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# Performance Measurement for Non-Profit Organizations

## HABUELA SPRINGS SWIM CLUB

Cam Scholey • Kurt Schobel

MANAGEMENT ACCOUNTING GUIDELINE

CASE STUDY

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### Company Background

Habela Springs Swim Club (HSSC) is a Canadian non-profit organization dedicated to providing a safe environment for swimming. Through its leading edge in- and out-of-pool swim programs, and with its approximately 100 volunteers, HSSC has helped over 1,000 teenagers and young adults reach their personal objectives (including two trips to the Olympics). HSSC's mandate is to bring together the public and private sectors (and its volunteers) to advocate for competitive swimming, both within the community and nationally. HSSC's board of directors held a retreat and crafted the following vision statement:

*To ensure that every youth in the community has the opportunity to achieve excellence in swimming and in all areas of their life.*

Over the past decade, club membership has quadrupled from around 100 to close to 400 youths (aged 12-22). HSSC relies on a small coaching staff and a network of dedicated volunteers, many of whom are parents of club members. The club is funded by membership dues, corporate fundraising, small government grants, and profits from hosted meets.

## The Current Situation

HSSC's board, while pleased with the club's vision, wanted to break that vision statement down into tangible objectives and launched a program called **Keys to Success**.

The seven keys included:

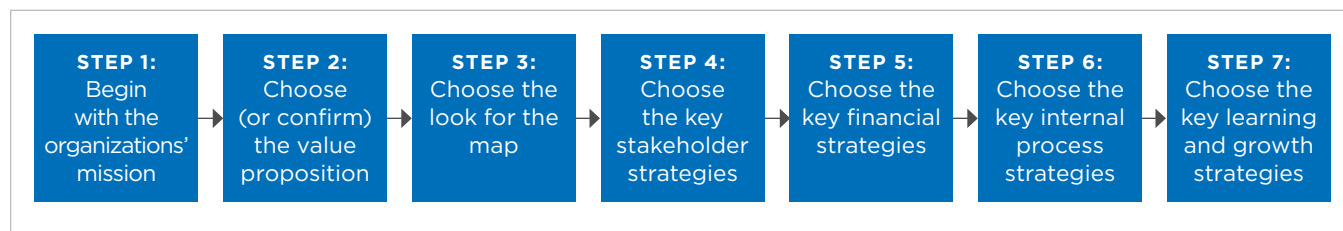
1. Learn to swim – Coach quality
2. Effective programs management – Partnerships and collaboration
3. Who gets to swim – Access and participation
4. Staff and volunteers – Inclusive and efficient
5. Create a positive environment for members – Safe, challenging, and fun
6. Money masters – Financial accountability
7. Measure success – Evaluation

HSSC undertook an exercise to create a new performance measurement system that reflected its long-term strategy as well as its seven Keys to Success. A board member – one who had some recent positive experience in a similar private sector process – initiated this exercise and acted as the primary facilitator.

The driver for such an exercise was predominantly in response to the external environment—prompting an overhaul of its performance measurement process also demonstrated the need to employ some or all of the drivers of the RAISE philosophy to ensure their resilience, adaptability and innovation in the face of continuous change and disruption. The board decided that both a Strategy Map and Balanced Scorecard (BSC) initiative would be the centerpieces of the exercise.

## The Strategy Map Journey

HSSC used the following seven steps, to create its strategy map:



Before undertaking the mapping process, HSSC “translated” the above seven steps into a relatable vernacular to minimize confusion:

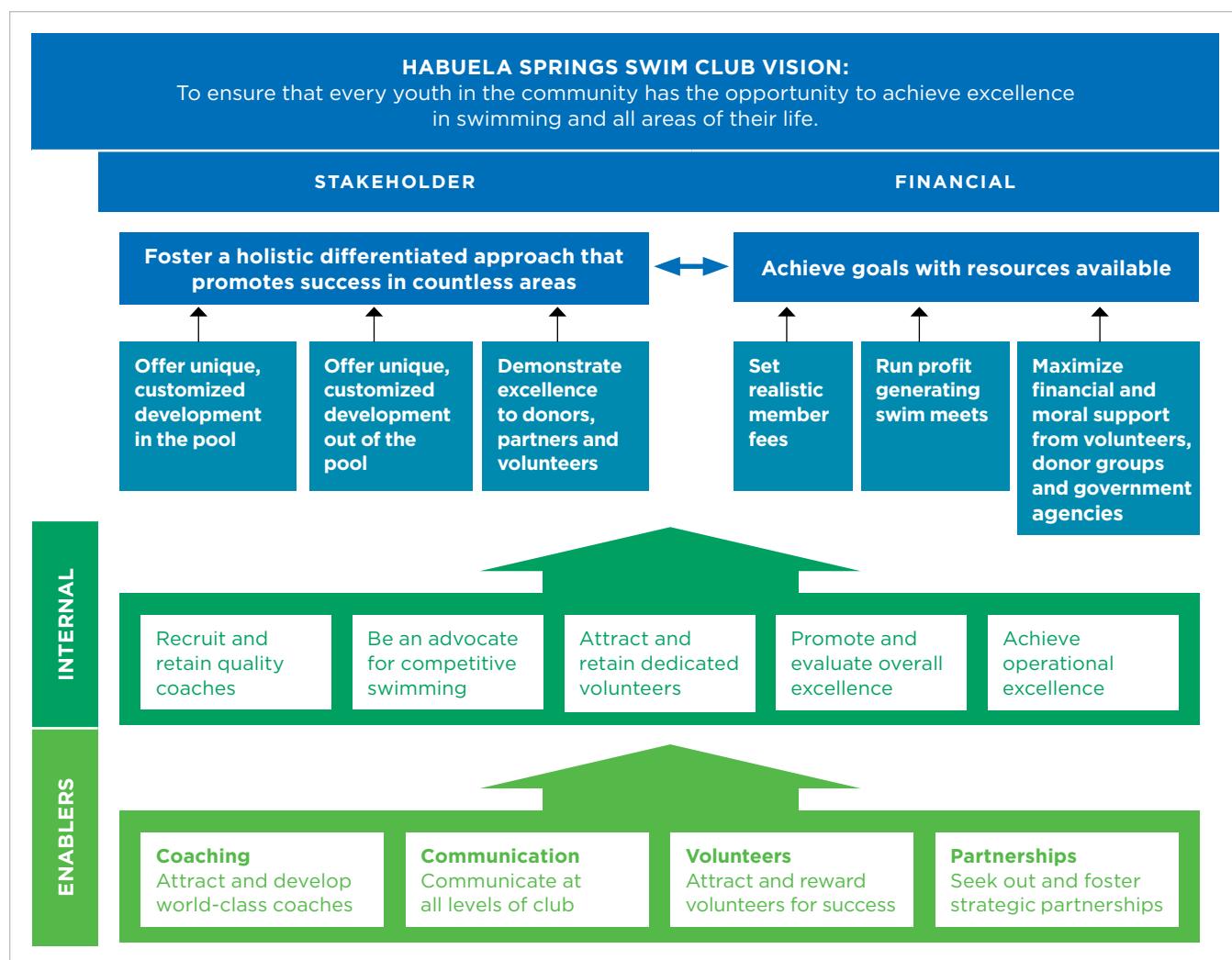
1. Use our vision statement as our mission
2. Define the HSSC value proposition
3. Choose the look for the map
4. Choose the key stakeholder strategies
5. Choose the key financial strategies
6. Choose the key internal process strategies
7. Choose the key enablers

After two short meetings and a series of takeaway assignments, HSSC's board produced a strategy map that represented the NPO's new growth strategy ([Figure 1](#)). The Seven Keys to Success reflected three main themes: development of excellence in the pool, development of excellence out of the pool, and operational excellence. The board felt that an optimal blend of these three themes would position HSSC to achieve its vision and strategic objectives.

Board members agreed that placing HSSC's vision statement at the top of its strategy map made the most sense. Given the nature of HSSC's funding model, with only member fees as guaranteed income, the board felt that placing the financial perspective beside the stakeholder perspective accurately illustrated the organizations "no cash flow, no vision" situation.

The stakeholder perspective acknowledged the equal importance of developing HSSC's members and justifying the contributions of donors and volunteers. The financial perspective reflected HSSC's dual revenue stream (i.e., from both donors and members) as well as the modest profits the club earns from swim meets it hosts. The requirement that HSSC achieve all of its key objectives with (and only with) its revenues/profits was an important message to send its various stakeholders.

**FIGURE 1: HSSC STRATEGY MAP**



The internal process perspective aimed to emphasize professional development and excellence. The board recognized that HSSC needed to continue to build and maintain the right programs, both in and out of the pool. For example, the board created a coaching program that allowed members to compete at the highest levels of swimming. They also created peripheral programs (such as study and dry land training) that encouraged members to make excellence a lifestyle.

HSSC also recognized that its volunteers would be a crucial part of the organization achieving its objectives. The final element in the internal process perspective was for HSSC to achieve operating excellence (i.e., ensuring every activity and process added value). Operating excellence would allow HSSC to work within its limited resources and provide the best possible service to its members.

The board categorized the enablers as coaching, communication, volunteers, and partnerships. With a steady stream of enablers, the club felt it was capable of realizing its lofty objectives now and into the future. Overall, board members were satisfied with the strategy mapping exercise. Momentum through the exercise only wavered slightly when it came to defining the value proposition. The result was a dual value proposition of customer intimacy and operational excellence.

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

## The Balanced Scorecard Journey

The board decided to build a BSC in-house using Microsoft Excel because two of their board members had university-level exposure using the software. The board wanted to keep the BSC simple, not only to make it easy to understand, but also to minimize the administration of tracking and scoring. The board created BSC objectives ([Figure 2](#)) that reflected the essence of each perspective outlined in the strategy map (further fulfilling the resilient and adaptive drivers of the RAISE philosophy).

Initially, some board members felt that each perspective should be weighted equally, not only to avoid understating the importance of certain perspectives, but also to expedite the completion of the BSC. Alternatively, other board members were adamant that the stakeholder perspective be weighted slightly more than the others. The weights shown in [Figure 2](#) reflected the final consensus. All board members were satisfied that the resulting BSC reflected the objectives and measures necessary to monitor progress of the organization's strategy.

FIGURE 2: HSSC BALANCED SCORECARD (SUMMARY LEVEL)

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

When the time came to determine weights, as well as target and stretch objectives within each perspective, the board decided to start with the stakeholder perspective ([Table 1](#)).

The board initially weighted each of the five objectives at 20%. After a short discussion, the objective “maximize member value in the pool” received a 25% weight. There was consensus that, at the end of the day, this was a swim club and objectives that revolved around swimming should be weighted heavier in the BSC. Initially, some members were not comfortable with the “forge new donor relationships” objective receiving a reduced 15% weight but accepted that the 5% added to “maximize

member value in the pool” had to come from somewhere. Further, members acknowledged that even a 15% weight was enough to indicate the perspective’s importance.

**TABLE 1: STAKEHOLDER PERSPECTIVE**

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

After the board determined weights for each objective in the stakeholder perspective, it focused on setting the appropriate target and stretch goals for each weight. Board members defined the term “target” as an outcome that, if reached, would result in a “we had a good year” consensus. Stretch, they decided, would mean: “We had a great year.”

Board members drew a chart on a whiteboard, with the first three columns titled “Objective,” “Good year,” and “Great year” respectively. When it came to actually committing to target and stretch numbers for each, board members agreed they should spell out a clear definition for each measure. A productive discussion yielded the results in [Table 2](#).

**TABLE 2: STAKEHOLDER PERSPECTIVE DETAIL**

OBJECTIVES	MEASURES	MEASURE DEFINITION	TARGET	STRETCH
Maximize member value in the pool	Swim meet results (gold/silver/bronze point system)	Total points for year, were gold: 3 points; silver: 2 points; bronze: 1 point	75	90
Maximize member value out of the pool	Members’ class average and members survey	[All members average grade + overall average of members survey], divided by 2 (both out of 100)	82%	87%
Use volunteers efficiently and effectively	Volunteer programs quality and satisfaction	[“Unbiased” grade on board group-based survey + overall average of volunteers survey], divided by 2 (both out of 100)	80%	90%

OBJECTIVES	MEASURES	MEASURE DEFINITION	TARGET	STRETCH
Expand and enhance donor relationships	Number of donor agreements and number of donor meetings	Number of agreements that have impact of benefit in next fiscal period + number of donor meetings held in the fiscal year	7	10
Forge new donor relationships	Number of potential donors profiled and contacted	Number of potential donor profile forms completed in year*	10	15

\*must have received return correspondence

Board members determined target and stretch numbers using a combination of the previous year's results, the current year's progress to date, and meaningful discussions regarding appropriate reporting. Board members were confident that the numbers in the BSC accurately reflected the club's expectations and capabilities.

Board members tackled each of the remaining three perspectives in much the same way they handled the stakeholder perspective. With the strategy map and BSC complete, the board looked forward to the scoring and assessment exercise slated for the end of the fiscal year.

## Later that Year

With summer being a slower period for HSSC and because no individual had been assigned to collect data for BSC scoring, HSSC wasn't able to compile all the necessary information until the fall. It wasn't until this point that many board members saw the richness of the initiative that they had undertaken months before. The overall BSC score of 82% (i.e., just above the overall target) suggested that HSSC was headed in the right direction. The second level of scoring, the individual perspective scores, was particularly insightful. It strongly indicated that HSSC had succeeded in all perspectives except Financial, which was the only perspective to come in below target.

One of the BSC features the board most relished was how it assisted board members to quickly determine and focus in on areas of concern. This allowed the board to manage by exception and be as productive as possible with its allotment of volunteer hours. Board members decided to use a scoring system where the target was 80% and the stretch was 100%.

While some objectives in each perspective had come in under target and merited some investigation, board members agreed that the Financial Perspective should be scrutinized the most ([Table 3](#)).

**TABLE 3: FINANCIAL PERSPECTIVE (WITH ACTUALS AND SCORES)**

OBJECTIVES	WEIGHT	MEASURES	TARGET	STRETCH	ACTUAL	SCORE
Grow operating revenues to add and sustain programs	20%	Annual revenue (\$000's)	40	50	39	78%
Realize modest earned income level to demonstrate value and plan for growth	15%	Actual realized earned income (\$000's)	40	45	32	60%
Run swim meets profitably	15%	Swim meet profits (\$000's)	7	10	6	73%
Increase donor & fundraising dollars	25%	Actual dollars raised	220	250	228	85%
Efficient use of financial resources	25%	Overhead costs as a % of total revenue	86%	84%	86%	80%
<b>Total Weight (must = 100%)</b>	100%					

While revenues had fallen short of target, the board was not overly concerned because the current fiscal year already showed promise of new revenue streams. The bigger concern was that the club's earned income was falling significantly below target. Board members agreed to investigate whether this shortfall was the result of a deficiency in program management or some other cause and discuss their findings at the next board meeting.

## Moving Forward—A Look Ahead to the Future

It was unanimous that the current fiscal year-end review and assessment was the most focused, productive, and insightful review and assessment to date. The BSC results put a spotlight on areas the organization needed to improve. In some cases, it was not about taking corrective action—it was about considering strategy revisions. For example, on many occasions, when the board met to develop and score the strategy map and BSC, questions that were best answered by volunteers remained unanswered. A “best guess” solution had prevailed in these cases. For the first time, the board realized that communication with volunteers was non-existent. The board resolved to address this at the next strategy review meeting.



## Performance Measurement Stage Focus

The board intended to use its new performance measurement model in several ways, starting with the first performance measure for non-profit (PM4NPO) stage: Planning. With the strategy map built, the board felt it made sense to use it as a starting point for strategic planning discussions because it accurately illustrated HSSC's vision and strategic objectives.

In essence, the board was combining PM4NPO stages one and two (planning and strategy mapping) in the second and subsequent years. For the coming year, they agreed to use a suite of tools from both traditional strategic planning efforts and the strategy mapping steps. While the map had emerged as a mechanism for facilitating regular discussions about the execution of the organization's strategies, the board did not plan on abandoning other proven techniques.

The second change involved the concept of value proposition. Strategy mapping session conversations around value proposition had sparked lively debates. The board was now comfortable with its dual value proposition of customer intimacy and operational excellence.

## Communicating the Process

Another use for the new process was as a communication vehicle. It could be used to orient new and existing coaches and volunteers to HSSC (i.e., to communicate expectations as well as each person's role in executing strategy). The map could help educate key employees and stakeholders about the tight connection between strategy and long-term club results. Each board member committed to having several fresh copies of the strategy map on hand at any HSSC event or meeting.

The board considered the BSC to be the most practical element of the new process. Every member was impressed with how the tool could accept data on actual performance and generate useful information on progress toward objectives. The board agreed to create a one-page summary of results to distribute to coaches and volunteers. The summary could also potentially prove useful in meetings as a reference document.

The board agreed that, going forward, it would dedicate its mid-year full-day board meeting solely to completing the current BSC, which would include discussing how to rectify the previous year's BSC shortfalls. As an incentive to keep the discussions focused and productive, the board decided that the meeting would only be adjourned when it had a completed BSC in hand.

## Results and Assessment

Having only been through the BSC scoring and assessment process once, the board looked forward to potentially discovering deeper insights and better decision-making tools. In recent years, donors and potential donors have often requested (even demanded) proof of results, a trend the whole NPO world was seeing. Contributors (both donors and volunteers) wanted proof that their “share of wallet” and/or “share of heart” yielded observable results. The board saw the potential to use the BSC as a platform for justifying these contributions (i.e., demonstrating results and proving that HSSC was making sound decisions).

Overall, the organization feels its new performance measurement initiative has been a great stride forward. HSSC looks forward to many years of sustained success – with due consideration of both the resilient and adaptive drivers of the RAISE philosophy – and it credits its new performance measurement approach for this positive outlook.



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