprofit organizations comprise a vast and growing sector of the national economy, and they are a vital partner with government in the provision of a wide range of social and human services.[1] Growth in the size and influence of the nonprofit sector has led to increased visibility and public scrutiny by diverse stakeholders including government oversight agencies, private donors and foundations, clients, the media, and the public at large.

Anyone who doubts the growing importance of accountability in the nonprofit sector need only scan the headlines of the professional periodicals and newspapers for evidence to the contrary. One recent issue of *The Chronicle of Philanthropy* (January 26, 1993) contained stories on: the attempts of a special Senate committee to crack down on lax financial reporting by selected charities; modifications of IRS tax forms requesting more information on salaries of charities' top officials; a report from California's attorney general on nonprofit fund raising in that state; and the reluctance of charities to conduct performance evaluations of their volunteers.

Attention to issues of accountability in the nonprofit sector is not a new phenomenon (Commission on Private Philanthropy and Public Needs, 1975). In fact, public scrutiny and controversy over the appropriate role of the sector has existed for more than 200 years, since the emergence of the third sector in the United States (Hall, 1987a). The debate was revived with intensity following last year's controversy in the national office of the United Way of America which sparked a fire storm of interest in the national media, among the general public, and especially in nonprofit professional circles. Today, throughout the nonprofit sector, there is renewed interest in issues such as: measuring the value-added performance of nonprofit organizations in terms of actual outcomes and impacts (Kanter and Summers, 1987; O'Connell, 1988; Drucker, 1990); ensuring that trustees and other volunteers understand and fulfill their legal and professional responsibilities (Dayton, 1987; Carver, 1990; Panus, 1992); public disclosure of operating practices related to fund raising and executive compensation (Council of Better Business Bureaus, 1982; Hills Bush, 1992; Kahn, 1992); and fulfilling explicit or implicit obligations associated with public subsidies (i.e., tax exemptions) of nonprofit activities (Ackerman, 1982; Simon, 1987; Gaul and Borowski, 1993).

Rationale for Focusing on Accountability in Nonprofit Organizations

The general notion of accountability is quite familiar to most government officials, whether elected or appointed, but perhaps less familiar to nonprofit professionals. In the substantial literature dealing with distinctions between public and private management, the contributing elements of accountability—political constituencies, public mandates, oversight agencies, checks and balances, and media scrutiny—are presented as core differences in the respective managerial contexts of governmental and for-profit organizations (Allison, 1980; Miles, 1982, pp. 39-41). Also, accountability is a prevalent theme in the curricula of schools of public policy and management. Therefore, even before they begin their careers, prospective public servants are exposed to the concept of managing public expectations and working within specific legal and procedural frameworks of accountability.

In the business sector, as well, the concept of public accountability has received more attention in the last three decades. Today, most standard business texts contain chapters on social responsibility, business ethics, and interactions with government, and many business schools now offer full courses on these topics.

The interest in accountability in government and business has produced a wealth of literature on the topic that has focused on operational definitions of accountability (Shafritz, 1992, p. 4; Levine *et al.*, 1990, p. 190), conceptual frameworks for accountability systems (Romzek and Dubnick, 1987; Gruber, 1987; Paul, 1991), and attempts to itemize explicit professional and organizational standards of performance and responsibility (Rosen, 1989).

In contrast, the literature on accountability in the nonprofit sector is well behind the curve, thereby limiting the scope and quality of debate on the issue. Although there are many specialized textbooks on financial accountability in the nonprofit sector, and other written materials dealing with specific issues of compliance, most general texts on nonprofit management do not contain in-depth discussions on accountability from conceptual, managerial, and policy-making standpoints. Similarly, there is a conspicuous absence of rigorous research, especially with respect to professionalism and accountability in the nonprofit sector (Hall, 1987b).[2] Finally, the curricula in schools offering courses in nonprofit management frequently do not contain specific courses on accountability or social responsibility in the nonprofit sector.[3]

The scant literature on the topic contributes to two types of problems. First, in the absence of a clear, analytical framework for identifying (and even forecasting) accountability issues and controversies, nonprofit professionals are hindered in their efforts to respond effectively to stakeholder expectations and mandates. Second, the prospects for rigorous empirical research on the topic are greatly hindered by the absence of conceptual and operational definitions of accountability or even a cursory understanding of its ramifications in the nonprofit sector as distinct from the public or for-profit sectors. These two problems might easily be addressed if we could merely transplant what we know about accountability in the public sector to the private nonprofit sector. But, the differences between the two sectors—in mission, philosophy, structure, and standard operating procedures—are vast (Berger and Neuhaus, 1977; Hausmann, 1987; Douglas, 1987; Mirvis, 1992) and would mitigate against such an approach. Nonetheless, there is much the nonprofit sector can learn from the public and private sectors,

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especially in the domain of conceptualizing various notions of accountability. Indeed, "legitimacy issues surrounding the nonprofit sector cannot be understood apart from considerations of the roles and problems of government and business sectors" (Estes *et al.*, 1989, p. 22).

This article is an attempt to address both problems outlined above, with emphasis on issues resulting from the lack of an analytical framework for strategic decision making. We begin by exploring several definitions of accountability, and then present an analytical framework for identifying and defining four types of accountability issues in nonprofit organizations. The framework can be used as a conceptual device to inform national or regional dialogue and policy making, or as a strategic management tool for nonprofit organizations attempting to conduct accountability audits as part of an organization-wide strategic plan.

Definitions of Accountability

A useful point of departure for a discussion of accountability is a conceptual definition. Paul (1991, p. 2) defines accountability as "holding individuals and organizations responsible for performance measured as objectively as possible." This definition implies an oversight function which, according to Mansfield (1982, p. 61), involves documenting answers to four main questions regarding service delivery and performance: "for what (purposes are the services intended), to whom (are the services delivered), when (are the services delivered), and by what means (are the services delivered)?" Drawing on these and other interpretations of accountability, the *HarperCollins Dictionary of American Government and Politics* (Shafritz, 1992, p. 4) contains the following entry:

> *accountability* (1) The extent to which one must answer to higher authority—legal or organizational—for one's action in society at large or within one's organization. (2) An obligation for keeping accurate records of property, documents, or funds.

These definitions contain several unifying concepts: a "higher authority" or oversight agency with explicit standards of performance, judgment or assessment by this higher authority, administrative action in society at large or within organizations, and formal record keeping and reporting requirements as a means of demonstrating compliance with standards.

A clear bureaucratic bias to these definitions exists that limits their applicability in the context of nonprofit management. These definitions assume that the locus of higher authority is found in an organizational or inter-governmental chain of command, that standards of performance are clear and unambiguous, and that reporting mechanisms are limited to those specified in operational procedures for documentation and recordkeeping. Thus, these definitions may not be very useful to a nonprofit executive trying to explain to donors or to the media why administrative costs comprise a large percentage of the agency's budget—a case where the chain of authority is ambiguous, where standards for comparative assessment

are either nonexistent or problematic, and where reporting mechanisms are variable.

For a broader definition of accountability, Shafritz (1992, p. 10) proposes the following:

> *administrative accountability* The concept that officials are to be held answerable for general notions of democracy and morality as well as for specific legal mandates.

This definition of administrative accountability contributes several additional ideas. First, it distinguishes between "general notions" of performance consistent with societal norms and values, and formal or operational compliance with specific legal mandates. The former, of course, allows for scrutiny by the general public and raises issues regarding the extent to which administrative action is responsive to and consistent with shifting public sentiments, values, norms, perceptions, and beliefs. The latter acknowledges the importance of legal mandates that are, by definition, more narrowly construed. This definition is consistent with Rosen's (1989, p. 4) view that accountability involves, among other things, the exercise of "lawful and sensible administrative discretion" and efforts to "enhance citizen confidence in...administrative institutions." Moreover, this definition succinctly summarizes the famous debate between Friedrich (1940) and Finer (1941) regarding the two primary means for assessing administrative and organizational performance—internal and external controls. The Friedrich/Finer exchange, in turn, was an intellectual catalyst for five decades of debate regarding the need to reconcile the competing notions of control, bureaucratic democracy, administrative responsiveness, delegation, and accountability (e.g., Smith, 1971; Staats, 1982; Gruber, 1987).

The following definition of accountability is proposed by Romzek and Dubnick (1987, p. 228):

> accountability involves the means by which public agencies and their workers *manage* the diverse expectations generated within and outside the organization (emphasis added).

This definition, while echoing some familiar themes, contains a critical element not found in the previous definitions—the implication that diverse expectations can be actively *managed* by professionals in the agency under scrutiny. Thus, this definition introduces an element of *strategy* wherein management attempts to forecast diverse expectations and to position their agency for proactive as well as reactive responses. Managers are, thereby, transformed from a role of passive compliance into one of active participation in framing and articulating the standards by which they are judged. The implication here, following the theoretical principles of strategic management, is that executives and their staffs may actually shape or, to a limited extent, control the environment in which they operate.

While all of the definitions presented above contain useful elements, together they illustrate a pervasive, three-fold problem in attempts at constructive dialogue on accountability in the nonprofit sector. The first problem is the obvious difficulty of developing an *operational* definition of accountability without limiting it to relatively narrow and technical issues of compliance with specific legal mandates, such as the filing of IRS Form 990 or other reporting requirements associated with government grants and contracts. A second problem is that *conceptual* definitions of accountability inevitably open a Pandora's Box of criteria related to shifting, ambiguous, and perhaps even conflicting standards of behavior or performance held by diverse constituencies. A third problem relates to *management and governance* and the role of professional judgment

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in forecasting, interpreting, and perhaps even shaping societal standards of performance.

Clearly, therefore, the concept of accountability is inherently ill structured. It is laden with competing assumptions and complicated by contextual factors that make the notion of accountability the ultimate "moving target." Yet the fact that accountability is an untidy construct should not inhibit dialogue on its applicability in the nonprofit sector. On the contrary, debates on accountability should be informed by its poor structure, not deterred by it. To this end, any truly meaningful dialogue should be guided by an analytical framework that embraces the many dimensions of accountability and allows contextual factors and subjective judgments to surface for informed dialogue on assumptions. It would be especially desirable if such a framework were also useful to nonprofit managers who are attempting to anticipate, define, and respond to accountability issues in their respective strategic environments.

The following section presents an analytical framework that incorporates the many dimensions of accountability. Although the professional and scholarly community may never agree on *one* definition of accountability for nonprofit organizations, we may benefit from an analytical framework that acknowledges the viability and contextual relevance of *several* different definitions, as a guide for formulating strategies and policies in this arena.

A Framework for Analyzing Accountability

The discussion thus far has illustrated that a system of accountability contains at least two dimensions: (1) a set of performance standards—explicit or implicit—generated by the organization's strategic environment, and (2) a response—reactive or proactive—from inside the organization. Explicit standards (*de jure*) are those generally codified in law, administrative regulations, or contractual obligations. Implicit standards (*de facto*) involve general notions (Shafritz, 1992, p. 10) of acceptable administrative action and organizational behavior as defined by societal values, beliefs, and assumptions. In turn, the agency's response to these standards may be either reactive (tactical) or proactive (strategic).

Superimposing these two dimensions yields a matrix with four cells as illustrated in Figure 1. This matrix presents a *system* of accountability composed of four distinct yet inter-related dimensions that not only provide a classification scheme for different definitions of accountability but also a framework for analyzing alternative tactical or strategic responses to external forces. The matrix was inspired, in part, by the Romzek and Dubnick (1987; p. 229) framework for public sector accountability, which they used to analyze events leading up to the explosion of the Challenger space shuttle in 1986. Their framework, however, contains two different dimensions: source of agency control (internal/external) and degree of control over agency actions (high/low).[4] Similarly, Rubin (1990) presents a four-cell model that distinguishes between legal and normative ethical standards on one axis, and administrative and technical responsibilities for compliance with these standards on the second axis. Finally, Gruber (1987, p. 18) presents a two-dimensional continuum for mapping the intersections between substantive (policy) and procedural (programs) constraints on government agencies.

Thus, while the analytical framework presented here differs in several respects from other frameworks, especially in its focus on

strategic and tactical responses, it is not an entirely new approach. Rather, it builds on previous work by focusing especially on strategic and tactical implications of accountability in nonprofit organizations. The following explanation of each of the four cells in Figure 1 illustrates that this framework is particularly well suited to the unique context of nonprofit management, especially with respect to current and emerging controversies in the sector.

Cell 1: Compliance Accountability

The upper right quadrant of the matrix denotes the most familiar, and most narrowly interpreted, form of accountability—*compliance* of a nonprofit organization with an explicit standard of performance or an explicit operational procedure imposed and enforced by an outside stakeholder or in accordance with its own internal rules and operating procedures. In this cell, compliance is viewed as essentially *reactive* in nature; that is, the organization awaits the formulation, by some outside oversight agency, of precise, clearly articulated standards and then essentially follows the rules, subject to oversight and periodic audits or evaluations. This, of course, can take many forms that are quite familiar to most nonprofit professionals such as: filing necessary documentation in an application for nonprofit status, submitting annual 990 or 990 PF forms to the Internal Revenue Service, preparing applications for institutional accreditation, or compliance with explicit legal and regulatory standards such as those regarding unrelated business income or prohibitions against self-dealing with donors or trustees.

This cell might also include compliance with contractual obligations associated with grants and contracts from government agencies, foundations, or nonprofit federations. For example, in the face of significant shortfalls in United Way campaigns across the country, several local United Way affiliates have implemented more rigorous reporting standards for member agencies designed to quantify actual impacts and outcomes of services (Millar, 1993). These reporting requirements are mandatory if the member agency wishes to qualify for allocations from the United Way.

Cell 2: Negotiated Accountability

The cell in the upper left corner of the matrix addresses contexts in which standards of accountability are implicit, arising from shifting societal values and beliefs or from emerging political trends that have not yet been codified in law or administrative regulations or are only loosely defined and, therefore, open to interpretation. Although these standards may be implicit and imprecise, they are nonetheless powerful enough to capture the agency's immediate attention, providing a catalyst for tactical actions that often involve some form of *negotiation* between the agency and its environment. This is a very important domain of accountability, but one which has received relatively little attention in the literature.

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A notable illustration of negotiated accountability is the pressure on large nonprofit institutions—especially hospitals and universities—to make payments in lieu of property taxes to municipal or regional governments. In these instances the government unit is, in effect, holding the nonprofit institution accountable to historical, and sometimes loosely codified, standards of charitable activity that justified the original exemption from local property taxes. The City of Pittsburgh, for example, has been at the forefront of municipal efforts to force large nonprofit institutions to pay their "fair share" to the city coffers and, accordingly, has negotiated *ad hoc* arrangements with most major hospitals and universities located within the city boundaries.

In this particular case, the city's argument does not rest on a precise legal standard or clear jurisdictional authority, because the Pennsylvania Constitution and, especially, the body of case law regarding exemptions from local property taxes are based on an inherently imprecise definition of charity.[5] Nor has the city employed a fee-for-service argument based on the size of the nonprofit institution and a precise calculation of its use of municipal services. Instead, the city has taken its case to the public at large, through extensive media coverage, focusing on issues such as: salaries and life-styles of hospital and university CEOs; vague notions of public service (i.e., provision of an unspecified level of free health care to the poor); unspecified standards of acceptable levels of profit for nonprofit hospitals; normative judgments about what types of university facilities and activities are essential to higher education; and, of course, raising public consciousness of the shrinking property tax base of the city and the potential contributions of nonprofit institutions that have significant land holdings (Hayllar, 1990).

In the Pittsburgh case, and in other localities as well, the nonprofit institutions have chosen the path of least resistance, bowing to vague and implicit notions of accountability, while genuinely acknowledging some obligation to assist the city with its fiscal woes. Even while under severe pressure, however, each of the institutions in question played at least a marginal role in framing and defining what are acceptable standards of contributions to the community. This role has been played out in *ad hoc*, one-on-one negotiations with city officials, or in contested negotiations in the courts. Not surprisingly, those institutions that engaged in negotiations earliest have set a *de facto* standard that has subsequently been applied to others.

Another, more subtle, example of negotiated accountability is provided by the national office of the United Way of America and the steps taken to improve management and governance practices following last year's controversy. Although this case involved several issues of compliance with explicit standards (e.g., generally

Figure 1
Dimensions of Accountability

		Mandate for External Control	
		Implicit (De Facto)	Explicit (De Jure)
Internal Response System	Reactive (tactical)	Negotiated Accountability	Compliance Accountability
	Proactive (strategic)	Professional/discretionary Accountability	Anticipatory/positioning Accountability

The *framework tries to capture the diversity and poor structure of accountability in a way that allows for two levels of dialogue.*

accepted accounting practices and explicit norms regarding conflict of interest), many of the most talked-about issues involved implicit standards of appropriate professional behavior and sound management and governance. A plan was developed to address the perceived shortcomings (Millar, 1992), and the parties to the negotiation were the national office, representatives of local United Way affiliates, and an external consultant.

Thus, the factors motivating negotiated accountability can arise from a gradual shifting of public sentiment and expectations (the Pittsburgh case), which eventually stimulates action, or from an internal crisis (the United Way case), which forces the nonprofit organization into a mode of damage control (Kearns, 1992). The most significant, and perhaps troubling, attribute of negotiated accountability is its "ad hocracy." The standards by which the agency is judged are imprecise and the outcome of the negotiated arrangement likely will vary from case to case. Later in this article, we will explore some of the policy and management implications arising from this type of situation.

Cell 3: Professional/Discretionary Accountability

The cell in the bottom left corner of the matrix portrays the context in which performance standards are implicit (as in Cell 2), yet the nonprofit organization responds with proactive strategies rather than reactive negotiating tactics. We label this cell *professional/discretionary accountability* to portray a situation in which an agency seeks to internalize certain professional standards of performance within the context of shifting societal standards, but does so in a discretionary manner, in the absence of immediate threats or sanctions from the external environment. In this context, the agency and the people who work in it take professional responsibility for identifying and interpreting standards of acceptable practice. Thus, the organization is responding simultaneously to two standards of accountability—one that is defined by emerging societal expectations, and another defined by professional norms, procedures, and generally accepted standards of professional practice.

An example of professional/discretionary accountability is given by a nonprofit agency that takes proactive steps to improve the quality of its services and support functions by, say, adopting some variant of the Total Quality Management (TQM) philosophy (Kearns *et al.*, 1993). In such a case, the organization is trying to respond to two intersecting forces: (1) societal forces, driven by international competitiveness, calling for improved quality of American goods and services; and (2) professional forces, driven by professional networks, which have made the TQM philosophy an idea in good currency in business, government, and nonprofit organizations. In this example, the organization's decision to adopt the TQM framework (or some other quality initiative) is clearly strategic because it is attempting to take proactive steps to actually define standards of accountability before having such standards explicated and imposed from the outside.

Other examples of professional/discretionary accountability would include adoption of a wide range of management systems and technologies for greater accountability such as: taking proactive steps to diversify the board of trustees for greater representation of constituencies; developing procedures for evaluating volunteer resources, including the board of trustees; conducting a systematic needs assessment in order to review and perhaps modify the organization's mission; and launching a comprehensive strategic planning process to anticipate opportunities and threats.

An important subcategory of ethical action in this cell can be simplistically described as doing the right thing even when the right thing is technically unenforceable (Independent Sector, 1991). Apart from adoption of management technologies and systems to ensure accountability, there is a wide range of values that ethical organizations embrace well before they are under the threat of sanction and which, unlike Cell 2, are not viewed as negotiable. These values include, but are not limited to: commitments to employment practices that strive for diversity for its own sake, beyond the technical parameters of equal employment opportunity (Cole, 1993); fair and reasonable compensation plans for executives and staff; and dealings with clients, donors, staff, and other organizations that are based on principles of honesty and integrity (Goss, 1990).

Cell 4: Anticipatory/Positioning Accountability

In the bottom right cell of the matrix, the organization is facing the prospect of explicit performance standards imposed from the outside (as in Cell 1), yet in this cell (unlike Cell 1), the executives and trustees seek to anticipate the formulation of these standards in order to position the organization for eventual compliance. As in Cell 3, the organization may even attempt to play a meaningful proactive role in shaping and defining the standards they believe will eventually be imposed. Thus, as in Cell 3, there is a prominent role for strategic management as the organization seeks to influence its external environment.

The obvious example of anticipatory/positioning accountability is the effort of a nonprofit organization to continuously monitor, and perhaps participate in, legislative or regulatory activities related to accountability. Recently, for example, the Select Senate Committee on POW/MIA Affairs issued a report critical of the fundraising practices and accounting procedures used by some nonprofit organizations, and issued a call for legislation to curb perceived abuses of the system (Moore, 1993). In this particular situation, the standards of accountability may currently be codified in law, yet there has been an explicit and potentially forceful call to officially tighten the standard. Naturally, organizations affected by this proposed legislation would be well advised to monitor its progress very carefully and, within yet another accountability standard (i.e., constraints on lobbying activities), seek to either influence the legislation or position themselves proactively for eventual compliance.

Policy and Management Applications of the Framework

The analytical framework presented above avoids being trapped by operational definitions of accountability, which tend to focus on compliance, or conceptual definitions, which tend to focus on professional/discretionary accountability. Instead, the framework tries to capture the diversity and poor structure of accountability in a way that allows for two levels of dialogue: (1) national, inter-organizational discussions of sector-wide policy to enhance accountability;

and (2) local, intra-organizational discussions among an organization's leaders to formulate specific strategies and tactics. Implications for both levels of dialogue are presented below.

Policy Implications

Two cells of the matrix in Figure 1 are especially valuable in informing national, state, and regional dialogue on accountability in nonprofit organizations.

Cell 2, negotiated accountability, raises some disturbing issues regarding the *ad hoc*, idiosyncratic outcomes of the bargaining processes, which characterize this dimension of accountability. When the standards of accountability are implicit and when the jurisdictional authority of outside enforcers is at best suspect, the nonprofit organization is forced to bargain from a weak position, often responding in a crisis management mode to thinly veiled threats of political pressure and even to various forms of tabloid journalism. Also in this cell, there is a follow-the-leader mentality wherein the organizations that negotiate earliest set an implicit, and perhaps unfair, standard for others to follow. Finally, this context raises the dialogue on accountability to yet a higher level of abstraction by begging the question: to whom are the enforcers accountable and to what extent are their standards influenced by normative judgments of political expediency versus more objective measures of equity and replicability? For example, in the city of Pittsburgh's negotiations with selected nonprofit institutions, cited above, some organizations have been more vigorously pursued than others. A major research hospital, specializing in high-tech organ transplantation research, was approached first by city officials, while a nearby children's hospital, sitting on an equally valuable parcel of land, has been ignored.

Some states and regions have taken steps to clarify and codify issues related to property tax exemptions and service fees, yet significant variability across jurisdictions remains (Bookman, 1992, pp. 140-151). On other issues as well (e.g., relationships between nonprofit organizations and professional fundraisers), there is significant ambiguity regarding the standards by which nonprofit organizations are judged yet, also, sufficient pressure to force nonprofits to publicly justify their positions and actions. Especially at the state and local levels, there is a need for collective dialogue on issues where accountability is defined idiosyncratically by negotiated processes.

Nonprofit organizations, acting through regional or national associations, should first attempt to catalogue accountability issues in which standards are variable. Then, using criteria such as equity and replicability, every effort should be made to develop clear and explicit standards to remove the influence of ad hocracy.

Cell 4, anticipatory/positioning accountability, raises policy issues related to the rights and abilities of nonprofit organizations to monitor emerging legislation and lobby for favorable outcomes. In 1976, Congress passed the so-called "lobby law" (PL 94-455-Sec. 1306) that liberalized and made explicit certain parameters on lobbying by nonprofit organizations. But nonprofit organizations must formally elect to be covered by this legislation and must file a specific application stating their intentions with the Internal Revenue Service. Otherwise, they are automatically covered by the old "substantial test," which has never been formally clarified by the IRS in terms of how much money, time, and effort a nonprofit organization may invest in lobbying. Moreover, the penalties for exceeding these imprecise standards are extremely onerous.

Although the actual application process for coverage under the more liberal 1976 law is relatively easy, from a technical standpoint,

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significant misunderstanding and ignorance remain among nonprofit organizations. Recently, Independent Sector tried to address this problem by publishing a pamphlet encouraging nonprofit organizations to elect coverage under the new law and explaining how to do so (Independent Sector, n.d.). Still, the rationale for requiring organizations to elect coverage (versus automatic coverage) seems weak, and more needs to be done to educate nonprofit executives and trustees on this issue.

Although the 1976 law addresses the legal rights of nonprofit organizations to monitor and lobby for favorable legislation, an issue remains regarding their ability to do so effectively. The philosophy of strength in numbers applies here. Few nonprofit institutions, acting alone, are likely to have substantial influence on legislation. Although coalitions exist at the national level, they are still relatively rare at the state and local levels. Approximately 20 state-wide associations of nonprofit organizations provide their members with a wide range of services from joint purchasing programs to lobbying assistance (e.g., Williams, 1991). The formation of these state and regional coalitions should be encouraged by funding agencies and facilitated by technical and financial assistance.

Management Implications

The entire matrix presented in Figure 1 may be useful to a non-profit organization attempting to do an accountability audit as part of its organization-wide strategic plan. In effect, the matrix can supplement other analytical tools (Kearns, 1992) for conducting a "SWOT" analysis of the organization's strengths, weaknesses, opportunities, and threats. Because the analytical framework presented here focuses on organizational strategy and tactics as well as outside forces, it is especially well suited for assessing organizational strengths and potential vulnerabilities vis-a-vis the four types of accountability. Moreover, it can provide a tool for organizational stakeholders to attempt to forecast emerging standards of performance and position the organization to respond accordingly.

The following strategic questions are examples of the type of intra-organizational dialogue that might result from the application of this framework in the context of strategic management and planning:

◆ Do we have an inventory of the explicit accountability standards by which we are currently judged? (Cell 1)

◆ Are we in compliance with those standards? (Cell 1)

◆ In our immediate task environment and broader societal environment, what accountability issues are currently being negotiated by organizations similar to ours? (Cell 2)

◆ Would it be in our best interest to negotiate now or later? (Cell 2)

◆ On what philosophical or legal foundations should we negotiate? (Cell 2)

- Can we avoid the need to negotiate by taking proactive steps to improve administrative behavior or organizational performance? (Cell 3)

- What legislative or regulatory actions—pending or emerging—are likely to have the greatest strategic importance for our organization? (Cell 4)

- Can we influence the outcome or participate in deliberations on these issues? (Cell 4)

These are just a few of the strategic and tactical issues that might be surfaced by using this framework as a tool for planning and program evaluation. Other issues likely would be raised as the strategic planners debate the assumptions embedded in and implied by the four types of accountability presented in the matrix.

Summary

This article has presented a framework for the strategic management of accountability in nonprofit organizations and illustrated its applications with selected examples of current or emerging controversies. Like other similar frameworks, it has potential value only as a broad guide to policy making and planning, not as a precise formula. Also, like other similar frameworks, there are conceptual and methodological ambigui-

ties with its application, especially at the boundaries between the four cells and, perhaps, even with the labels attached to the four cells.

The discussion has implied that the primary source of accountability in nonprofit organizations is in the external environment, but the case could be made that the same framework is equally applicable to the dissection of internal accountability issues and choices. This is especially true in large nonprofit institutions that, like government bureaucracies, have extensive internal systems of substantive and procedural control.

Most important, the framework presented here is an initial effort to apply these concepts and organizing principles to the unique context of nonprofit management. As noted above, an urgent need exists for serious empirical research on the notions of accountability and professionalism in the nonprofit sector. This framework, and others like it, may represent a point of departure for this research.

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Notes

1. The private nonprofit sector is composed of approximately 1,140,000 organizations, of which approximately 740,000 are public serving (versus member serving), providing a wide range of social, philanthropic, and charitable services of benefit to the general public. In 1989, the public serving nonprofit organizations had $343 billion in revenues, 31 percent of which was derived from government grants and contracts. Excluding specific categories, such as old age and veterans' benefits, nonprofit organizations annually spend $50 billion more than the federal government on social welfare programs (Salamon, 1992). It has been estimated that, since 1970, the nonprofit sector has grown four times as fast as the rest of the economy (Gaul and Borowski, 1993).

2. Estes *et al.* (1989) provide useful empirical evidence of an emerging crisis of legitimacy in the nonprofit sector, but they do not provide a framework for guiding political dialogue or managerial decision making. Also, Rubin (1990) proposes a framework for categorizing dimensions of ethical behavior within different levels of organizational hierarchies, but his typology is not intuitively unique to the nonprofit sector nor does it inform current debates on policy and strategy.

3. The Graduate School of Public and International Affairs, University of Pittsburgh, offered a special seminar, "Dimensions of Accountability in Nonprofit

Organizations," in 1993.

4. The Romzek and Dubnick framework, like the matrix in Figure 1, contains four cells denoting four types of accountability systems resulting from the intersection of the two dimensions: (1) legal accountability when the source of control is external and the degree of control is high; (2) bureaucratic accountability when the source of control is internal and the degree of control is high; (3) professional accountability when the source of control is internal and the degree of control is low; and (4) political accountability when the source of control is external and the degree of control is low.

5. See *Hospital Utilization Project* v. *Commonwealth of Pennsylvania* 507 Pa. 1, 487 A.2d 1306 (1985); and *St. Lukes Hospital* v. *Board of Assessment Appeals*, Lehigh County, 88C 2691. As of this writing, there is a bill (SB 877) before the General Assembly of Pennsylvania designed to clarify the definition of a charitable organization for purposes of determining liability for local taxes. Passage of the SB 877 is uncertain. Even if passed into law, there is a prospect for legal challenge on constitutional grounds because of specific provisions in the bill relating to payments in lieu of taxes.

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