Account Space:
How Accountability Requirements Shape Nonprofit Practice

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Abstract
Improving nonprofit accountability is one of the most important issues facing the sector. Improving nonprofit accountability in ways that are attentive to what we might consider unique and valuable about how nonprofits address public problems is the challenge at hand. This article presents a framework for examining the consequences of accountability systems for nonprofit practice. Drawing on empirical findings from three case studies and early sociological work on accounts, the framework considers four questions (i.e., When do organizations give accounts? What is the purpose of the account? When are those accounts accepted or rejected by important stakeholders? And with what consequence?) but makes a distinction between a verification and explanatory accountability process. By making this distinction and clarifying the relationship between these two accountability processes, the proposed framework can be used to identify conflicts between accountability systems and nonprofit practice and to understand how efforts to ensure accountability can spur a change in nonprofit practice, change stakeholder expectations for nonprofits or leave both intact.

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Improving nonprofit accountability is one of the most important issues facing the sector. Improving nonprofit accountability in ways that are attentive to what we might consider unique and valuable about the way nonprofits address public problems is the challenge at hand. This article presents a framework for examining the consequences of accountability systems for nonprofit practice. Drawing on empirical findings from three case studies and early sociological work on accounts, the framework considers four questions (i.e., When do nonprofit organizations give accounts? What is the purpose of the account? When are those accounts accepted or rejected by important stakeholders? And with what consequence?) but makes a distinction between a verification and explanatory accountability process. By making this distinction and clarifying the relationship between these two accountability processes, the proposed framework can be used to identify conflicts between accountability systems and nonprofit practice and to understand how efforts to ensure accountability can spur a change in nonprofit practice, change stakeholder expectations for nonprofits or leave both intact. Recognizing that accountability systems reward certain practices while discouraging others and that nonprofits can contribute to a strong democracy by filling roles and encouraging practices not well-supported elsewhere, this framework offers a way to understand whether our efforts to ensure nonprofit accountability actually support or constrain their democratic potential.[1]

The framework presented here builds on the insights of earlier work on nonprofit accountability, most of which examines key accountability questions (i.e., to whom are nonprofits accountable, for what, and how is accountability best ensured). In considering these questions, scholars have offered a number of conceptual frameworks to describe the complex accountability environment in which nonprofits operate, including the implicit and explicit expectations of key stakeholders to which nonprofits must attend (e.g., Brown & Moore, 2001; Ebrahim, 2003a; Edwards & Hulme, 1996; Kearns, 1994; Najam, 1996; Ospina, Diaz, & O'Sullivan, 2002).

Other work has pointed to the potential benefits and limitations of outcome measurement for nonprofit organizations (Campbell, 2002; Hoefer,2000; Plantz, Taylor, Greenway, & Hendricks, 1997; Poole, Davis, Reisman, & Nelson, 2001; Speckbacher, 2003). This literature also has examined the effects of outcome measurement on nonprofit practice (Durst & Newell, 2001; Frumkin, 2001; Morely, Vinson, & Hatry, 2000; Sawhill & Williamson, 2001; Urban Institute, 2002).

Other studies describe the accountability process, including the back-and-forth negotiation that happens between funders and grantees about reporting requirements and effectiveness criteria (e.g., Cutt & Murray, 2000; Ebrahim, 2002, 2003b; Grønbjerg, 1993; Herman & Renz, 1999; Murray, 2005; Tassie, Murray, Cutt, & Bragg, 1996). In examining these negotiation processes, scholars have described how the implicit assumptions that guide funders' evaluation of grantees can fuel misunderstanding (Cutt & Murray, 2000; Tassie et al., 1996), how funder's reporting requirements can constrain organizational learning and reproduce tensions in funder-grantee relationships (Ebrahim, 2002, 2003b), and how nonprofits use organizational mission to negotiate the expectations of multiple stakeholders (Ospina et al., 2002).

The framework proposed in this article builds on the insights of this earlier work but seeks to offer a more integrated understanding of the accountability process. It results from considering case study findings in light of early sociological work on accounts (M. B. Scott & Lyman, 1968), organizational theory (Feldman & Pentland, 2003; Meyer & Rowan, 1977; Oliver, 1991; Powell & DiMaggio, 1991; Suchman, 1995), and Giddens's (1984) structuration theory. The case studies investigated how the adoption of an outcome measurement framework by three funders shaped the practice of their nonprofit grantees.[2] The article argues that distinguishing between a verification accountability process and an explanatory accountability process, as well as specifying the relationship between the two, is necessary to understand how the funder's introduction of outcome measurement spurred grantees to change their practices in one case, treat outcome measurement as another reporting requirement in a second case, and encouraged the funder to make a fundamental change in the original outcome measurement model in a third case.

The next section of this article describes the research, and the following section presents the framework that emerged from the research and examines the cases in light of the framework. The final section discusses the utility of the framework for research and policy. Two caveats should be noted at the outset. The framework presented is the result of considering empirical data in light of theoretical work and was not developed a priori to the research. Also, the empirical data presented here are drawn from larger complex cases and consequently, the article is not suggesting that the giving and receiving of accounts between funders and grantees is all that matters for understanding the consequences of funder accountability requirements for nonprofit practice but simply that it does matter.

THE CASE STUDIES

The purpose of this study was to understand how outcome measurement, as one of the most prevalent responses to accountability concerns in the nonprofit sector, was shaping nonprofit practice. The study examined three cases in which a funder introduced outcome measurement to its grantees. In each case, the funder was interested in improving grantee effectiveness in addressing social problems and emphasized the importance of measurable outcomes in demonstrating accountability. But the results were different in each case.

In the first case the funder's adoption of outcome measurement requirements spurred grantees to change their practice, resulting in improved performance. In this case, termed the "neighborhood development case," the funder was a community development intermediary that had been supporting its grantees with financing and technical assistance for several years. These grantees worked to revitalize neighborhoods in the city through developing and rehabilitating affordable housing, nurturing and supporting small businesses, developing commercial areas, and organizing residents. By the late 1990s, the funder started to see evidence of grantee performance problems and its staff grew frustrated with the limited results of its capacity-building efforts. The grantees' performance problems also were making it difficult for the funder to raise money to support neighborhood revitalization. The funder adopted a version of the Rensselaerville Institute outcomes framework (Williams, Webb, & Phillips, 1991) to develop a performance-driven funding approach that rewarded grantees for results.[3]

In the second case, the grantees treated outcome measurement as a reporting requirement and reported little change in practice as a result of using the framework. In this case, termed the “social service case,” the funder was a United Way that had been supporting human service agencies to address a range of problems for more than 75 years. These grantees counseled teens in pregnancy prevention, provided homeless assistance, engaged youth in after school programs, and offered literacy classes to adults, in addition to providing other services. By the late 1990s, the funder faced declining donations and increased requests for funding. At the same time, the funder noted that an increasing number of local United Ways were adopting outcome measurement to demonstrate results and accountability to donors and to improve grantee effectiveness. This local United Way adopted the United Way of America’s outcome measurement framework with the intent of making better allocation decisions based on measurable outcomes and to demonstrate the value of its community allocation process.

In the third case, the grantees’ response to the framework spurred the funder to make a fundamental change in the original outcome measurement model. In this case, termed the “grassroots organizing case,” the funder was a public charity established in the mid-1970s to support grassroots organizations in advocating for change at a policy level, with the belief that the best solutions to social problems come from those who experience these problems directly. These grantees organized around a range of issues, including the rights of day laborers, the homeless, and immigrant workers. In the late 1990s, this funder received several large foundation grants and faced increasing pressure to demonstrate the impact of its grantees’ work, but the staff was adamant that any evaluative framework it used had to be useful to and appropriate for the grassroots groups they supported. The funder adopted a version of the United Way of America’s outcome measurement framework (1996), using it as a springboard to develop a model with its grantees. Table 1 summarizes the data collected for the cases.

SAMPLING

The cases were selected to ensure both that the funders adopted the framework with the intent of using it to improve their own practices and/or that of their grantees and that the grantees worked on community development issues in some way (Ferguson & Dickens, 1999) because the latter was a subfield of concern to the researcher. All three funders were intermediaries, raising money every year to support its grantees. At the time of this research, the funders in the neighborhood development and social service cases were in their fourth year of implementing the new outcome measurement requirements, whereas the funder in the grassroots organizing case was in the first year of introducing outcome measurement to its grantees. The grassroots organizing case is included here because grantees used the outcome measurement framework in the context of their organizations and, based on that experience, suggested changes to the model.

[INSERT TABLE 1 HERE – Summary of Cases]

At the funder level, all of the professional funding staff members were interviewed in the neighborhood development and social services cases (six and three interviews, respectively). In the grassroots organizing case, where the funder was much larger, only the staff members involved in the initiative were interviewed (four interviews). In the social service case, where community volunteers were integral to the fund allocation process, 10 volunteers with the longest tenure representing different allocation teams also were interviewed.

At the grantee level, at least 10 grantees were purposefully selected in each case.[4] In the neighborhood development and social service cases, interviews were conducted with the executive directors of these organizations. In the grassroots organizing case, interviews were conducted with the grantee representatives participating in the initiative (half of whom were executive directors and half of whom were senior staff).

DATA COLLECTION

The findings presented here draw on 52 interviews and more than 200 documents. The interviews focused on (a) the impetus for the adoption of outcome measurement, (b) the initial response of both the funding staff and the grantees to the new requirements, (c) their experience as the requirements were implemented, and (d) whether the adoption of outcome measurement changed practice in significant or important ways. Documents were collected from the funder in each case, including annual reports, funding applications and review criteria, board meeting minutes, internal reports, correspondence with grantees, training material, grantee performance data, and grantee outcome measurement models. These documents filled out the details of each case and helped corroborate the interview data. Finally, three grantee training sessions were observed in the grassroots organizing case, in which the funder was just introducing outcome measurement to its grantees.

DATA QUALITY

This study relied on multiple data sources, used internal member checks, and applied a divergent sampling approach to ensure data quality (Denzin, 1978; Guba & Lincoln, 1989; Patton, 1990). This study did not examine how outcome measurement was negotiated within each nonprofit grantee. Instead, it sought to understand the dominant pattern for a set of grantees as they responded to a funder's adoption of outcome measurement.

HOW ACCOUNTABILITY REQUIREMENTS CAN SHAPE NONPROFIT PRACTICE

This section examines the case study findings in light of four questions: When does a funder require a nonprofit to give an account? What is the purpose of the nonprofit's account? When does the funder accept or reject this account? and What consequences result from this exchange for the nonprofit grantee and/or the funder? These questions are similar to those proposed by others who have examined the accountability process (e.g., Brooks, 1995; Ospina et al., 2002; M. B. Scott & Lyman, 1968), but in considering each question, this analysis distinguishes between two processes—a verification accountability process and an explanatory accountability process—and describes the relationship between the two. Before examining these questions, however, the section first defines account and account space and describes the theoretical basis for the framework.

DEFINITIONS

Account refers to those descriptions of one's actions given to (a) verify that one has met agreed-on expectations (a verification account) or (b) explain one's actions when explicit and implicit expectations are not met (an explanatory account). Nonprofits may give accounts to key stakeholders, including funders, beneficiaries, regulators, and organizational partners. For example, nonprofits give accounts to funders to verify that they have met agreed-on deliverables or followed certain protocols. An account about measurable outcomes is a verification account. When nonprofits fail to give adequate verification accounts or fail to meet some implicit expectations, they will usually be asked by stakeholders to give an explanatory account. Accounts are distinct from more general descriptions that organizations give of their practices in that accounts are intended to maintain or restore equilibrium in a relationship and, as such, have immediate and clear implications for that relationship (M. B. Scott & Lyman, 1968, p. 47).[5]

[INSERT Figure 1 Explanatory Process of Accountability]

I use the term account space to call attention to the explanatory accounts that nonprofits give when they fail to meet the expectations of a stakeholder. These explanatory accounts have received less direct attention in the nonprofit accountability literature than have verification accounts but they are critical in understanding how the introduction of new accountability requirements can change nonprofit practice because they are required when nonprofit practice and stakeholder expectations seem to be in conflict. By examining the content of that account and whether it is accepted or rejected, we can better understand how the conflict between implicit notions of legitimate practice informing funders' expectations and the implicit notions of legitimate practice evident in grantees' accounts is resolved and with what consequences. Figure 1 illustrates this explanatory process: grantee practice deviates from a funder's expectations, the grantee is asked to give an explanatory account, and the funder accepts the grantee's account, restoring equilibrium in the relationship and reaffirming initial expectations.

Conceptualizing this disconnection between practice and expectation as a space where nonprofits are required to give explanatory accounts draws attention to (a) the boundary between expected, socially acceptable, or routine practices that do not require explanatory accounts and unexpected or unacceptable practices that do require these accounts; (b) the many practices that are taken for granted, never questioned or made visible, and consequently do not require an explanatory account; and (c) the importance of nonprofit explanatory accounts as attempts to relieve the pressure and reconcile the disconnection between their practices and stakeholder expectations.

INFORMING THEORY

The framework combines insights from M. B. Scott and Lyman's (1968) examination of the explanatory accounts that individuals give to reestablish equilibrium in a relationship and prevent conflict, new institutionalists' work on how organizations respond to environmental pressures in ways that seek to maintain legitimacy (Feldman & Pentland, 2003; Meyer & Rowan, 1977; Oliver, 1991; Powell & DiMaggio 1991; W. R. Scott, 1995; Suchman, 1995), and Giddens's (1984) idea that structures are maintained and modified through everyday practices. In the first of these, M. B. Scott and Lyman (1968) draw on Goffman and Garfinkel to examine the role of explanatory accounts in reestablishing equilibrium in a relationship when one party has failed to meet the expectations of another, but they do not examine how the giving and receiving of explanatory accounts in a relationship can spur a change in the behavior of the account giver or change the expectations of the account receiver.

New institutional theory also points out that organizations give accounts to reestablish their legitimacy in the face of some crisis with a specific audience, but this work has not typically focused on the process of giving and receiving accounts between two organizations (e.g., Suchman, 1995) or looked at the implications of this process for practice. Last, Giddens's (1984) structuration theory highlights the connection between macrostructures and microlevel practice, suggesting that much more goes on in the giving and receiving of explanatory accounts than reestablishing equilibrium in a relationship or maintaining legitimacy. The giving and receiving of accounts between two actors is one concrete way in which structures or institutionalized aspects of behavior or practice are affirmed or challenged. The framework presented below draws from this earlier work and builds on the nonprofit accountability literature referenced earlier in the article.

GIVING AND RECEIVING ACCOUNTS

This section examines the case findings in light of four questions: When does a funder require a nonprofit grantee to give an account? What is the purpose of the nonprofit's account? When does a funder accept or reject this account? and What consequences result from this exchange for the nonprofit grantee and/or the funder? In considering each question, a distinction is made between the verification and explanatory accountability processes. Table 2 presents this framework.

[INSERT Table 2. Account Space Framework

When funders require grantees to give accounts. Funders require that grantees give accounts to verify or explain actions. Funders require that a grantee verify its actions (i.e., to give a verification account) when the organization has made some formal commitment to do something (e.g., to follow a procedure or a set of regulations, carry out a specific program, serve particular clients, or meet agreed-on performance targets). Funders also may ask a grantee to give an account to explain its actions (i.e., an explanatory account) when the organization has failed to meet expectations (i.e., the grantee has given an inadequate verification account) or has violated some set of implicit expectations (M. B. Scott & Lyman, 1968).

However, funders do not demand that grantees give explanatory accounts for every unexpected practice or every inadequate verification account (M. B. Scott & Lyman, 1968, p. 55). Demanding that nonprofits give an explanatory account can be difficult, even for funders, because doing so points to a potential conflict with a grantee and challenges the funders' own belief in the good faith efforts of the nonprofit organizations they fund.[6] A funder will not require an explanatory account if the grantee's deviant actions are unnoticed or seem insignificant (Perrow, 1981, cited in Suchman, 1995; Pfeffer & Salancik, 1978) or if the grantee's deviation is so significant that no account can bridge the gap between the grantee's actions and the funder's expectations (e.g., evidence of fraud). In the latter case, the funder will simply end the relationship.

Looking at the cases included in this article, each funder introduced outcome measurement and asked grantees to verify the measurable outputs and outcomes from their work. However, each funder's demand for explanatory accounts depended on the extent to which the funder's introduction of outcome measurement called attention to the conflict between the expectations embedded in the performance framework and the practices of the grantee. In the neighborhood development case, the funder developed a detailed performance metric with more than 30 common programmatic and operational criteria and increased its monitoring of grantee performance through quarterly reporting and in-depth organizational assessments. Here, grantees were giving new verification accounts—accounts about organizing residents, board governance, housing development, advocacy, and resident leadership development—and giving them more often. But these specific performance expectations, coupled with the increased monitoring, meant that the funder could more easily identify when grantees' practices did not align with the new performance expectations. Consequently, the funder required more explanatory accounts from grantees than they had in the past (as discussed in the next section). As one funding staff person explained, "We've created this whole administrative system to track [grantee performance], which is really great because we're very clear . . . on where [grantees are] going and if they're getting there" (personal communication, September 5, 2002).

In the social service case, the funding staff introduced the outcome measurement framework and the allocations volunteers encouraged grantees to develop better output and outcome measures: "Is this really an outcome [because] it looks like an output? Why don't you measure X?" (grantees and volunteers, personal communication, August 2002). But when grantees pushed back, saying that the volunteers' questions were too prescriptive and the grantees did not have the capacity to collect the data, then the funding staff retrained the volunteers, emphasizing that the grantees were the experts in developing their outcome measurement models, not the volunteers. Over time, the funder's expectations for acceptable outcome measures and targets relaxed, and as one grantee explained, "long-term outcome got to mean whatever you wanted it to mean" (personal communication, August 23, 2002). With these more relaxed expectations, the grantees had greater discretion in crafting their outcome measures and targets and thus were more likely to meet the new requirements and avoid having to explain their practices. In the words of one executive director, "If you don't meet your outcomes, you didn't define them well enough, because if you did, you always meet them, since that is how you get the money" (personal communication, August 23, 2002).

In the grassroots organizing case, the funder had recently introduced outcome measurement to its grantees. In this case, the funder's goal was to develop a model suited for grassroots organizations engaged in coalition building and advocacy work. As a part of this process, the funder, in conjunction with a consulting evaluator, asked grantees to identify the short-term, intermediate, and long-term outcomes of their work. Here, the funder also asked grantees to give explanatory accounts about their practice, not because the funder's expectations were very specific but rather because they were deliberately open, knowing the framework was tailored to organizations that delivered social services not grassroots organizing work. Consequently, the funder encouraged grantees to bring the conflicts they experienced in applying the framework to their organizations back to the funder. One grantee explained that the process was useful because they could criticize the framework knowing that the funder was not invested in it (personal communication, October 9, 2002).

In sum, all three funders required grantees to identify the measurable results of their work. However, each funder's demand for explanatory accounts depended on the extent to which the introduction of outcome measurement called attention to the conflict between the expectations embedded in the performance framework and the grantees' practices. In the neighborhood development case, the funder developed an extensive performance metric that made explicit what the funder believed was good neighborhood development practice. These specific expectations, coupled with increased monitoring, made it more likely that the funder would require explanatory accounts of its grantees. In the social service case, the funder's outcome measurement expectations relaxed over time, making both explanatory account giving and the examination of implicit beliefs about legitimate practice less likely. In the grassroots organizing case, the funder encouraged grantees to examine the initial outcome measurement framework and bring any conflicts that surfaced while applying the model to their work back to the funder.

Purpose of a nonprofit's account. Nonprofits give verification accounts to funders to demonstrate they have met commitments. But nonprofits can, and often do, carefully construct these accounts to avoid having to further explain their practice to funders and thus protect the organization from additional inspection (Ebrahim, 2003b; Meyer & Rowan, 1977; Pfeffer & Salancik, 1978; Suchman, 1995). Nonprofits give explanatory accounts with the hope of reestablishing equilibrium in a relationship and ensuring the continuity of that relationship (Ashforth & Gibbs, 1990; Elsbach, 1994; Meyer & Rowan, 1977; M. B. Scott & Lyman, 1968; Suchman, 1995).[7] For example, nonprofits may explain that they failed to carry out planned activities because of the unexpected departure of a key staff person or some other circumstance out of their control. Cutt and Murray (2000) refer to these accounts as an effort to look good and avoid blame, whereas M. B. Scott and Lyman (1968) call these accounts excuses.

Nonprofits also give explanatory accounts not to ensure the continuity of a relationship within the confines of an existing set of expectations but rather to challenge and change the expectations that necessitated the account in the first place, often with the hope of furthering understanding about their practices. For example, a nonprofit might explain that it did not carry out a planned activity because as staff worked with clients, they realized that a different strategy would be more effective in addressing a particular problem.

In this respect, explanatory and verification accounts do different kinds of work in a relationship. Nonprofits give verification accounts to meet commitments and maintain legitimacy in the eyes of important stakeholders. Nonprofits give explanatory accounts to mitigate possible negative consequences for failing to meet expectations and reestablish legitimacy in the eyes of their stakeholders (Ashforth & Gibbs, 1990, p. 184; Edelman, 1970). Yet this is not the only purpose for a nonprofit's explanatory account. Nonprofits also give explanatory accounts to funders to make claims about what is important or what matters in their work, to further understanding, or to raise questions about existing expectations, even implicit, firmly rooted expectations.

Turning to the cases, all of the grantees learned to give new verification accounts—accounts about measurable outputs and outcomes. Grantees in the neighborhood development and social service cases talked about giving these accounts to avoid further inspection or negative consequences. For example, one grantee explained, "I am pretty good with words. I can parse things pretty easily. [So] it looks as though we are meeting the funder's expectations, which is rather important" (personal communication, November 18, 2002).

More telling are the explanatory accounts that grantees gave about their work in response to these new outcome measurement requirements. In the neighborhood development case, grantees gave a number of explanatory accounts to reconcile their practices with the new performance requirements. For example, one grantee explained that it did not meet a performance target because it took advantage of an unexpected opportunity that would have a greater impact on the community (personal communication, December 3, 2002). Another grantee explained that it did not meet a performance target because a neighborhood process erupted and the grantee stopped to address the issue (personal communication, November 14, 2002).

Grantees also gave explanatory accounts to challenge the funder's implicit notions about legitimate practice embedded in the new performance requirements. For example, one grantee explained that the performance metric assumed that high-performing organizations developed affordable housing but that in their neighborhood minor home repair would have a greater impact. Another grantee gave an explanatory account about its community-building work,

> Halfway through the first year, we were getting blasted because we weren't using [the funder's] model. It was like, "Wait a second; we're using our model. What model do you want us to use?" . . . We described the conditions in the neighborhood and why our model worked better. . . . Now [the funder] is behind us and understands that difference. (personal communication, November 14, 2002).

In the social service case, grantees did not give as many explanatory accounts, as noted above. However, the funder did require grantees to explain the reasons for not meeting targeted outcomes. The explanatory accounts that grantees gave were intended to reconcile their practice with the performance targets they had set for themselves. For example, grantees referred to capacity issues (e.g., lack of staff support, professional expertise), unanticipated changes in client population (e.g., increasing numbers of clients with greater needs), and unpredictable environmental circumstances (e.g., tight housing market, donor variability).

In the grassroots organizing case, grantees gave explanatory accounts that challenged the implicit expectations of the new outcome measurement requirements. For example, after working with the outcome measurement framework for 5 months, one grantee pointed out if her organization only cared about achieving external policy-oriented results, then it would be easier to give a task to an existing leader who would do it right and better ensure those results, but social change work meant giving tasks to emerging leaders who need to learn by trial and error (training observation, May 22, 2002). This grantee's account emphasized that the desired long-term outcome of social change work (i.e., to change the policies, institutions, and attitudes that foster inequality) depended not only on achieving external policy goals but also on the continual development of new grassroots leaders. The account also pointed to a potential contradiction between the model's implicit assumption (i.e., the best way to ensure long-term outcomes was to secure short-term results) and the reality of grassroots organizing work (i.e., some long-term outcomes require accepting greater risks to short-term results). This frustration with the model and the importance of leadership development for grassroots organizations reflected a broader sentiment among grantees in the case (personal communication, August 26, 2002).

Explanatory accounts offer a concrete location in which to examine the conflict between implicit notions of acceptable practice carried in these new accountability requirements and implicit notions of acceptable practice evident in grantees' accounts. For example, grantees in the neighborhood development case gave accounts emphasizing the value of responsiveness to achieve greater impact, the importance of community process, and the necessity of contextually sensitive community revitalization (housing development and community building). In the social service case, grantees' accounts focused less on effective practice and more on capacity limits or uncontrollable environmental issues. In the grassroots organizing case, the grantee's account pointed to the necessity of accepting greater risks to those short-term results to develop grassroots leaders. Examining whether these accounts were accepted or rejected helps us understand how the conflicts are resolved.

When a funder accepts or rejects a nonprofit's account. Funders will accept a nonprofit's verification account if it indicates that nonprofits have adequately met agreed-on commitments. Funders will reject verification accounts if the account suggests that grantees have not adequately met these commitments and the funder is willing to point to the conflict between its expectations and grantee practice. Funders will accept a nonprofit's explanatory account if it actually does the bridging work between expectations and results, that is, if the account normalizes the nonprofit's unacceptable or unexpected behavior against the funder's existing expectations (M. B. Scott & Lyman, 1968, p. 52).

Yet as noted above, explanatory accounts are not always intended to normalize behavior against existing expectations but to challenge and change those expectations. If a nonprofit's explanatory account challenges a funder's existing expectations, then the account is more likely to be accepted by the funder and thus to change the funder's expectations if the account points to the contradiction between these expectations for practice and larger shared norms or beliefs (Seo & Creed, 2002, p. 236). If the nonprofit's account cannot normalize the organization's behavior against existing expectations or point to the contradiction between these expectations and a set of larger shared values, then it likely will be rejected.

In all three cases, the funder accepted many of the grantee's verification and explanatory accounts. For example, in the social service case, the funder accepted grantees' accounts about capacity limits and uncontrollable environmental circumstances, often reiterating the belief that their grantees were doing their best to make a difference on a shoestring budget. In the grassroots organizing case, the grantee's explanatory account made a claim about the distinguishing feature of social change work: It requires constantly building new leaders. This account also pointed to a potential contradiction between this work and the implicit assumption of good practice embedded in the outcome measurement framework. The funder accepted this account, an account that reflects a core belief about this work (see Fisher, 1994; Gecan, 2002; Warren, 2001).

But the extent to which funders rejected grantees' accounts varied across the three cases. The funder in the neighborhood development case rejected grantees' accounts more often than did the funders in the social service and grassroots organizing cases. For example, the funder rejected grantees' explanatory accounts about why they could not meet housing production targets (e.g., accounts about local neighborhood conditions and taking unexpected opportunities for greater impact), the necessity of using different approaches to community building (e.g., accounts about the need for flexibility in organizing strategies), and operational requirements (e.g., account about board composition and accounting procedures).

In the social service case, there was no evidence that the funder rejected grantees' explanations about why they could not meet their outcome goals. The funder did put agencies on probation for not putting forth a good-faith effort in developing their outcome measurement model but never based their funding decisions on grantees' achievement of measurable results. One allocations volunteer recounted the conversation in her team where one team member said, I don't think this is a good idea [to allocate money based on their outcomes]. They are all doing such good work and they all need the money. I just think we should go ahead and give everybody the same. That is[what we recommended]. (personal communication, June 20, 2002). By examining the funder's acceptance or rejection of grantees' accounts, particularly explanatory accounts, we can understand how the conflict between the implicit beliefs guiding grantees' practice and those informing the funders' expectations is resolved and with what consequences.

Consequences of funder's accepting or rejecting nonprofit's account. If a funder rejects a grantee's explanatory account, then the conflict remains unresolved, and the viability of the relationship is in question. Depending on the significance of the funding relationship, grantees can feel pressure to give another account, alter their practices to align with the funder's expectations, or risk losing the relationship (Ebrahim, 2003a; Hirschman, 1970; Pfeffer & Salancik, 1978).

If the funder accepts the grantee's explanatory account, then the viability of the relationship is ensured and, depending on the account, the funder's expectations may remain intact, change, or weaken. For example, in the grassroots organizing case, the funder accepted the grantee's account about the importance of leadership development and changed the outcome measurement framework to include two types of outcomes: concrete external change and capacity building/organizing (see Fisher, 1994; Gecan, 2002; Warren, 2001). In the social service case, when the grantees explained why they could not develop appropriate outcome measurement models, the funder never stopped requiring that the agencies submit the models. Here, the funder's expectations remained intact but became diffuse and thus lost their force.

Looking at the overall pattern of account giving and receiving in each case, we can start to understand how the introduction of outcome measurement by three funders resulted in the particular consequences in each case. In the neighborhood development case, the funder's adoption of the outcome measurement requirements increased the account space for its nonprofit grantees by making previous acceptable or unnoticeable practices visible and questionable. Specific expectations and increased monitoring meant that grantees were explaining their practice more than were grantees in the other two cases and more than they had before.

Moreover, the funder's rejection of these accounts made it harder for grantees to reconcile their existing practices with these new requirements, putting pressure on grantees to change, accept a lower assessment and funding level, or exit the relationship.

Although grantees' responses to the new outcome measurement requirements varied, half of the grantees interviewed (six organizations) reported board changes, such as in its composition, committee structure, and increased engagement. Half of the grantees reported changes in their work with community residents, such as expanding their outreach, organizing residents, adopting the funder-preferred organizing approach, involving residents in leadership training, and/or being more systematic with organizing. An independent evaluation conducted at the end of 2003 reported that (a) housing production (single family and multifamily) increased more than 4 times against the baseline in 2 years; (b) almost one third of grantee board members were new, resulting in greater racial and skill diversity; and (c) grantees expanded the number of community-building initiatives (e.g., community organizing, homebuyer education, and safety initiatives) by 64% (newsletter summarizing evaluation results).

In the social service case, the funder's adoption of the outcome measurement framework did not change the account space significantly for the grantees because the adoption of the new requirements did not raise appreciably new questions about grantees' existing practices. In this case, the funder required that grantees give accounts verifying that their work was indeed having some benefits for those served. Yet these initial requirements relaxed as grantees explained why they could not develop better models or collect data. The funder left their grantees to craft the measures and targets. When grantees did give explanatory accounts about why they did not meet goals they set, there was no evident to suggest that the funder rejected these accounts. In the end, grantees treated the outcome measurement requirements like any other reporting requirement.8 As one agency director summed up, "I think this agency uses [outcome measurement] the way a lot of other agencies have used it: to complete your requirements for the [funder]" (personal communication, August 15, 2002).

In the grassroots organizing case, the funder's introduction of the outcome measurement framework decreased the account space for grantees. Here, the funder accepted the grantee's explanatory account that leadership development required taking risks that may jeopardize some short-term results and redefined the outcomes framework to include two outcomes capacity building/organizing and concrete external change. Conceivably, with this new model, grantees would be less likely to have explanatory accounts rejected when they did not achieve certain short-term results as long as they could show evidence of capacity building/organizing. The grantees' explanatory accounts and the funder's acceptance of these accounts decreased the account space for grantees and redefined the model's assumptions about what constituted acceptable practice.

CONDITIONS SUPPORTING THE PARTICULAR PATTERN OF ACCOUNT GIVING AND RECEIVING

The particular pattern of account giving and receiving in each case was shaped by a complex set of conditions. For example, each funder's historical purpose shaped how it used the outcome measurement framework. In the neighborhood development case, the funder was established to improve the technical capacity of its grantees. Therefore, the staff had programmatic expertise that enabled them to set detailed performance expectations. In the social service case, the funder's historical role was the efficient collection and allocation of the community's charitable resources. The funding staff and volunteers simply lacked the programmatic expertise to respond when grantees pushed back to say that they were the experts in defining their measures. In the grassroots organizing case, the funder distinguished itself as supporting "change not charity," giving money to grassroots organizations that addressed the root causes of poverty. In this respect, the funder's commitment to developing a distinct model for this work is not surprising.

At the same time, each funder's willingness to accept or reject their grantee's accounts, and consider the possible funding consequences, was shaped by a set of complex dependencies. Recall that the three funders in the study were intermediaries, raising money every year from donors to support their grantees. Consequently, a funder's decision to reject or accept a grantee's account was based on an assessment of whether their response to their grantees would affect donors' support for their work. In the social service case, donors had commitments to grantees independent of the funder: they volunteered for these organizations, sat on their boards, or personally benefited from their services. Consequently, the funder was much more hesitant to reject grantees' accounts.

IMPLICATIONS

Recognizing that accountability systems reward certain practices while discouraging others and that nonprofits can contribute to a strong democracy by filling roles and encouraging practices not well-supported elsewhere then examining the potential conflict between accountability systems and nonprofit practice is critical for understanding whether our efforts to ensure nonprofit accountability actually support or constrain their democratic potential. This article has presented empirical findings showing the consequences of one accountability framework—outcome measurement—for a defined set of nonprofit grantees. In considering these findings in light of early sociological work on accounts, this study offers a framework for understanding how the conflicts between the notions of legitimate practice assumed in accountability requirements and notions of legitimate practice informing nonprofit work are resolved and with what consequences.

The findings presented above echo several observations made by other researchers, including (a) the back-and-forth negotiation that happens between funders and grantees about reporting requirements and effectiveness criteria (e.g., Cutt & Murray, 2000; Ebrahim, 2002, 2003b; Ospina et al., 2002); (b) the ways in which grantees try to construct their verification accounts to control the information they give to funders and prevent further inspection, reducing the likelihood of having to give an explanatory account (Ebrahim, 2002, 2003b); (c) the tendency for grantees, when they have failed to meet expectations, to point to circumstances beyond their control (Cutt & Murray, 2000); (d) the implicit assumptions about good practice that shape funder's evaluation of grantee effectiveness (Cutt & Murray, 2000; Forbes, 1998; Herman &

Renz, 1999; Kearns, 1994; Tassie et al., 1996); (e) the conditions that shape these negotiation processes between funders and grantees, including mutual dependence, information struggles, and power imbalances (Cutt & Murray, 2000; Ebrahim, 2003b); and (f) the consequences of these negotiations for practice, including deeper organizational learning (Ebrahim, 2002, 2003b).

The framework presented here builds on this work but offers a more integrated understanding of the accountability process. It draws on early sociological work on accounts to understand a set of case study findings and in the process makes a distinction between verification and explanatory accountability processes. In describing these processes and their relationship to one another, the framework points to (a) how funders' formal accountability requirements can drive the demand for explanatory accounts; (b) the purpose of explanatory accounts in not only reconciling practice within a set of existing expectations but also in challenging these expectations; (c) the importance of explanatory accounts as a concrete location in which to examine the conflict between implicit notions of legitimate practice guiding nonprofits' work and accountability expectations; (d) how the acceptance or rejection of accounts matters for whether definitions of acceptable and legitimate practice change or are reaffirmed; and (e) the necessity of examining the pattern of account giving and receiving (including the extent to which explanatory accounts are required, the content of those accounts, and which accounts are accepted or rejected) to understand how formal accountability requirements can change funder expectations, spur a change in grantee practice, or have little effect on funder expectations or grantee practice.

How can this framework further our understanding of nonprofit accountability? First, we might examine whether the introduction of accountability requirements changes overall patterns of account giving and receiving between nonprofits and stakeholders in ways that put pressure on grantees to change their practices, asking, for instance, how often nonprofits are giving verification and explanatory accounts and how often these accounts are accepted or rejected. Second, we also can look at the conditions supporting a stakeholder's demand for nonprofit explanatory accounts, such as the specificity of stakeholder expectations, the visibility of nonprofit practices to stakeholders, and the significance of nonprofit deviation from stakeholders' expectations.

Third, we can examine the conditions supporting the stakeholder's acceptance or rejection of those accounts, examining, for instance, whether the account is congruent with the stakeholder's beliefs. Fourth, we can investigate the content of the explanatory accounts that are given with the introduction of new accountability requirements to understand the conflicts between accountability requirements and nonprofit practice. For instance, what explanatory accounts are grantees giving with the introduction of new accountability requirements and what accounts are funders accepting and rejecting now that the new requirements are in place?

Finally, for funders and grantees, the framework provides a way to more fully consider the accountability process and how the giving and receiving of accounts can both open up or close down critical conversations about practice. For example, in the neighborhood development case, the funder's specific performance expectations spurred many conversations between the funder and grantees about what constituted good community development practice. But the funder's application of these specific criteria across a range of organizations and its rejection of grantees' accounts about their work could result in institutional homogenization, or as the grantees put it, "a cookie-cutter approach" to neighborhood development (Powell & DiMaggio, 1991).[9]

CONCLUSION

This article presented a framework for understanding how the introduction of new accountability requirements, like the introduction of outcome measurement by funders, can shape nonprofit practices. Considering empirical findings in light of early sociological work on accounts, this article distinguished between a verification accountability process and an explanatory accountability process. By making this distinction and clarifying the relationship between these two accountability processes, the proposed framework provides an analytic lens for examining how accountability requirements can spur a change in grantee practice, change stakeholder expectations, or leave both intact.

Notes

1. Nonprofit and voluntary associations are thought to play roles and support practices that are valuable but not well supported elsewhere, including (a) a representative or contesting function, where those not well served by existing institutional arrangements come together to critique and develop alternative visions, pushing for a more inclusive set of public practices and policies; (b) a socializing function, where citizens develop civic habits as they work together to address common problems; (c) a quasi-public function, where these organizations relieve the state of addressing common problems; and (d) a buffering function, where these groups provide a check on the power of the state (e.g., Edwards & Hulme, 1996; Evans & Boyte, 1992; Mansbridge & Morris, 2001; Putnam, 1995). Other scholars have argued that nonprofits do not always play these roles and nonprofits may serve less desirable ends, including (a) placating grievances and deflecting attention from more fundamental institutional change, (b) paternalism and serving elite interests, and (c) particularism (e.g., Petras, 1997; Uphoff, 1996; Wagner, 2000).

2. Results-based accountability involves measuring outputs and outcomes, with an emphasis on outcomes, and then using these measures to ensure accountability and improve performance (Lindgren, 2001). I use the term results to refer to measurable outputs and outcomes and use the terms results-based accountability, performance accountability, performance measurement, and outcome measurement interchangeably. I also use the terms performance framework, outcome measurement framework, and outcome measurement model interchangeably.

3. The United Way of America's (1996) framework asks agencies to develop a logic model for their program(s). The logic model has four components: (a) inputs—the resources used for activities intended to produce meaningful change for individuals or groups; (b) activities—the strategies or approaches that produce the successful achievement of intended outcomes; (c) outputs—the direct products of program activities, measured in terms of the volume of work accomplished; and (d) outcomes—the benefits or changes and improvements for individuals or designated groups during or after participation in program activities. The Rensselaerville Institute (Williams, Webb, & Phillips, 1991) outcomes funding framework is much more focused on managing for outcomes and uses targets and milestones.

4. In the first and second cases, grantees were selected using a maximum variation sampling strategy. This means that organizations were selected to ensure the inclusion of grantees that were easily responding to the new performance measurement requirements and those that were struggling (based on informal observations by the funder). Because the intent of the study was to understand how the framework was shaping practice, purposefully selecting divergent responses to the framework would provide stronger assurance that similar themes emerging across these divergent organizations would be strong evidence for the theme (Patton, 1990).

5. Because this analysis deals with accountability relationships between funder and grantees, restricting the notion of account in this way is appropriate. However, general accounts about nonprofit work and practices are critical in structuring attention, action, and resources. For example, Edelman (1977) examines the use of everyday language in professional practice (e.g., labels such as deviant) to organize certain beliefs about the causes and remedies for poverty and consequently shape policy and action. Organizational theorists have used the term account to refer to explanations that organizations give when they have violated expectations and to refer to general descriptions of the organization (see Ashforth & Gibbs, 1990; Elsbach, 1994; Meyer & Rowan, 1977; Suchman, 1995). I am grateful to an anonymous reviewer for pointing me to Edelman's work.

6. Meyer and Rowan (1977, p. 357) discuss three practices that help maintain confidence in an organization despite the lack of evidence of technical effectiveness: avoidance, discretion, and overlooking.

7. M. B. Scott and Lyman (1968) point to two different types of accounts: excuses and justifications. Excuses seek to deflect blame by denying responsibility, whereas justifications admit responsibility but deny the negative evaluation.

8. One agency director reported using retention rate data to change the way the organization handled incoming clients, but this was not necessarily because of the United Way's outcome measurement requirements. Rather, they compared their performance to the performance of similar agencies and tinkered with their approach.

9. Thank you to the anonymous reviewer for pointing this out.

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Figures and Tables

Figure 1

Account Space

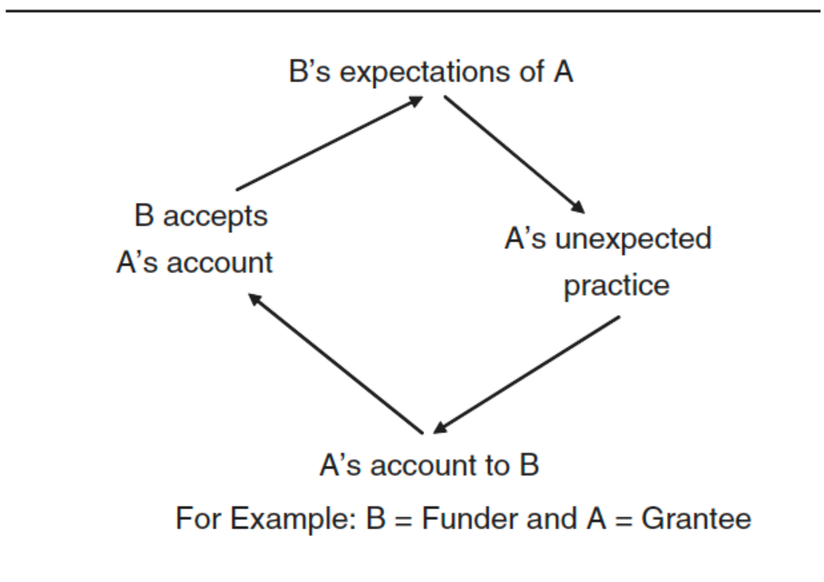

Figure 1. Explanatory Process of Accountability

Table 1. Summary of Cases

	Case 1	Case 2	Case 3
Focus of organizations in case	Developing physical infrastructure and building community to seek change at the neighborhood level	Providing social services to seek change at the individual or family level	Mobilizing marginalized populations to seek change at the policy level
Number of interviewees			
Funding staff	6 out of 6 total staff	3 out of 3 total staff; 10 out of 30 allocations volunteers	4 out of 4 staff involved in the initiative out of a staff of 20
Grantees	12 out of 17 executive directors	10 out of 27 executive directors	10 out of 10 participants
Total usable interviews	16	22	14

a. Only 10 interview transcripts were coded. One interviewee withdrew and another interview was of such poor quality that it was deleted from the data.
b. Only 9 interview transcripts were coded because one tape was damaged.

Table 2.
Account Space Framework

Accountability Process	Funder Requires a Grantee to Give Account When . . .	Grantee Gives an Account to a Funder to . . .	Funder Accepts a Grantee Account When . . .	Funder Rejects a Grantee Account When . . .	Consequence of Funder Accepting Grantee Account . . .	Consequence of Funder Rejecting Grantee Account . . .
Verification process	Grantee makes a formal commitment	1. Verify that commitment was met; 2. Avoid having to explain practice further	Verification account adequately demonstrates that grantee has met commitment	1. Verification account inadequately demonstrates that grantees have not met commitment; 2. This failure is visible and significant to the funder	Status quo	Grantee needs to explain practice
Explanatory process	1. Grantee fails to meet expectations: (a) the verification account inadequate *or* (b) the grantee fails to meet implicit expectations; 2. This failure visible and significant to the funder	1. Reestablish equilibrium, in light of funder's existing expectations; 2. Challenges and change funder's expectations	1. Account bridges unacceptable practice with funder's existing expectations; 2. Account bridges to larger values pointing to the contradiction between funder's expectations and larger shared values	1. When account fails to adequately bridge practice and existing expectations; 2. The funder will not experience significant negative consequences of rejecting the account	1. Equilibrium restored or 2. funder's expectations change and equilibrium reestablished	Conflict remains unresolved and grantee has to (a) give another explanatory account, (b) change to meet expectations, (c) exit relationship