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**Stakeholder Priority for Accountability
in Non-Government Organisations**

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This thesis is submitted in fulfilment of

the requirement for the degree of

Doctor of Philosophy

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Soli Deo gloria.

Jason Harris

May, 2023

Cairns, Australia

Statement of the Contribution of Others

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Abstract

This thesis explores small donor priorities for accountability from non-government organisations to their stakeholders. This is carried out through four studies. The objective of the *first* study is to undertake a conceptual analysis of extant definitions of accountability in the third sector research literature and to use the resulting conceptual elements to synthesise a working definition of accountability. In order to do this, extracted definitions were subjected to thematic analysis which was then followed by a conceptual analysis. This study found five essential elements of accountability (obligation, process, action, transparency, and penalty), with the last, penalty, being the most broadly recognised, but least explicitly stated element. The objective of the *second* study is to explore the public views of NGOs on NGO accountability in practice with a focus on stakeholder priority. This study employed content analysis of NGO websites in order to develop key themes around the views of NGOs and found six themes. These are commercialistic structures, dissociation of empowerment from accountability, assumed upward audience, equation of mere reporting with accountability, dominantly upward structures of accountability, and reliance on minimalist structures of accountability. The purpose of the *third* study is to determine to whom small donors believe NGOs should be primarily accountable. There are four objectives. First, to determine to whom small donors believe NGOs should be primarily accountable. Second, to determine what information small donors require from NGOs for the demonstration of accountability. Third, to determine how small donors want that information delivered. Fourth, to determine how engaged small donors are with the information presently provided by NGOs. This study employs a quantitative survey method. The primary finding from this study is that small donors

believe NGOs should be primarily accountable to donors. The objective of the *fourth* study is to explore in greater depth the views of NGO small donors toward NGO accountability and stakeholder priority. This study employed a qualitative interview method. This study finds that although small donors do rank donors as the highest priority for NGO accountability, the second ranking group (beneficiaries) is a close second and donors take their wellbeing very seriously. This study also finds that downward accountability, short of empowering mechanisms, generally mediated through upward stakeholders, is illusory. Yet another finding is that small donors tend to have a wary relationship with NGOs. This thesis makes five key contributions. *First*, it provides a basic model for the development of a theoretical framework for the assessment of definitions of accountability. *Second*, it highlights the crucial distinction between mere transparency and accountability by clarifying the essential element of sanction in accountability. *Third*, it contributes a working definition of accountability which is supported by scoped data considered through a theoretical lens. *Fourth*, it clarifies the role of power in third sector accountability, particularly where there are aspirations of downward accountability. *Finally*, it gives a deeper understanding of the role of trust in the giving choices of NGO small donors.

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List of Abbreviations

AASB	Australian Accounting Standards Board
ACFID	Australian Council for International Development
ACNC	Australian Charities and Not-for-Profits Commission
ANCP	Australian NGO Cooperation Program
AusAID	Australian Agency for International Development
CHAI	Community-Led HIV/AIDS Initiative
CPC	Community Project Committee
DAC	District HIV/AIDS Committee
DFAT	Australian Department of Foreign Affairs and Trade
GRO	Grassroots Organisation
NFP	Not-for-Profit
NGO	Non-Government Organisation
RO	Religious Organisation
TSO	Third Sector Organisation
UK	United Kingdom

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Chapter 1: Introduction

*“Though I bestowe all my goods to feede the poore,
and though I giue my body to bee burned,
and haue not charitie, it profiteth me nothing.”*

–Paul the Apostle¹

There are few things in this world on which most everyone can agree; the goodness of charity is one of them. Indeed, charity has sometimes been used as a word for love. Nevertheless, difficulties arise when seeking to show charity on a large scale in a modern context. Multifarious factors have combined to make it necessary to have one or more organisations acting as the middleman between the person who gives the charity and the person to whom it is given. This distance between the giver of charity (the donor) and the recipient (the beneficiary) has created the possibility for that charity, typically in the form of money, to be used ineffectively, inefficiently, or for purposes not intended by the giver. This has led to a broad recognition of the need for accountability from those organisations which act as the middleman. This research will focus on the views of the giver of charity regarding to whom that accountability is given.

This chapter will proceed as follows. The *first* section will outline the scope of the research and address some definitions. *Second*, the philosophical approach of this research will be summarised. The *third* section will outline the structure of this thesis. The *final* section will set out the research design.

¹ The First Epistle of Paul the Apostle to the Corinthians, 13:3. Authorised Version, 1611.

Scope and Definitions

This section will define some key terms and narrow the scope of the topic to be addressed in this research. The first section defines what has been styled here “the middleman,” the organisation which transfers charity from the giver to the recipient.

Defining the Middleman

This research focuses only on third sector organisations (TSOs). Organisational taxonomy is often summarised in terms of three sectors (e.g. Cooley, 2020). The first sector refers to the for-profit organisational sector. This involves any organisational structure designed for the generation of profit for the owner/s. The second sector refers to the realm of government. This comprises organisations for whom profit is not the primary or ultimate goal, but rather, where good governance and civil and social welfare are the benchmarks for success. The third sector, sometimes known as the not-for-profit (NFP) sector, the non-profit sector, or the civil society sector, involves organisations which exist for the accomplishment of some goal and the existence of which explicitly excludes the possibility of any return to the owners from the profits or assets of the organisation. While there is a broad spectrum of organisational architecture within each of these three sectors, the above gives a broad view of the structure of the organisational space.

Within the third sector, there is a broad range of organisations; everything from clubs (e.g. ex-servicemen, social, sport, hobby, motoring) to religious assemblies (e.g. churches, synagogues, mosques, temples) to political groups (e.g. lobby groups, interest groups, local political branches, state political parties, national political parties) to more traditional charities (e.g. feeding the poor, caring for orphans, providing disaster relief, etc.). When most people think of this sector, they think about a particular subset of TSOs: non-government organisations (NGOs). NGOs have been defined in a number of

ways varying from practically synonymous with the third sector (United Nations Civil Society, 2023) to a fairly narrow definition which does not include any local organisations (Martens, 2002). The difficulty of effectively defining what constitutes an NGO is pointed out by Unerman and O'Dwyer (2006a) where the insufficiency of either a *de facto* or *de jure* definition is outlined. Others readily recognise these difficulties (Ahmed, 2004; Awio et al., 2011; Cordery et al., 2019). While various definitions (Ahmed, 2004; Olujide, 2005) and frameworks for definition (Vakil, 1997) have been put forward, for the purposes of this research, a definition has been adopted which is considered closest to the public law definition of NGO in Australia since this was considered most likely to capture what research participants had in mind when they gave responses to questions about NGOs. The definition selected is put forward by the United Nations (United Nations Rule of Law, 2015). Earlier versions of this definition have been used by others within the literature (see for instance Gray et al., 2006; Unerman & O'Dwyer, 2006a; Awio et al., 2011).

[An NGO] is a not-for-profit group, principally independent from government, which is organized on a local, national or international level to address issues in support of the public good. Task-oriented and made up of people with a common interest, NGOs perform a variety of services and humanitarian functions, bring public concerns to governments, monitor policy and programme implementation, and encourage participation of civil society stakeholders at the community level. Some are organized around specific issues, such as human rights.

Within this definition, there are varying kinds of NGOs. Various typologies have been put forward for NGOs (see Olujide, 2005; O'Dwyer & Unerman, 2007). Unerman and O'Dwyer (2006a) outline three types of NGO. *First*, the development NGO is

concerned with providing development assistance including welfare, infrastructure, research, relief, and education. *Second*, the advocacy NGO is concerned with such activities as campaigning, raising public awareness of problems, and advocating for human rights. *Finally*, some NGOs could be classified as a hybrid of the first two categories. An argument could be made for treating ongoing welfare separately from development which takes a more long-term approach. It should also be noted that there is a form of NGO known as the social enterprise organisation which straddles the first and third sectors (Defourny & Nyssens, 2006). This research focuses on development NGOs. The reason it does not emphasise advocacy, which is perhaps better considered through a political lens (Bendell & Unies, 2006; O’Leary, 2017), will be explicated at the beginning of Chapter 3. It should be noted that while this research focuses on a subset of this narrower definition of NGOs, it is expected that the findings of this study will have broad application within third sector organisations which fall outside of this definition.

Other Delimitations

Four additional points should be considered here. *First*, this research focuses only on small donor views. Small donor, in this research, refers to non-corporate, non-government, individual donors acting in their private, personal capacity. The research does not put an upper limit on how much the small donor may have donated, but the donors were recruited from the general public and none are believed to be particularly wealthy philanthropists. A more detailed giving analysis is included where relevant throughout the thesis. Large donors play a significant role in the third sector of course, but this research has chosen to focus on the views of small donors specifically as these donors were considered less likely to have a voice on matters relating to third sector

accountability. Expanding this research to consider the views of larger donors may be a fruitful pursuit for future research.

Second, this research examines the way in which small donors prioritise NGO accountability stakeholders. Stakeholder priority in this research refers to the rank of importance of a stakeholder regarding the demonstration of accountability. It answers the question “who is more important?” This should not be taken to imply that accountability should only be shown to these stakeholders. Indeed various stakeholders may have a legitimate claim to accountability from an NGO. This research is not intended to limit accountability to certain stakeholders, but rather to understand the priorities of small donors in relation to NGO accountability to these stakeholders.

Third, it should be noted that accountability as understood in this research is not limited to accountability for money per se, but rather relates to accountability for all aspects of the relationship between the NGO and its stakeholders. That said, this research does not address all aspects of NGO accountability, but is, rather, focused on the recipient of accountability; particularly the priority given to various categories of recipients. As to the definition of accountability itself, a whole chapter (Chapter 3) has been devoted to addressing this matter which is considered to be constituent of the research itself.

Finally, these recipients of NGO accountability are referred to in this research as a stakeholder group. The term stakeholder is rooted in stakeholder theory and will be addressed briefly in the following section on the philosophical approach to this research.

Philosophical Approach

This section will outline briefly some of the key philosophical assumptions of this research. These will cover the areas of ontology, epistemology, theory, and

methodology. In that order. A number of these matters, and others, are discussed as they arise throughout the thesis.

This research is conducted from the *ontological* perspective of critical realism understood not as a theoretical perspective primarily, but as a philosophical ontology. Critical realism (Bhaskar, 1978) is a postpositivist approach which sits between the positivist functionalist and critical interpretive paradigms. Critical realism attempts to blend the ontology of positivism with the epistemology of interpretivism yielding a broadened scope for the employment of theoretical perspectives in research as well as offering philosophically-rooted methodological flexibility (Modell, 2009; Bisman, 2010; Vincent & O'Mahoney, 2018). In interpretivism, reality is seen as internally constructed by the interpreter rather than externally situated. Critical realism differs from the interpretive approach in that while interpretivism tends toward ontological plurality (Chua, 1988; Lehman, 2017), critical realism argues that there are certain realities which, while sometimes difficult to discern and easy to misperceive, are nevertheless real and persistent realities.

Modell (2009) summarises the trichotomic ontological and epistemological framework of critical realism developed by Bhaskar (1978, 2010) consisting of real objects and generative mechanisms that lead to actual events and empirical experiences of those events. The reality represented by these real objects and mechanisms, even where socially or politically constructed (Modell, 2009), cannot be safely or reasonably ignored, even while our empirical experiences of them are usually interpretive and rarely, if ever, perfect or complete. This forms the basic *epistemological* assumption of this research. It is risky to ignore persistent, external realities on the basis that not everything is a persistent, external reality. While knowledge can never be more accurately known than the realness of the reality which it purports to reflect, there is,

nevertheless, some reality, and hence, indubitably, some accurately known knowledge. Some things are knowable. The assumption that nothing is knowable can be just as dangerous as the assumption that everything is knowable.

This research comes from the *theoretical* perspective of stakeholder theory. Stakeholder theory (Freeman, 1984) is a strategic management theory which takes into account all parties who may be affected by the actions of an organisation under the term stakeholders. Such stakeholders may be situated above the organisation (such as government), parallel to the organisation (such as similar organisations), or below the organisation (such as customers). Stakeholder theory has often been used in the third sector as a lens through which to examine NGO accountability (e.g. Ebrahim, 2003a; O'Dwyer & Unerman, 2008; Sacchetti & Tortia, 2019). Stakeholder theory is ideally suited to research on accountability in the third sector because it takes into account the complex range of stakeholders both upward, hierarchically above the organisation, to governments and donors, laterally to other TSOs, and downward, hierarchically beneath the organisation, to beneficiaries and members of the broader society. It is, therefore, the theoretical perspective selected for this research.

The *methodology* of this thesis flows naturally from the philosophical paradigm outlined above which recognises both the value and the weaknesses of postpositivist quantitative methods. The realist element of the critical realist ontology outlined above suggests the value of quantitative methods even while the critical element recognises the profound limitations of such an approach. The strength of quantitative methods, and their assumption, is that they can provide a numerical measure of a measurable reality. Their weakness, which correlates to their ontological assumption, is that reality is not always measurable in quantitative terms. Additionally, while quantitative methods are capable of capturing realities which are interpretively constructed, such quantified

findings may have limited value for comparison within the data set. Quantification of such subjectivity, even where well operationalised, may easily miss crucial, subjective elements. In such circumstances, qualitative research methods are ideally suited to provide a more nuanced picture of reality. This research, therefore, is positioned methodologically across the boundaries of these two kinds of research in order to benefit from the strengths and to mitigate the weaknesses of each. Additionally, it employs triangulation of methods in order to pursue methodic synergies. Specific methods are outlined later in this chapter under the research design heading.

Structure of the Thesis

This section will briefly outline the overall structure of the thesis (see Figure 1.1). After the introductory chapter, Chapter 2 will delve into the literature relevant to this topic in order to identify the gap in the knowledge and to problematise the research. This chapter will then end by outlining the aim of the research. The following four chapters (Chapters Three, Four, Five, and Six) will each contain a separate study, each of which progresses toward accomplishing the aim of the research. In the final chapter (Chapter 7), the findings of the research will be summarised and discussed.

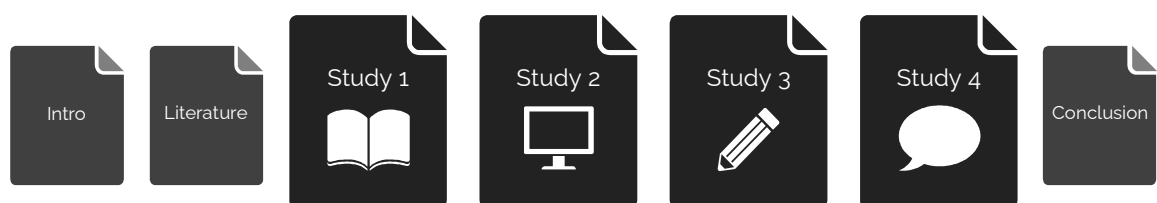


Figure 1.1: Structure of the thesis

Research Design

As noted in the first paragraph of this thesis, this research will focus on the views of donors regarding to whom accountability should be given. This has been crystallised into the *research aim* which is to explore small donor priorities for accountability from NGOs to their stakeholders. Chapter 2 will explicate this aim and show how it was arrived at from the academic literature. In order to accomplish this aim, a progressive research plan has been developed to be carried out in four separate studies. The logic and progression of these studies will be outlined in this section. The overall question addressed in each study is summarised in Table 1.1. The specific research objectives will be outlined along with the discussion of each study below.

Table 1.1: Questions addressed by studies

Study 1	Chapter 3	What is accountability?
Study 2	Chapter 4	How do NGOs think about stakeholder priority?
Study 3	Chapter 5	What are donor attitudes toward stakeholder priority?
Study 4	Chapter 6	Why do donors feel the way they do about stakeholder priority?

The *first* study looks at the definition of accountability which was considered to be a keystone issue. In order to contribute meaningfully to the discussion of accountability within the third sector literature, it was considered important to root the definition of accountability for use in this research deeply within that literature. Meaningful contribution also requires inservile analysis and critique. Hence, the *objective* of this first study is to undertake a conceptual analysis of extant definitions of accountability in the third sector research literature and to use the resulting conceptual elements to synthesise a working definition of accountability. Overall, the study is conceptual in approach. The methods of this study include something akin to a scoping

review for extracting definitions from the literature as well as elements adapted from thematic analysis for the analysis of those definitions. These methods, and the methods outlined in the following studies, will be justified and explained in more detail in the relevant places. Figure 1.2 summarises the primary method employed in each study.

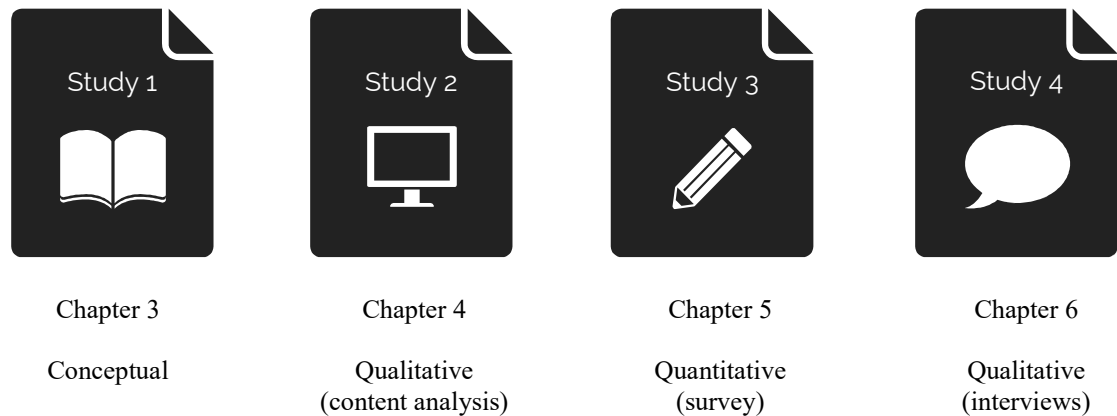


Figure 1.2: Research methods summary

The *second* study seeks to set the scene by looking at the way NGOs themselves look at accountability and the priority in which it is given. Particularly, do NGOs see accountability priority the same way the research literature sees it? And how do NGOs see accountability priority in relation to how the small donors considered in this research see accountability priority? The *objective* of this study is to explore the public views of NGOs on NGO accountability in practice with a focus on stakeholder priority. This is carried out by analysing the accountability paradigm demonstrated both explicitly and implicitly in the rhetoric and structure of NGO websites which are considered to be the most visible public face of NGOs. In order to do this, a qualitative content analysis of rhetoric and structure is conducted in order to develop themes that emerge across a number of NGO websites.

The *third* study seeks to place donor views against the background of the literature and NGO views in order to emphasise correspondence. And contrast. This study looks directly at the question raised in the research aim: what are the views of small donors on stakeholder priority for NGO accountability. The *purpose* of this study is to determine to whom small donors believe NGOs should be primarily accountable. The *objectives* of this research are *first* to determine to whom small donors believe NGOs should be primarily accountable, *second* to determine what information small donors require from NGOs for the demonstration of accountability, *third* to determine how small donors want that information delivered, and *finally* to determine how engaged small donors are with the information presently provided by NGOs. In order to accomplish these objectives, a quantitative survey approach was selected in order to allow a larger, more representative sample than a qualitative approach was likely to yield given the limited scope of this research.

The *final* study builds directly on the third study by attempting to explore the same basic question, but in a different way. The *objective* of this fourth study is to explore in greater depth the views of NGO small donors toward NGO accountability and stakeholder priority. In order to do this, a qualitative semi-structured interview method was selected. Thematic analysis was then used to draw out key themes within the interviews that were conducted. This approach is expected to yield more nuanced insights and a more in-depth understanding of why donors respond the way they do to the quantitative research in the third study.

Conclusion

This chapter began by introducing the topic of this research which was then narrowed in the section on scope. This was followed by a brief discussion on some of the key philosophical assumptions underlying this research. The structure of this thesis

was then outlined briefly in the following section. The final section of this chapter set out briefly the research design, summarising the progressive logic of the research, the particular objective of each study, and the methods employed. The next step in this research is to look at the academic literature in the areas relevant to the research topic in order to get a picture of the current state of the research. This is pursued in the chapter which follows.

Chapter 2: Background and Literature Review

According to Kreander et al. (2009), NGO accountability is an under-explored topic. As noted in Chapter 1, the research aim of this thesis is to explore small donor priorities for accountability from NGOs to their stakeholders. This chapter explores the academic literature on NGO accountability, focusing particularly on the literature that addresses stakeholder priority for receiving that accountability. The literature is reviewed under four major headings. *First*, conceptualising the NGO. *Second*, comparing the first and third sectors. *Third*, the direction of accountability in NGOs. And *finally*, challenges in employing a corporate model in the third sector.

Conceptualising the NGO

The way in which an organisation is conceptualised has direct bearing on how it will be expected to operate and to whom it will be expected to demonstrate accountability. This section will set a foundation for a discussion of how the NGO is conceptualised by looking briefly at some of the theoretical approaches employed in the literature. Next it will look at conceptualisations of the NGO within the literature itself.

Theoretical Approaches to Conceptualising Third Sector Roles

A number of theoretical approaches have been employed to conceptualise the roles of the various actors involved in the third sector (e.g. NGOs, donors, beneficiaries, etc.). This section will outline four of them: agency theory, legitimacy theory, market theory, and stakeholder theory. First, Ahmed (2004) conceptualises the NGO from the perspective of *agency theory*, which views the relationship through the lens of the principal-agent relationship. An agent is one who acts on behalf of another, the principal. In this conceptualisation, the donor is seen as the principal and the NGO is seen as the agent entrusted with using the resources of the principal to provide the

benefits the principal wishes to provide. From this perspective, the primary actor to whom an NGO should be accountable is the donor who is the principal in the principal-agent relationship. Others have looked at accountability in the third sector through an agency theory lens including Laughlin (1990).

Second, *legitimacy theory*, closely related to stakeholder theory and the theory of political economy (Deegan, 2002), is rooted in the concept of the social contract (e.g. Rousseau, 1920). Society grants corporations privileges such as legal personhood and limited liability in exchange for benefits such as employment and the development of resources. The right of a corporation to exist is granted by society on the basis that the corporation is seen to possess societal legitimacy (Mathews, 1993; Deegan, 2002). Legitimacy theory, then, sees legitimacy as the primary currency of the management strategy for a corporation. Legitimacy must be obtained and maintained and the stakes are the very right to exist. This reliance on legitimacy—or at least public perception of legitimacy—creates a need for careful management of an entity's public perception (Connolly & Dhanani, 2013). Public appearances—and disclosures—are seen as tools for obtaining and maintaining legitimacy. Management, then, must use disclosures to manipulate perceptions in order to protect the entity. This may lead to misrepresentation, especially when the realities being represented in disclosures are less than ideal. Legitimacy theory is therefore potentially quite relevant to research on organisational accountability as it sets out the context in which disclosures for accountability are seen to take place and sheds light on the motivation an entity might have for manipulating disclosures to focus more on perceptions of reality than on reality itself. Indeed, various accountability research has already been carried out from the perspective of legitimacy theory (Deegan, 2002; Campbell et al., 2006; Tilling & Tilt, 2010; Dhanani & Connolly, 2012). When it comes to the third sector, these

accountability disclosure and demonstration implications would seem to hold parallel. Indeed some have looked at NGO accountability through the lens of legitimacy theory (Edwards & Hulme, 1996b). As a tool for conceptualising the roles of the various players in the third sector, however, legitimacy theory places the players in the third sector either in the role of the legitimiser or in the role of the society towards whom the NGO must be legitimised. From this perspective, the primary actor to whom an NGO should be accountable is society at large. Legitimacy theory also highlights the risks of NGO manipulation of societal perceptions.

Third, from a *market theory* perspective, actors are conceptualised using the metaphor of market and fall into the role of either seller or buyer. These roles are represented in the aggregate in terms of supply and demand (Smith, 1776; Keynes, 1936). In the first sector, a commercial entity operates in a number of markets. They may operate as a buyer in relation to their suppliers, as a buyer in relation to the employment market, and/or a seller in relation to consumers. Market theory posits that markets inherently yield maximum efficiency and effectiveness under normal circumstances, and are indeed an ideal tool for maximising efficiency and effectiveness (Smith, 1776; Keynes, 1936). This is paralleled in the third sector where an NGO may operate in various markets including in relation to donors, beneficiaries, and employees. In relation to beneficiaries, the NGO can be conceived as the supply side and the beneficiary as the demand side of the market (Olujide, 2005). In this conception, the product/service is aid and, by nature, the beneficiaries have little or no willingness to pay and indeed need not pay since the services they receive have already been paid for by the donors. Olujide (2005) highlights this dilemma and avers that beneficiaries need some “teeth” if they are to function as an effective demand system. He suggests that in order for beneficiaries to have teeth, NGOs must be competing for

beneficiaries and/or beneficiaries must come to see the services as their right. Either event, he suggests, would build toward an effective demand system that would put pressure on NGOs to operate effectively and efficiently. In other words, this conceptualisation implies that upward, commercial-style accountability is insufficient and it is necessary to create downward accountability. Alternatively, the NGO can be conceptualised as the demand side and the beneficiary as the supply side of the market. This conceptualisation implies that the primary accountability for the NGO is upward, and that the product they have sold to the donor creates a demand on the part of the NGO. The NGO is, in a sense, out shopping for people to whom they can provide the products purchased by the donor.

Fourth, *stakeholder theory* seeks to take a broader perspective of the organisation by considering all actors who may be in any way affected by the activities of the organisation, both those above, within, adjacent to, and below the organisation (Freeman, 1984). In the first sector, a commercial entity is conceptualised as having multifarious stakeholders, each having its own claims on the organisation in proportion, theoretically, to the degree to which they are affected by the operations of the organisation. A typical organisation has multiple stakeholders including employees, customers, suppliers, competitors, shareholders, regulators, governments, employee community (family, friends, etc.), the local community, the broader community, the international community, etc. In the third sector, stakeholder theory has often been used as a lens through which to examine NGO accountability (e.g. Ebrahim, 2003a; O'Dwyer & Unerman, 2008; Sacchetti & Tortia, 2019). Stakeholder theory seems ideally suited to NGO research as it is highly flexible in its organisational application, and will for this reason be the primary theoretical perspective for the purposes of this research.

This section has considered a number of theoretical perspectives (agency theory, legitimacy theory, market theory, and stakeholder theory) employed in the third sector literature in order to set a foundation for conceptualising the roles of actors in relation to NGOs. The next section will focus on the way in which NGOs are conceptualised in more detail.

The NGO: From Charity to Commercialised Corporate Entity

The way in which the NGO is conceptualised is of crucial importance to the topic of NGO accountability because it sets the expectations for how the NGO will behave and how accountability will be demonstrated. If the NGO is conceived of as similar to a commercial entity, stakeholders will expect similar modes of operation and structures of accountability. If on the other hand, the NGO is conceived of as something wholly other than the typical commercial entity, a different set of assumptions will inhere and expectations around accountability will differ. In the commercial entity, there are clear lines of accountability, first upward to management and on to the board, and from there, on upward to the shareholders. Various other mechanisms of accountability may be in place, but for public companies these three are both universal and foundational. The question is whether third sector organisations are like first sector organisations. To the extent that third sector organisations are analogous to first sector organisations, the research on accountability in the first sector is relevant to and beneficial for the third sector and third sector organisations will benefit by attempts to adapt first sector accountability mechanisms to the third sector context.

Dixon et al. (2007), in the context of the microfinance NGO, points out that there is a shift from a charity mentality to commercialisation. Indeed, the commercial conception of the NGO is deeply imbedded within the scholarly paradigms observed in the literature—even among those who decry this trend. For instance, Chenhall et al.

(2010a) argue that “a common concern” within NGOs is “the increasing pressure to corporatise the structure and management of NGOs” (p. 3). Still, Chenhall et al. (2010a) directly assert “the *inevitability* of a more economically rational approach to [NGO] operations” (p. 4, emphasis added). Earlier, Mawdsley et al. (2005) recognise a broad shift toward commercialisation of the NGO and Dixon et al. (2007) suggest “an apparent shift to commercialisation” within a subset (microfinance providers) of the NGO context (p. 48).

The need to see the “analogies and differences” between the first (commercial) and the third (NFP) sectors has been pointed out (Micheli & Kennerley, 2005, p. 132; cf. Yap & Ferreira, 2011) and a number of researchers make explicit comparison between the first and the third sectors (e.g. Ebrahim, 2003a; Ip et al., 2003; Olujide, 2005; Murtaza, 2012). While researchers have demonstrated considerable reticence to endorse a commercial conception of NGO accountability, still the research inexorably employs commercial language when dealing with NGOs. This seems to betray an underlying commercial conception of NGOs that needs to be explored in greater detail.

Perhaps this commercial conception of the NGO is rooted in the aptness with which stakeholder theory may be applied to the third sector and the ease with which stakeholder groups may be compared, drawing both analogies and distinctions. Indeed, stakeholder theory allows for various pairings allowing for the assessment of differing conceptions of NGOs. In other words, stakeholder theory does not specify stakeholder priority as some other theories do, nor does it structure them hierarchically in the ways implied by some theories. Further, stakeholder theory is flexible enough to recognise the different stakeholder mapping for different kinds of TSOs. For instance, stakeholder theory does not require a grassroots organisation (GRO) to be treated the same as a large-scale development NGO, or a religious organisation (RO) to be compared to a

membership-based advocacy NGO. Stakeholder theory allows for the mapping of an analogous stakeholder groups in multifarious ways appropriate to the organisational context. It is possible, then, that the commercialised, corporate conception of the NGO is based, at least in part, on the aptness of stakeholder theory. Indeed, it is at this theoretical level that the embeddedness of the commercialised, corporate paradigm is most visible. For instance, both Sacchetti and Tortia (2019) and Ebrahim (2003a) discuss NGO accountability in the context of stakeholder theory, making overt comparison between the corporate sector and the third sector, while recognising that the similarities are “somewhat limited” (Ebrahim, 2003a, p. 814). Ebrahim (2003a) refers to the donors as “patrons” and the beneficiaries as “clients” (p. 814). This suggests a paradigm in which the donors are conceived of as analogous to the shareholders in a corporate entity while the beneficiaries of the donations are conceived of as analogous to the customers in the corporate sector. Considering the differences in the two sectors, this conception has significant implications for how accountability should be structured. An alternate conceptualisation of these key roles is represented by Olujide (2005) who argues that most NGOs come from the community itself and are GROs. He therefore conceptualises the community as the “constituent[s]” (p. 64) of the NGO. This conceptualisation suggests a sort of representative form of governance in which, as in political representative democracy, the ultimate power rests in the community itself (cf. Bendell & Unies, 2006). This conceptualisation can be seen as the inverse of the previously addressed approach. In this approach, the beneficiaries are conceptualised as analogous to the shareholders in a commercial entity and the donors are seen as analogous to the customers in a commercial entity.

Ebrahim’s conceptualisation seems more congruent with the reality in the field as described by his ideological opponents. For instance, Murtaza (2012), arguing

against a corporate conception of NGOs, after outlining an accountability framework which is “commonly used by NGOs” (p. 6)—and which he does not endorse—, goes on to say

Ironically, [this framework] aptly describes the hierarchical manner in which the various stakeholders are linked to NGOs in reality, with donors and governments above NGOs and communities, staff and partners below NGOs in the power hierarchy. (p. 6)

Yet the irony vanishes when the data is approached using Ebrahim’s analogy of the NGO to the corporate sector, though this is precisely the opposite of what Murtaza recommends.

This section has introduced the concept of conceptualising the NGO from the literature, rooted particularly in the implications of the theoretical approach taken. It has outlined a common pattern of conceptualising the NGO in a way that compares it to the commercial sector. The following section will outline a number of key conceptual themes in the commercial sector, assessing analogies and differences between the first sector and the third sector as outlined in the literature.

Comparing the First and Third Sectors

In order to consider the analogies and differences between the first and third sectors, this section will look at three key first sector categories. These are revenue and profit, market environment, and investment.

Revenue and Profit

A key category of comparison between the first and third sectors is revenue and profit. *First*, a fundamental difference between organisations in the two sectors is revenue, or as Micheli and Kennerley (2005) put it, “the way they generate their income” (p. 125). In the first sector, revenue is typically generated by the sale of goods

or services. In the third sector, revenue is typically, but not always, generated through donations. While this fundamental difference seems to admit no possibility for analogy, it will be seen as this section progresses that the generation of revenue may be more analogous than is initially apparent.

The *second* key difference between organisations in the two sectors is how profit is calculated. In the private sector, profit is calculated in economic terms. In the third sector, rather than economic profit, the NGO seeks what could be termed social profit. Chenhall et al. (2010b) contrast economic and social profit though they stop short of connecting the words “social” and “profit” explicitly. So what is the bottom line for a TSO? “*Changed lives or mission achieved* is the ‘bottom line’ for non-profit organizations” (Ip et al., 2003, p. 283, emphasis in original). Or, as Yap and Ferreira (2011) put it:

The success of for-profit organisations is generally measured by financial performance measures which are typically a function of profitability. In contrast, for NFP organisations, success is normally understood as how much and how well their services are provided which is far more difficult and ambiguous than measuring profit. (p. 4)

These sources address profit in the NGO context in terms of both “the bottom line” and “success,” drawing overt analogy to the corporate sector. The desirability of success—or “profit”—in NGOs is a given, but the definition of success as well as the measurement of success (Micheli & Kennerley, 2005) is more difficult in the NGO context than in the for-profit sector (Ip et al., 2003). Still, this analogy suggests that both sectors have the same basic motivation: the bottom line.

Market Environment

Both the first and third sectors may be seen to function in market economic terms. While this reality is sometimes seen as potentially unhelpful (e.g. Lawrence & Sharma, 2002; Ebrahim, 2003a; Lawrence, 2005; O'Dwyer & Unerman, 2008), Murtaza (2012) recognises that market pressures impose at least some degree of accountability on NGOs. Similarly, Ahmed (2004) recognises, apparently to his chagrin, that upward accountability to donors in a major Bangladeshi NGO “almost compelled them to accept an apolitical, pro-market approach” (p. 14). Others overtly conceptualise elements of the third sector in terms of market (e.g. Olujide, 2005; Beamon & Balcik, 2008; O'Dwyer & Unerman, 2008). The debate is not about whether the third sector operates in a market per se, but rather about how best to conceptualise that market and how to deal with the differences between the well-researched commercial sector market and the under-researched third sector market (e.g. Olujide, 2005).

Is it legitimate to apply the concept of a market environment to the third sector? In order to answer this question, another question becomes crucial: do the fundamental assumptions of market theory apply? Does the third sector have “buyers” and “sellers”? Is there competition for scarce resources? To the extent that these assumptions hold, the third sector may legitimately be conceptualised as a market environment. If these assumptions do hold, it will be crucial to conceptualise the various elements accurately as they act in that real market or that market will fail to function intelligibly. Or, to put it another way, that market will *not* fail to act according to market principles, but analysis of the third sector *will* fail to accurately understand the forces at work. The key to understanding a third sector market environment, then, would be to accurately

understand the key differences between the first sector and third sector markets themselves.

Supply and Demand.

The assumption of a market environment is the existence of a market; sellers and buyers; supply and demand (Smith, 1776; Keynes, 1936). The analogy of supply in the third sector will be easier to see once the third sector analogy to demand is clear. In order to see the demand analogy clearly, the question must be asked: Who is the buyer in this market? Who is the customer? The consumer? It is tempting to see the beneficiary as the customer (Olujide, 2005) since the beneficiary sits at the end of the “supply chain.” However, the beneficiaries function, in a market context, as both overwhelming demand and as no demand. Overwhelming demand because the needs are overwhelming. And no demand because the beneficiaries have no money with which to buy. In short, the beneficiaries as the demand analogy does not accurately reflect the reality of the third sector. It is also tempting to see the analogy of the customer in the donor in that the donor is the one spending money (the donation) to purchase a product (the benefit). This raises the question: What is the analogy to the product in the third sector? The answer to this question will have significant ramifications for how NGOs are conceptualised. This, in turn, will have significant implications for how accountability in the third sector is understood and practiced as it will illuminate the market forces at work in the third sector.

If the beneficiary is seen to be the analogy to the customer, then the product is the benefit the beneficiary is receiving. If, on the other hand, the donor is seen to be the analogy to the customer, then a new question arises. Is the product the donor purchases merely the benefit to the beneficiary or is there some benefit which donors themselves receive by purchasing benefits for beneficiaries? This could be asked in another form:

Are donors purely altruistic or do they operate in at least a partially self-interested (egoistic) manner? Liu (2019) addresses this question noting that motives for charity giving are not monolithic. He uses an expectation-based psychological model which is activated through trust for NGOs (cf. Waniak-Michalak & Perica, 2021) but is ultimately more complex than any one factor. In other words, there are many reasons why someone might give to charity. For one person, the feeling of having helped or the belief that they have helped is motivation enough for giving. This person may feel no need to check on the outcome as they have what they want already and don't want to know if the money ended up being wasted. For another person, the actual good to the beneficiary is what motivates them. Such a person may follow the donation's use carefully to the outcome because for this person, the thing they want is the good to the beneficiary itself. That's the "product" for this person. For yet another person, the product they are purchasing when they donate is relief from feeling guilty about the suffering of others. Such a person may not be interested in how the money is used because they don't want to think about it again for as long as possible. On the other hand, they may want to watch how the donation is used in order to maximise the value of their donation by seeking to experience the good feeling that comes from knowing that they made a difference. In short, the motivations for giving may be as psychologically complex as people are (Liu, 2019; Waniak-Michalak & Perica, 2021). Indeed, Bekkers and Wiepking (2011) develop a theoretical framework for explaining charitable giving involving eight mechanisms that drive such giving. These are awareness of need, solicitation, costs and benefits, altruism, reputation, psychological benefits, values, and efficacy. This supports the notion of charitable giving as a psychologically complex phenomenon and demonstrates that, at least in many cases, donors may be accurately conceptualised as analogous to the customer in the first

sector. In donating, the donor spends money to purchase a product which is seen to be both the benefit to the beneficiary and at least often—perhaps even usually or always—, more pertinently, the benefit to the donor. Even where altruistic motives exist, egoistic motives may coexist. This point is important because it gives the donor a self-interested motivation to give and therefore aligns more strongly with the dynamics of market demand.

So far this section has suggested two possible analogies to the first sector customer. First, the beneficiary. Second, the donor. Which of these is the best analogy to the customer? In a sense, both are. The donor is the best analogy to the customer because his or her motives align best with the market dynamics of the first sector. And the beneficiary is an analogy to the customer in that the benefits to the donor are inherently mediated through the benefits provided to the beneficiary. In a sense, both are customers. The donor buys on behalf of the beneficiary, but gets something from it himself. The dad (the donor) buys an ice-cream for the child (the beneficiary). Paternalistic perhaps, but an accurate reflection of the reality that exists in the third sector. And it is crucial to recognise this reality. Because if this reality is not recognised, the market will still *not* fail to act according to market principles, but analysis of the third sector *will* fail to accurately understand the forces at work.

As noted above, the analogy of supply in the third sector will be easier to see once the third sector analogy to demand is clear. Now that the analogy to demand is recognised as the donor on behalf of the beneficiary, it is easier to see that the supplier of both the benefits to the beneficiary and both the altruistic and self-interested benefits to the donor, is the NGO.

Competition.

The core cause of market competition is scarcity. Scarce resources within a market context activate market principles and “the invisible hand of the market” (Smith, 1776). There are at least three areas in which competition is seen in the third sector: market share, product value, and marketing.

Market Share.

The markets in both the first and third sectors involve competition for scarce resources. In the commercial sector, this is typically competition for product/service market share. In the third sector, the competition is between NGOs for donor resources. Chenhall et al. (2010a) argue that “the survival of NGOs is becoming dependent on them being able to compete for scarce welfare funds” (p. 4). The word “becoming” suggests a shift toward more competition, a suggestion that is supported by Goddard and Assad’s (2006) citation of a massive increase of NGOs in Tanzania between 1990 and 2001 from 163 to over 3,000 NGOs. If this growth is indicative of the growth in other countries and regions (and the literature suggests that it is [e.g. Alawattage et al., 2007]), then increasing competition is to be expected. This is consistent with the arguments of other researchers (Beamon & Balcik, 2008; O’Dwyer & Unerman, 2008; Chenhall et al., 2010b; Yap & Ferreira, 2011) that the third sector involves competition for scarce resources. A notable counterpoint comes from Olujide (2005) who argues that the NGO environment is “relatively resource rich” (p. 67), and that there is a resulting “absence of pressures for performance” among NGOs. This assertion seems incongruent both with the broader literature and with the substantial expenditure on fundraising among NGOs.

Product Value.

Another area of competition for scarce resources is in product value. Just as in the first sector, the better value product will tend to attract a higher price and more buyers, so in the third sector a better value product will tend to attract higher donations and more donors. This “better value” is seen in two dimensions: effectiveness and efficiency. Both of these are recognised aims of TSOs (Parker, 1998; Ip et al., 2003; Micheli & Kennerley, 2005; Olujide, 2005; Chenhall et al., 2010a, 2010b; Yap & Ferreira, 2011). *First*, benefits which are seen to be delivered more *effectively* will be seen to have higher value to donors. Effectiveness has to do with getting the job done well. Donors who feel that their money is genuinely reaching the people most in need and genuinely meeting their needs will be more likely to donate. This will hold true in decisions between where to donate. Donors who feel that NGO A is more effective than NGO B will tend to give to NGO A. *Second*, benefits which are seen to be delivered more *efficiently* will be seen to have higher value to donors. Efficiency has to do with getting the job done at the lowest possible cost. Donors who feel that their money is accomplishing more, dollar-for-dollar, than it would accomplish at another NGO, will be more likely to donate. Donors who feel that NGO A is more efficient than NGO B will tend to give to NGO A. Therefore, an NGO that seeks to maximise the effectiveness and efficiency of their “product” is attempting to compete for donor dollars by adding value to their “product.”

Marketing.

Finally, competition for scarce resources is evident in the effort and budget invested in marketing in the third sector. NGOs may seek to beat the competition by emphasising greater effectiveness or efficiency. For instance, an NGO may seek to demonstrate efficiency by disclosing the percentage of donations used for

administrative purposes. This would allow the NGO to compete for potential donors either by showing superiority in this area or at least by demonstrating a percentage commensurate with the industry standard. NGOs may use other means to add value to or differentiate their product. For instance, an organisation which connects donors to a particular beneficiary, giving both a name and a photograph of the beneficiary, is seeking to gain commitment from the donor by adding value to their donation. Finally, NGOs may compete by developing “brand recognition” and the trust and goodwill of the donor (Liu, 2019) which is developed through shared goals and accountability (Nichols, 2004).

Investment

There are few, if any, strong analogies in the third sector to the investor in the first sector. There are two reasons why this is true. First, the analogy to profit is weak because NGOs are required to adopt a non-profit clause which means that if there are any financial investors, they cannot legally receive any monetary profit from the investment. Second, the analogy to capital is weak because NGOs typically do not need to rely on capital investment to fund operations. These are fundamental differences between the two sectors. There are, however, some limited analogies worth considering.

Return.

First, while an investor cannot legally receive monetary returns for any investment in an NGO, they can still receive “social profits” as defined above. It is important to note, however, that the majority of the benefit received by donors is not analogous to social profit, but is rather analogous to the basic value acquired by anyone purchasing a product. This is not analogous to profit—return on investment—because

this is not an *ongoing* return from a *repayable* capital investment. It is, rather, a one-off receipt of value in exchange for a payment—the purchase of a product.

Control.

Some (Liu, 2019) have conceptualised NGO donors as investors who give in expectation of a return on investment, albeit a non-monetary return. However, this conceptualisation is arguably flawed. While there is some analogy to investment/profit in the third sector, it is crucial to remember that investment comes not only with the expectation of repayment of the capital and ongoing returns, but also with a degree of *control*. In the third sector, it is rare that donors gain any sort of control in the organisation on the basis of their donation. An exception to this would be membership organisations. This exception will be expanded on below. Here, it is sufficient to note that any control that a donor receives by donating is analogous to the control of a consumer, not the control of an investor. Where no capital investment analogy exists, no capital-based control can exist.

Investors.

So far it has been argued that there is no strong analogy to the investor in the third sector. It seems there is, however, some degree of analogy to the investor in the third sector. Arguably members of the organisation have some analogy to investors, particularly in relation to control. For instance, a board member of a private non-profit is analogous to an investor both in having a share of the control of the organisation and in the sense that at some level the overall social profits of the organisation could be seen to be a result of his or her investment. Additionally, in larger membership organisations where membership fees help to fund the activities of the organisation and come with voting rights, this could be seen as analogous to the investor to some degree. Finally, an argument could be made that some mere donors are somewhat analogous to

investors depending on the size of their donations and the degree to which the organisation depends on their donations for ongoing existence. Even here, though, it is much more accurate to compare such donors to big customers than to investors.

The Direction of Accountability in NGOs

The reason it is so crucial to correctly conceptualise the third sector and compare it well to the first sector is that the effectiveness of third sector accountability hinges on doing so. Market forces are real and operate in predictable ways. It is essential, therefore, to build third sector organisations in ways which are in harmony with these forces. As noted above, if these forces are not taken into account, the market will *not* fail to act according to market principles, but analysis of the third sector *will* fail to accurately understand the forces at work. It is crucial, therefore, that consideration be given to the possibility that market forces will require forms of accountability not endorsed by some ideological perspectives.

The third sector functions with dominantly upward accountability for downward benefits delivery. This is the functional reality within which NGOs operate; so much so that it has been called “the Achilles heel of the NGO movement” (Lewis & Madon, 2004). Ahmed (2004) also treats the primacy of upward accountability as a problem because, he argues, “NGO policies may come to reflect donor priorities rather than their clients’ needs and aspirations” (p. 9). This highlights the tension between aspirations of giving control to the beneficiaries of aid and the right and apparent desire (Mawdsley et al., 2005) of donors to control how their donations are used. This study, therefore, explores the possibility that upward accountability is the dominant reality in NGOs because *inherent market forces demand upward accountability* over downward accountability and whether the ineffectiveness of attempts to implement downward

accountability calls into question the present rationale for attempting to do so and suggests the prudence of a closer look at this topic.

To continue the comparison in the first and third sectors, both sectors are the *same* in that there is accountability upward for the satisfaction of those downward. Both sectors are *different* in that in the first sector, failure to satisfy the downward stakeholders leads to swift, unavoidable, and easily measurable negative outcomes for upward stakeholders (e.g. lower sales) whereas in the third sector, failure to satisfy the downward stakeholders is unlikely to even come to light. If it does, it will be slowly and is unlikely to be communicated broadly or clearly to upward stakeholders. Which raises another point of comparison. In the corporate sector, the customers have significant power in the relationship with the corporate entity because the customers can usually simply withhold business from the entity. Olujide (2005) points out that the power relationship between an NGO and its beneficiaries is biased in favour of the NGO because the beneficiaries cannot typically withhold their “business” both because they are usually not paying for it in the first place, and also because there are often few if any NGOs competing for their “business.” This power disparity between the NGO and the beneficiary may be an insurmountable hurdle to downward accountability. This topic will be addressed further in Chapter 3.

Downward Accountability

The vertical dimension of accountability addresses the upward or downward direction of accountability. Upward internal accountability involves accountability within the NGO’s internal hierarchy. Downward internal accountability might include accountability to employees and volunteers. According to Edwards and Hulme (1996b), upward external accountability refers to accountability to those who are hierarchically above the organisation (e.g. donors, governments). Downward external accountability

refers to external accountability to those hierarchically below the organisation (e.g. beneficiaries, broader society). The direction of accountability is a significant theme within the literature and has been addressed by multiple papers (Ebrahim, 2003a; Ahmed, 2004; Lewis & Madon, 2004; Bendell & Unies, 2006; Dixon et al., 2006; Goddard & Assad, 2006; Unerman & O'Dwyer, 2006a; Dixon et al., 2007; O'Dwyer & Unerman, 2008; Hopper et al., 2009; Jacobs & Wilford, 2010; Awio et al., 2011; Yap & Ferreira, 2011; AbouAssi, 2013; Andrews, 2014; Taylor et al., 2014; Chu & Luke, 2018; Dewi et al., 2019; van Zyl & Claeys, 2019). The following section will address the significant focus of the literature which is a growing call for increased downward accountability in NGOs.

The literature has tended to view the accountability *status quo* in NGOs as external and primarily upward. In other words, NGOs are viewed as accountable to their donors for how donated resources are utilised. Often, donors make continued funding contingent on specific and detailed reporting on projects they fund (Awio et al., 2011; Liu, 2019). In recent decades, however, the broader field of NFP research has argued, based on stakeholder theory that NFP organisations should be accountable not only upward to donors and host governments, but also downward to beneficiaries and local communities (Tandon, 1995; Ebrahim, 2003a; Ahmed, 2004; Awio et al., 2011; Dewi et al., 2019; Osman & Agyemang, 2020; Yasmin et al., 2021). The ultimate question when addressing the direction of accountability is “to whom are NGOs accountable?” (Ahmed, 2004, p. 9) or “who do NGOs represent?” (Murtaza, 2012, p. 3).

Some argue that the community and the beneficiaries of NGO activities are not only stakeholders, but are the stakeholders most likely to be ignored (Bendell & Unies, 2006). For instance, Ebrahim (2003a) argues that poverty is not merely a problem of a

lack of resources, but is rather based on inequitable power structures that must be broken down before poverty can be eliminated. He argues that NGOs are an example of such inequitable power structures due to dominantly upward accountability and the solution is more downward accountability (p. 818). Ebrahim finds that NGOs tend to emphasise upward accountability at the expense of downward accountability. Similarly, Ahmed (2004) studied a major NGO in Bangladesh and found that upward accountability was operating well, but that downward accountability, while theoretically in place, was not operating effectively because beneficiaries did not have any way to ensure that their concerns were taken into account. Rather, Ahmed found that accountability was generally initiated by and offered to financial donors and government authorities and concludes that “NGOs [*sic.* NGOs’] policies may come to reflect donor priorities rather than their clients’ needs and aspirations” (p. 9). Finally, Mir and Bala (2015) looked at two NGOs in Bangladesh, arguing that an over-emphasis on upward accountability was having a deleterious effect on downward accountability to beneficiaries. Similar concerns are raised by Lewis and Madon (2004), Unerman and O’Dwyer (2006a), Yap and Ferreira (2011), Roche (2009), Hopper et al. (2009), and Andrawes et al. (2019). On the other hand, Uddin and Belal (2019) suggest the possibility of a non-polarised paradigm in which downward accountability is enhanced through upward accountability.

Difficulties with Downward Accountability

Several studies, while arguing theoretically for stronger downward accountability, have produced results which raise questions about downward accountability in practice. For instance, O’Dwyer and Unerman (2008) conducted a case study on Amnesty Ireland in which they explore issues of accountability within the context of an advocacy NGO. The case study revealed that even though the NGO was

trying to implement a holistic approach to accountability (upward, downward, and inward), that in reality, key case interviewees saw the public rhetoric as unrealistic and that in practice, accountability was heavily weighted to those who had a financial or legal stake in the organisation.

Another example is Dixon et al. (2006, 2007) who performed a case study in a development NGO in Zambia. The NGO had implemented a “Trust Bank” approach to microfinance where loan recipients took joint liability for loans to members of the “Trust Bank” group. At first, when measured by money disbursed in loans, the NGO saw great success. But over time, the downward accountability mechanisms demonstrated significant weaknesses and were undermined by corruption, role confusion, ambiguous values, and an accountability/repayment model which was untenable (Dixon et al., 2007). Dixon et al. (2006) demonstrate that the best of intentions must be backed by economically and socially sound mechanisms of accountability.

An empirical study carried out in Uganda by Awio et al. (2007; Awio et al., 2011) examined the community-led HIV/AIDS initiative (CHAI) in order to determine the effectiveness of downward accountability in practice. The CHAI is administered through thousands of GROs which are known as “CHAI groups.” Awio et al. (2011) draw on Edwards and Hulme’s (1996b) assessment of accountability as needing to be both upward and downward. The CHAI groups are managed by a Community Project Committee (CPC) which is accountable upward to the government via the District HIV/AIDS Committee (DAC) and is accountable downward to the community and beneficiaries via informal means including oral reports at council and church meetings. This places local CPC members in direct contact with the community and allows for accountability in spite of low levels of literacy. Written reports are kept to a minimum

and special training is given to the CPC to carry out these reports. Awio et al. (2011) outline four elements of a “bottom-up” (i.e. downward) accountability framework: It must be simple, transparent, underpinned by social capital, and enacted at the community level. The authors refer to this as “an ideal” (p. 86) and point out that it is suited primarily to the narrow field of the GRO.

Indeed, others have also produced results which raise questions about downward accountability in practice. For instance, Walsh (2016) outlines a number of obstacles to downward accountability. Bawole and Langnel (2016), referring to downward accountability, found that

These engagements [between NGOs and beneficiaries] were limited to endorsing pre-prepared plans, decisions, and mundane aspects of the project. The engagements were largely tokenistic, rhetorical, and to garnish legitimacy, and lacked the key elements of empowerment which promoted downward accountability (p. 920).

Other studies have raised problems with downward accountability at the conceptual level. For instance, Taylor et al. (2014) seeks to challenge the prevailing view of downward accountability as a distinct category in the typology of the direction of accountability. The research examines the recovery reports of the NGOs responsible for managing the recovery effort after the 2009 “Black Saturday” bushfires in Australia, considering the readability, closeness, and beneficiary empowerment of the texts of reports as well as analysing the use of images in the report. Their research raised a number of points. For instance, the more arms-length an NGO was, the more lengthy their report and the more often they used language evoking closeness. Most significantly, the interviews demonstrated what the analysis suggested, that the downward accountability was motivated largely by the need to be accountable upward.

“That is, downward accountability, in terms of the manifestation of its criteria in formal reports is found to be overly (*sic.* overtly?) directed by upward accountability” (p. 649).

Additionally, Connolly and Hyndman (2017) interviewed NGO managers, auditors, donors, and beneficiaries in order to gain insight on the relationship between donor and beneficiary accountability. They found that beneficiaries were viewed as largely uninterested or unable to exercise meaningful accountability, but that beneficiaries felt accountability was adequately discharged when offered to upward stakeholders. This was resolved by the researchers’ postulation that beneficiary and donor interests are closely aligned, allowing accountability to donors to act as a proxy for accountability to beneficiaries. These lines of research suggest the possibility of a need for a rewiring of prevailing conceptualisations (and perhaps, at times, operationalisations) of TSOs.

Challenges in Employing a Commercialistic Corporate Model

It would be possible to draw the conclusion that because NGOs have strong analogies to first sector organisations when comparing accountability obligations, that these analogies also extend to other aspects of NGOs such as their general operations and organisational structure. These analogies, however, are observed *when comparing accountability obligations*. The fact that these analogies between the first and third sectors must be taken into account when considering accountability in the third sector does not suggest that just any aspect of a first sector organisation can be transferred effectively to the third sector. Indeed, the literature considered in this review notes a number of challenges in employing commercialistic operational mechanisms and corporate organisational models, even when these mechanisms and models relate to the demonstration of accountability. For instance, Ahmed (2004), when comparing the two sectors in relation to management control, lists some common difficulties including:

The tendency for vague organizational objectives, difficulties of monitoring performance effectively, the need to balance multiple accountabilities of a range of stakeholders inside and outside the organization, the evolution of intricate management structures designed to do this, the centrality of the difficult concept of ‘volunteerism’, and the need to maintain organizational ‘values’ over time whilst demonstrating effective actions. (p. 4)

Similarly, Mawdsley et al. (2005) argues that New Public Management style NGO management (i.e. corporatisation) leads to a “micro-managing obsession with audits, targets, and performance indicators” which can then lead to “distorted efforts, immense paperwork, the demoralisation of the workforce, and significant extra costs” (p. 77). Yap and Ferreira (2011) raise a significant challenge that is well encapsulated in the words of one of their research subjects: “Not everything that counts can be measured and not everything that can be measured counts” (p. 14).

For some, these challenges have functioned ipso facto as arguments against commercialistic mechanisms and corporate models. There are, however, those who recognise the value in seeking solutions to these challenges. Indeed, some of these have been addressed in the extant research. Two of these will be considered in more depth. But first, by way of caveat, it is important to recognise that the nature of the particular NFP organisation will affect the practicality and appropriateness of seeking to overcome these challenges. As noted by Ahmed (2004), accountability to beneficiaries is difficult, especially when accountability is defined, beyond the level of consideration and consultation, at the level of meaningful sanction. Awio et al. (2007; Awio et al., 2011) argue that the corporate model is unhelpful in many GROs. Similarly, Soobaroyen and Sannasee (2007) point out that a corporate model of accountability is incompatible with many smaller voluntary organisations.

The *first* challenge to be addressed was outlined above in the words of Ahmed (2004) where he raised the challenge of “maintain[ing] organizational ‘values’” in the face of accountability for efficient and effective operations. For instance, in Australia, the context of this thesis, the government has placed a renewed emphasis on accountability announcing that aid programmes which fail to meet accountability benchmarks over time will be axed (Sheridan, 2014). This highlights the tension between trying to deliver outcomes effectively and efficiently while seeking to avoid compromising the ethos that drives the third (NFP) sector (Gent et al., 2015). Unerman and O'Dwyer (2006a) make the point that “inappropriate transfer of accountability mechanisms designed for corporate accountability to NGOs threatens the survival of such NGOs” (p. 313). Micheli and Kennerley (2005) expand on this same idea when they point out that changes in accountability models can result in a “constitutive reordering” (p. 132) of an organisation. They warn that “the very essence of the involved institutions should not be jeopardized” (p. 132). Chenhall et al. (2010b) refer to the danger of getting this point wrong as “symbolic violence” (p. 740) and address the topic pointedly: “There are real dangers to the very identity and potential survival of NGOs if this balance between the mode of control and bonding around values is lost” (Chenhall et al., 2010a, p. 4). The severity of the language used to make this point, itself suggests that this topic is worthy of further exploration and rigorous debate. Both Chenhall et al. (2010a, 2010b) and Ebrahim (2003a) offer counterpoints to this challenge. Ebrahim (2003a) points out that NGOs tend to have a culture of “action over analysis” (p. 817) and suggests that a reasonable response is to help NGO staff to view the “analysis” as enabling more effective and efficient “action.” If NGO staff perceive the “analysis” as ultimately empowering their “action” to help people, the barriers to corporate accountability mechanisms may be minimised. Chenhall et al. (2010a), in

addressing the challenge from a social capital perspective, addresses the question of how formal, corporate controls can be implemented without causing damage to the core values of the NGO. They argue that new attitudes toward financial effectiveness and efficiency need to be cultivated at the belief-system level before formal mechanisms are put in place. Additionally, they point out the value of using formal mechanisms in interactive and participatory ways.

A *second* challenge in employing a corporate model of accountability in the NGO is to maintain staff morale and buy-in. For instance, Dixon et al. (2006) found that NGO staff in a microfinance NGO in Zambia resisted formalisation, viewing it as “burdensome and intrusive” (p. 416). Similarly, Mawdsley et al. (2005) argues that pressure toward corporate systems of accountability can result in micro-management—a practice hardly tending to good staff morale. Chenhall et al. (2010b) finds the same challenge in a case study of an Australian welfare NGO undergoing the introduction of a more formal management control system. NGO staff generally viewed the formal system as taking time that should be spent helping clients. This second challenge is a natural follow-on if the first is not handled well since staff who feel that the essence of the organisation has been compromised are likely to resist the changes they perceive to be responsible for that compromise. Therefore, both of the suggestions proposed for meeting the first challenge above (Ebrahim, 2003a; Chenhall et al., 2010a) are relevant in meeting this second challenge as well.

Chenhall et al., in generalising the findings of their case study of an Australian welfare NGO (Chenhall et al., 2010b), suggest that NGOs face a “dilemma” which involves the very “survival of NGOs” (Chenhall et al., 2010a, p. 4). This dilemma exists because differing conceptualisations of the NGO result in different actions from the NGO and different expectations of the NGO. The dilemma, as presented here, asks

the question “Should NGO management, in developing management control systems, conceptualise the NGO as a commercial entity or as a totally different kind of entity?” In other words, what kind of organisation provides the most comparable, useful, and realistic analogy to the NGO? Chenhall et al. (2010a) point out that the way in which the NGO is conceptualised goes to the very identity of the NGO. The traditional conceptualisation—the charitable organisation—centres on “traditional welfare values” (p. 3) and tends to see corporatisation as conflicting with these values.

Two additional issues merit consideration in exploring the tension between the tendency toward corporatisation of NGOs and the need to protect the core values of NGOs. *First*, the *size* of the NFP under consideration is relevant. In their study of the practices of locally-established voluntary organisations in Mauritius, Soobaroyen and Sannasee (2007) demonstrate that smaller, voluntary organisations within the developing country context have financial priorities which are primarily focused on meeting basic statutory requirements and use minimal financial planning and control techniques—and tend to use these minimally. This suggests that smaller NFP organisations may be less susceptible to any corporatisation trend. *Second*, the *kind* of NFP under consideration is relevant. Certain kinds of NGOs may function as exceptions to the trend based on their particular function or category of characteristics. For instance, O’Dwyer and Unerman (2008) argue that hierarchical (upward) accountability models are particularly unsuited to NGOs which work primarily in advocacy because such structures may undermine local representative governance ideals. Another example is Parker (2001) who studies a religious denominational organisation where funding for organisational goals comes directly from the parishes. This tends to make the accountability context comparable in some ways to a GRO and seems to lend itself to a more consultative, informal, and less hierarchical model of

accountability. Awio et al. (2011) concur, arguing that downward accountability is ideal in the context of GROs.

Conclusion

This chapter has reviewed the academic literature on NGO accountability, focusing particularly on the literature that addresses stakeholder priority for receiving that accountability. The literature was explored under four major headings. *First*, the way an NGO is conceptualised was considered looking at both theoretical approaches to conceptualising NGO stakeholder roles and considering the tendency towards the commercialisation of NGOs. This is important because the way an organisation is conceptualised shapes perceptions of how that organisation should demonstrate accountability, to whom it should demonstrate accountability, and the relative importance of those stakeholders to whom it demonstrates accountability. It was noted that the literature tends to conceptualise the NGO as analogous to a commercial organisation. The *second* section of the review sought to explore this analogy by comparing the first and third sectors in a number of areas which relate to this analogy: revenue and profit, market environment, and investment. It was seen that while, superficially, there were notable differences between the first and third sectors, when considered at a more substantial level, these differences are more cosmetic than material. The *third* section of the review considered the direction of accountability in NGOs highlighting the significant push toward downward accountability from NGOs to beneficiaries. It was noted that while the literature tended to push for downward accountability, the strong analogies between the first and third sectors suggest the importance of upward accountability, and the risk that accountability may be ineffective if directed primarily downward in an environment that requires upward accountability. The *final* section of the review looked at some challenges in employing

commercialistic operational mechanisms and corporate organisational models in the third sector demonstrating that the analogies between the sectors relate to accountability obligations particularly.

One of the key threads that makes its way through the literature review is the relationship between the donor above the NGO and the beneficiary below it. This relationship is fraught in some ways, coloured by an almost zero sum mentality at times. This culminates in the section on the direction of accountability where the literature generally suggests that the priority for accountability should be downward to beneficiaries. This raises questions about how upward stakeholders, particularly the relatively less powerful small donors, feel about the direction of accountability. This is the gap in knowledge which this research seeks to fill. This has been articulated in the research aim which was introduced in Chapter 1. The research aim of this thesis is to explore small donor priorities for accountability from NGOs to their stakeholders. This aim will be pursued through four studies. The questions addressed by these studies are outlined in Table 1.1. The research objective of the *first* study will be to undertake a conceptual analysis of extant definitions of accountability in the third sector research literature and to use the resulting conceptual elements to synthesise a working definition of accountability. The research objective of the *second* study will be to explore the public views of NGOs on NGO accountability in practice with a focus on stakeholder priority. The research purpose of the *third* study will be to determine to whom small donors believe NGOs should be primarily accountable. The research objective of the *fourth* study will be to explore in greater depth the views of NGO small donors toward NGO accountability and stakeholder priority.

The first of these studies begins in Chapter 3 which addresses the definition of accountability. This study functions, at some level, as a supplement to this literature

review and will include a detailed discussion of the definition of accountability as it will be used in this thesis.

Chapter 3: Towards a Framework for Conceptualising Accountability in the Third Sector

In some ways, the value of research is limited by the clarity and precision with which the concepts being researched are defined. This principle holds true in research of accountability in the third sector. The importance of a careful definition of accountability in the third sector has been recognised by Brett (1993), yet defining accountability has been broadly recognised to be a difficult task (Ritchie & Richardson, 2000; Ebrahim, 2003b; Connolly & Hyndman, 2004; Dixon et al., 2006; Goddard & Assad, 2006; Gray et al., 2006; Awio et al., 2011; Connolly & Dhanani, 2013; Connolly, Hyndman, et al., 2013; Palmer, 2013) and one which is poorly integrated across disciplines (Kaba, 2021). This study will contribute to the accountability literature by laying the foundation for—but by no means fully establishing—a framework for conceptualising accountability in the third sector. The *objective* of this study is to undertake a conceptual analysis of extant definitions of accountability in the third sector research literature and to use the resulting conceptual elements to synthesise a working definition of accountability.

This study focuses on research on third sector organisations. As noted in Chapter 1, organisational taxonomy is often summarised in terms of three sectors (e.g. Cooley, 2020). The first sector refers to the for-profit organisational sector. The second sector refers to the realm of government. The third sector involves not-for-profit organisations. It is only research in the third sector which will be considered for the purposes of this study. This is important because, as Cooley (2020) points out, differences in organisational structure may lead to differences in the way accountability is applied. For instance, an organisation in the first sector may think of accountability

largely in terms of annual profits and key performance indicators that indicate the health of the organisation and its capacity to produce profits into the future. It is natural to expect that accountability in such an organisation will look different from accountability in a TSO where “the bottom line” is calculated in terms of non-quantifiable (or at least difficult to quantify) social outcomes.

Even though there are differences in the way accountability is *applied* across different organisational contexts, it is critical to note that the fundamental definition of accountability remains conceptually constant across all three sectors. The assumption of this study is that there is nothing about accountability in the third sector that is inherently unique *vis-à-vis* accountability in the first or second sectors. Hence, there is no such thing as a third sector definition of accountability. Rather, there is an accurate definition of accountability which may be used across all three sectors. The definition developed in this study is expressed in terms intended to be ideal for use in the third sector, but is not inherently unique to the third sector. Rather, there are two reasons this study focuses on the third sector. *First*, this will allow for comparison across sectors. As will be demonstrated later, there seems to be some drift between the ideas underlying the definitions of accountability commonly used in the third sector and those used in the first and second sectors. This seems to be rooted in the view that the concept of accountability may be *inherently* unique to the context in which it is applied. As stated, this study assumes otherwise. By isolating the definition of accountability in the third sector, this research allows for comparison of the definitions between the sectors. This study will give only peripheral consideration to this comparison. It is hoped that future research may give more attention to this comparison. *Second*, the scope of this research is limited. As the title of this study indicates, this research makes no claim to the development of a full-scale framework for conceptualising

accountability, even in the third sector (hence *towards* a framework). Rather, it is intended to provide an initial basis for the future development of such a framework, a task which is larger in scope than the parameters of this research will allow. Basing this research in the third sector allows for a broad analysis in spite of the limited scope of this research. While this research data is *sourced* from the third sector, the analysis is not geared toward the third sector, but is rather focused on accountability itself as a concept. This research therefore provides some value for the application of accountability to the third sector, but is also intended to contribute toward a more robust conceptualisation of accountability per se.

Finally, a brief note on the application of accountability to different types of NGOs. As noted in the introduction, this thesis defines NGO somewhat more narrowly than merely a TSO. But as pointed out in Chapter 1, NGOs are not all the same. And the practice of accountability in NGOs will at times differ on the basis of the type of NGO under consideration. Though this point will not be emphasised throughout the thesis, it is recognised and should be assumed to be a factor in any given discussion. The reason for the potential difference in application of accountability on the basis of NGO type is that there is an ontological disparity between welfare/development NGOs and advocacy NGOs that is profoundly relevant to issues of accountability (Goncharenko, 2019). Namely, while welfare/development NGOs have an agenda that may be seen to be mainstream and built on broadly accepted foundational human values (e.g. relief, welfare), advocacy NGOs are, by definition, ideologically progressive, encompassing values (e.g. gender equality, freedom of expression, democracy, etc.) which are often rejected or viewed with suspicion by elements of some societies and/or powerful business or government interests (Unerman & O'Dwyer, 2006a; Murtaza, 2012). It is therefore unhelpful to assume that advocacy NGOs will operate in the same

accountability paradigm as that of welfare/development NGOs. For instance, Ahmed (2004) highlights the difficulties that can arise when an NGO attempts to engage in both welfare and advocacy. Unerman and O'Dwyer (2006a) raise concerns about “Astroturf NGOs” that function as fronts for corporate—or even diplomatic or military—interests (Ahmed, 2004; Unerman & O'Dwyer, 2006b; O'Dwyer & Unerman, 2008; Hopper et al., 2009; cf. Andrews, 2014). Parker (2001) addresses the “consultative” (p. 328) approach that can arise in a parish-up, grassroots RO. In each of these cases, the nature of the NGO may differ in significant respects from the welfare/development NGO and therefore may lead to varying accountability applications as required by the environment.

This study contains three sections: extraction, analysis, and synthesis. First, in the *extraction* section, representative definitions of accountability will be extracted from the third sector research literature. Second, in the *analysis* section, these definitions will be analysed to isolate key themes. This analysis will serve as the foundation for what follows. Third, in the *synthesis* section, these themes will serve as the foundation for the distillation of the fundamental elements of accountability and some preliminary discussion of a framework for conceptualising accountability using these elements.

Each of the following sections (extraction, analysis, and synthesis) will include an explanation of the method, findings, and/or discussion relevant to that section.

Extraction of Extant Definitions of Accountability

This section discusses the extraction of definitions of accountability from the third sector literature for analysis in the next section.

Method for Extraction

Rather than attempting to extract every definition of accountability in the relevant literature, this research extracted a sample of definitions with an emphasis on both the recency and the long-term impact of the definitions. This approach was intended to make the results of this study both timely (because recent) and enduring (because capturing oft-cited definitions). In order to achieve these dual goals, two stages of extraction were carried out. In the first stage, recent definitions were extracted. This included papers from January 2020 to September 2021. In the second stage, citations were traced to extract the most impactful definitions over the years. Both stages of extraction were recorded in a spreadsheet.

Stage One: Extracting Recent Definitions.

In stage one, recent definitions of accountability were extracted from the relevant literature adapting the approach to scoping literature reviews outlined by Arksey and O'Malley (2005). Five steps were taken. First, the database selected for this research is Google Scholar. Second, a set of keywords was entered into the database. After trialling various terms, the keywords selected for this research were as follows: NGO “define accountability.” These keywords assisted in finding papers (this term is used here to refer to books, book chapters, reports, journal articles, or conference papers) likely to contain definitions that fit within the objective of this research. Third, the results of this search were filtered in the database to include only papers published in 2020 or later. This includes the full year of 2020 as well as the first three quarters of 2021. The Google Scholar results were extracted on the last day of September 2021. The end date in this date range was chosen because the research was designed to emphasise recency. The opening date was chosen because it encompassed a date range which was considered to reach the practical limitations of time available for carrying

out the research. Fourth, the results of this search were further filtered manually in order to extract only those definitions which were relevant based on the stated objective of this research. The following criteria were used to determine whether a paper was relevant. First, the paper must address the definition of accountability either explicitly or implicitly. Second, the paper must be situated within the research of the third sector. Additionally, only published, peer reviewed or edited academic works were included in the sample. Fifth, the papers in the sample were considered, looking for definitions of accountability. The text of these definitions was then copied into a spreadsheet. The text of these definitions constitute the findings of stage one of the extraction of extant definitions of accountability.

Stage Two: Tracing Definitions.

In stage two, the definitions of accountability extracted in stage one were traced to their original sources based on citations in the original context. So where an author cited another paper as the source of his definition, that paper was consulted in order to determine whether these definitions were based on, or developments of, earlier definitions. These earlier definitions were then also extracted. The process was then repeated if that author cited another paper. These citation chains were followed backward to exhaustion or until the citing paper is not situated within the research of the third sector. Where multiple papers cite the same definition, this was noted. Where a definition is cited or paraphrased from another source, the original definition from the source was used rather than the cited or paraphrased definition. This approach corrected a number of inaccuracies.

Findings from Extraction

This research resulted in nine definitions being extracted from the relevant literature. The filtered database search which sought to capture definitions from January

2020 to September 2021 produced fifty-seven results. These results were then further manually filtered based on the criteria outlined in the method section above. Many of the initial results did not include definitions of accountability (the first criterion), and for those which did, many were not situated within the third sector research (the second criterion).

Stage one resulted in the extraction of eight definitions. Each of these is a paraphrase or citation of another definition. No definitions which could be considered original were found in stage one of this research. Stage two resulted in one additional definition being extracted. Table 3.1 summarises the findings of this extraction of definitions of accountability.

Table 3.1: Summary of findings of extraction

Stage	Citing paper	Definition source
1	Turunen (2020)	“Various dictionaries.”
1	Four sources (Connolly & Kelly, 2011; Islamiyah, 2020; Sillah et al., 2020; Waniak-Michalak et al., 2020) cited three sources all with the same definition. Three of these citing sources came up directly in the database search. One of them, Connolly and Kelly (2011), was traced from one of those sources (Islamiyah, 2020).	Edwards and Hulme (1995; Edwards & Hulme, 1996a, 1996b)
1	Sillah et al. (2020)	Fox and Brown (1998)
1	Cooley (2020)	Jones (1992) quoted in Mulgan (2000)
1	This was cited both by Islamiyah (2020) and Connolly and Kelly (2011)	Gray et al. (1996)
1	Sillah et al. (2020)	Kearns (1996)
1	Islamiyah (2020)	Sinclair (1995)
1	Islamiyah (2020)	Connolly and Kelly (2011)
2	Connolly and Kelly (2011)	Jackson (1982)

The first result in stage one was Turunen (2020) who cites “various dictionaries” (p. 1) for her definition and gives the following definition: “A fact, condition, quality, or state of being accountable and/or responsible, especially meaning an obligation or willingness to accept responsibility and to be liable to be called to

account” (p. 1). The second result in stage one is Edwards and Hulme’s (1995, p. 9; 1996a, p. 96; 1996b, p. 967) definition: “The means by which individuals and organizations report to a recognized authority² and are held responsible for their actions.” Four sources (Connolly & Kelly, 2011; Islamiyah, 2020; Sillah et al., 2020; Waniak-Michalak et al., 2020) cited three sources all with the same definition. Three of these citing sources came up directly in the database search. One of them, Connolly and Kelly (2011), was traced from one of those sources (Islamiyah, 2020). The third result in stage one was traced from Sillah et al. (2020): “Accountability refers to the process of holding actors responsible for actions” (Fox & Brown, 1998, p. 12). The fourth result in stage one is from Cooley (2020): “The process of being called ‘to account’ to some authority for one’s actions” (Mulgan, 2000, p. 555, citing Jones, 1992, p. 73). The fifth result in stage one is a definition by Gray et al. (1996, p. 38): “The duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible.” This was cited both by Islamiyah (2020) and Connolly and Kelly (2011). The sixth result in stage one is “In its most narrow interpretation, *accountability* involves answering to a higher authority in the bureaucratic or interorganizational chain of command” Kearns (1996, p. 7). This is cited by Sillah et al. (2020). The seventh result in stage one is cited by Islamiyah (2020): “In its simplest sense, accountability entails a relationship in which people are required to explain and take responsibility for their actions” (Sinclair, 1995, pp. 220-221). The eighth and final result in stage one is also cited by Islamiyah (2020). Connolly and Kelly (2011) define accountability as “being responsible to someone or for some event and as explaining one’s actions and justifying what has been done” (p. 227).

² Edwards and Hulme (1996b) insert “(or authorities)” here. The difference in meaning is considered immaterial for the purposes of this research.

The final definition, that which was extracted in stage two of the research, is cited by Connolly and Kelly (2011). Jackson (1982) define accountability as “explaining or justifying what has been done, what is currently being done and what is planned” (p. 220). The research findings are summarised in Table 3.2.

Table 3.2: Extracted definitions

Definition	Source
“A fact, condition, quality, or state of being accountable and/or responsible, especially meaning an obligation or willingness to accept responsibility and to be liable to be called to account.”	“Various dictionaries” as cited by Turunen (2020), p. 1.
“The means by which individuals and organizations report to a recognized authority ³ and are held responsible for their actions.”	Michael Edwards and David Hulme (1995), p. 9; (1996a), p. 96; (1996b), p. 967.
“Accountability refers to the process of holding actors responsible for actions.”	Fox and Brown (1998), p. 12.
“The process of being called ‘to account’ to some authority for one’s actions.”	Jones (1992), p. 73; quoted in Mulgan (2000), p. 555.
“The duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible.”	Gray et al. (1996), p. 38.
“In its most narrow interpretation, <i>accountability</i> involves answering to a higher authority in the bureaucratic or interorganizational chain of command.”	Kearns (1996), p. 7.
“In its simplest sense, accountability entails a relationship in which people are required to explain and take responsibility for their actions.”	Sinclair (1995), pp. 220-221.
“Being responsible to someone or for some event and as explaining one’s actions and justifying what has been done.”	Connolly and Kelly (2011), p. 227.
“Explaining or justifying what has been done, what is currently being done and what is planned.”	Jackson (1982), p. 220.

Analysis of Extant Definitions of Accountability

In the previous section, definitions of accountability were extracted from the literature of the third sector. In this section, the definitions extracted will now be subjected to a systematic analysis. After outlining the method of analysis, this section

³ Edwards and Hulme (1996b) insert “(or authorities)” here. The difference in meaning is considered immaterial for the purposes of this research.

will summarise the findings of the analysis. This will be followed by a brief discussion of the analysis.

Method for Analysis

This section of the research adapts the methods of thematic analysis (Braun & Clarke, 2006). It is recognised that the data samples in this research are more brief than is typical for the use of thematic analysis; however, the method is fundamentally well-suited to the context of this research as it allows for a data-driven, albeit reflexive (Braun & Clarke, 2019), development of themes. Because the data samples are definitions, they are succinct; brief, but compact. This makes consideration of the assumptions on which the analysis will be based especially crucial. This analysis comes from a critical realist ontological perspective. Critical realism (Bhaskar, 1978) is a postpositivist approach which sits between the positivist functionalist and critical interpretive paradigms. Critical realism attempts to blend the ontology of positivism with the epistemology of interpretivism yielding philosophically-rooted methodological flexibility (Modell, 2009; Bisman, 2010; Vincent & O'Mahoney, 2018). In interpretivism, reality is seen as internally constructed by the interpreter rather than externally situated. Critical realism differs from the interpretive approach in that while interpretivism tends toward ontological plurality (Chua, 1988; Lehman, 2017), critical realism argues that there are certain realities which, while sometimes difficult to discern and easy to misperceive, are nevertheless real and persistent realities. Critical realism argues that such reality cannot be safely or reasonably ignored, even while our attempts to know it are usually interpretive and rarely, if ever, perfect or complete. This perspective, applied in such a semantically dense context, suggests two things. First, an exegetical approach to reading the definitions. Second, an approach which is reflexive in generating themes (Braun & Clarke, 2019). This assumes a relatively literal approach

to the interpretation of definitions while still recognising a critical element in the construction of themes from the data.

The normal protocol for thematic analysis involves coding the data, which can then be collated into themes, which are then reviewed, defined, named, and then analysed (Braun & Clarke, 2006). In this research, the definitions extracted in the first section of the study were coded using NVivo software. After a fortnight, the definitions were again coded without reference to the previous coding. The results of these two analyses were then compared. Differences were considered carefully and categories were refined. The resulting themes were then compared to each other for potential overlap or imprecision. The themes were further refined iteratively during this process. The outcome of this coding was then checked by an experienced, qualitative researcher in order to broaden the perspective of the analysis and improve validity. The themes were further refined through this process.

Findings from Analysis

The thematic analysis of the extracted definitions of accountability resulted in ten themes. These themes are summarised below in Table 3.3. The themes are relationship, obligation, actualisation, process, action, outcome, reporting, settling, answering, and justifying. The themes settling and reporting were combined under the theme reporting for reasons which will be discussed below, leaving nine themes.

Table 3.3: Findings of thematic analysis

Definition/theme	Relationship	Obligation	Actualisation	Process	Action	Outcome	Reporting	Answering	Justifying
“Various dictionaries.”		✓	✓				✓		
Edwards and Hulme (1995; 1996a, 1996b)	✓	✓	✓		✓		✓		
Fox and Brown (1998)		✓	✓	✓	✓				
Jones (1992) quoted in Mulgan (2000)	✓	✓	✓	✓	✓		✓		
Gray et al. (1996)		✓	✓		✓		✓		
Kearns (1996)	✓	✓						✓	✓
Sinclair (1995)	✓	✓	✓		✓			✓	
Connolly and Kelly (2011)	✓	✓			✓	✓		✓	✓
Jackson (1982)					✓			✓	✓

As can be seen in Table 3.3, there are no themes which are included in all of the definitions. The closest to a universal theme is the theme of obligation. Nor is there any definition which involves all of the noted themes or comes close to doing so. The first theme, relationship, is usually expressed in terms of authority (three times). For example, Jones (1992) refers to being accountable “to some authority” (p. 73). Relationship is also sometimes expressed in more power-neutral terms twice. For instance, Sinclair (1995) says that “accountability entails a relationship” (p. 220). Relationship involves any indication in the definitions of the relationship between the one who/which is accountable and the one to whom he/she/it is accountable. The second theme, obligation, is expressed in ideas such as responsibility, liability, requirement, and duty. An example of this is when Edwards and Hulme (1995, p. 9; 1996a, p. 96; 1996b, p. 967) refer to being “held responsible.” This category was assigned any word that implies an obligation. Third, actualisation was expressed in the language of calling to account or holding responsible, or the language of taking responsibility where the accountable party is taking the initiative. This category involves real or potential actualisation of the accountability that exists. An example of this category is where Fox and Brown (1998) refer to “holding actors responsible” (p. 12) where the word holding implies real or potential actualisation of the accountability that exists. The fourth theme, process, emphasises the ongoing nature of the accountability relationship and is explicitly referred to as “process” wherever it is found. Fifth, action refers to the actions for which one is held accountable and is referred to by Connolly and Kelly (2011) as “explaining one’s actions” (p. 227). The sixth theme, outcome, is referred to explicitly only in Connolly and Kelly (2011). The next theme, reporting, refers to the mere provision of information. An example of this theme is the reference by Gray et al. (1996) to “the duty to provide an account” (p. 38).

The theme of settling, expressed in the term “reckoning” (Gray et al., 1996, p. 38), is included under reporting because while it has a hint of the following theme, answering, it has been considered to have an anticipatory flavour, and is therefore considered to be almost imperceptibly distinct from reporting. Answering, the eighth theme, is referred to as “explaining one’s actions” (p. 227) by Connolly and Kelly (2011). Answering includes the concept of reporting, but goes beyond it. Justifying, the final theme, is referred to as “justifying what has been done” (p. 220) in Jackson (1982) and involves an intensified form of answering.

Discussion of Themes

The purpose of this section is to provide a meta-analysis of the themes which have emerged as a result of the thematic analysis above. This meta-analysis will explore the connections between these nine themes and how they relate to each other. The *first* theme, relationship, is often addressed in the literature on accountability in terms of the direction of accountability: downward, lateral, and upward (Ebrahim, 2003a; Unerman & O'Dwyer, 2006a; Awio et al., 2011; Dhanani & Connolly, 2014; Chu & Luke, 2018). While relationship is sometimes viewed as emphasising to whom accountability is due, in these definitions the theme is related directly to the reason that accountability is required. In short, relationship (particularly a relationship involving unequal authority) is the context in which the obligation to be accountable arises. This leads to a *second* theme: obligation. Obligation, as the category is used here, is both passive and inherent. Passive because it does not involve any action per se; inherent because it exists as a natural result of the relationship in which the actor finds himself. This obligation relates, not primarily to power, but to authority, a species of power. In other words, this obligation is not about what can be *can* be required of the other party by any means including coercion (power), but about the *right* to require it (authority).

The *third* theme, actualisation, follows naturally from the first two in that the relationship which creates obligation naturally leads to a real or potential actualisation of the accountability required by that obligation. While this theme implies some degree of real or potential action as a result of the obligation involved in the relationship, it does nothing to specify what will be done or how it will be done. These three themes combine to answer the *who* and *what* of accountability. See Table 3.4 for a summary of this meta-analysis.

The *fourth* theme, process, is related to actualisation and addresses the *when* of accountability. Process could be viewed as the way in which actualisation occurs. While a number of the themes that follow will refer to discreet events, this theme emphasises that ultimately accountability is not an event, but a series of actualisations in a process which is embedded in a relationship.

The *fifth* and *sixth* themes, action and outcome, relate to each other in that they explain that for which a person is accountable (i.e., the *for what* of accountability). While most of the definitions (six out of nine) include the notion that accountability is for actions, one suggests that accountability is for the outcome of one's actions. This implies accountability for that over which one has limited control. The question must be raised whether such a scenario could even fall within the definition of accountability.

The final three themes—reporting, answering, and justifying—address the *how* of accountability. They are related to each other in that they are all events which exist in gradation from mere reporting to justification. Reporting involves the giving of information. Answering, while including the notion of giving information, suggests perhaps the answering of questions and is therefore slightly more active in tone. Answering, then, is more than mere reporting, but less than justifying. Justifying seems

to imply a challenge at some level and perhaps the retrieval of particular information for the purpose of justifying an action/outcome which has been questioned. In all three of these cases, the report/answer/justification may involve either an actual or merely an anticipated requirement from those to whom the person is accountable. The relationships between the themes as outlined above are presented in Table 3.4.

Table 3.4: Relationships of themes

Who? What?	Relationship → Obligation → Actualisation
When?	(Actualisation) vis-à-vis Process
For what?	Action versus Outcome
How?	Reporting ↔ Answering ↔ Justifying

Synthesis: Towards a Framework for Assessing Definitions of Accountability

In section one, definitions of accountability from the third sector literature were extracted in order to be analysed in section two. In this section, the results of the analysis from section two will be synthesised into a new definition of accountability.

Fundamental Elements of Accountability

The analysis in section two above outlined nine themes in the extracted definitions of accountability from the literature in the third sector. These nine themes represent what *is*, not necessarily what *should* be. This section will therefore extend the analysis of the previous section to include some degree of critique towards the development a definition of accountability which is critically comprehensive, but also addresses the themes which are broadly recognised within extant definitions of accountability within third sector research (as represented by the definitions extracted in this research). The previous section separated the nine themes into four categories based on the logical relationships of the themes (Table 3.4). These will now be further analysed in order to understand the fundamental underlying ideas which they

encapsulate. The goal of this section is to unearth the core, fundamental elements of accountability, that which is essential—*sine qua non*—to accountability.

The *first* group of themes which emerged from the analysis consisted of relationship, obligation, and actualisation. It is impossible to have accountability without relationship. This relationship may be as direct as employer/employee or it may be as indirect as fellow dwellers on planet earth. In either case, one cannot make a claim against another party where no obligation exists, and no obligation can exist where no relationship exists. Relationship may be able to exist without obligation, but obligation cannot exist without relationship. Relationship, therefore, collapses into the category of obligation. Relationship is necessarily implied in the concept of obligation. Relationship is not fundamental since it may not always create an obligation; obligation is fundamental, and since obligation necessarily involves relationship, relationship need not be stated. For the purposes of this grouping of themes, real actualisation is not relevant (real actualisation is addressed in the next pair of themes in relationship to process). However, potential actualisation is relevant to this grouping as it is a necessary result of an obligation. Potential actualisation may be fundamental to accountability, but this will be dealt with in another grouping below. Therefore, the fundamental element of accountability which emerges from the first grouping of themes is the concept of obligation. There can be no accountability where there is no obligation; and where there is no obligation, there can be no accountability.

The *second* group of themes which emerged from the analysis included actualisation and process. Implied in the concept of actualisation is an ongoing potential for the actualisation of accountability. This inherently suggests that accountability occurs as process, not fundamentally as event. Usually, accountability involves mechanisms which involve periodic discharge events. These events may be daily,

weekly, monthly, quarterly, annually, and so forth. None of these events may be accurately said to be accountability in themselves per se, nor can accountability be accurately said to exist purely in a single periodic event. Even where the primary mechanism of accountability is an annual event (e.g., an annual report), the event implies and necessitates an ongoing process leading up to and proceeding from that event. Researchers have therefore rightly recognised that accountability exists as process notwithstanding the existence of one or more primary events (Kilby, 2006; Brown & Troutt, 2007; Connolly & Hyndman, 2013a). Again, further implications of actualisation will be addressed in a later category. Since all accountability events necessarily involve process and since accountability is rooted in the obligation that results from ongoing relationship, process is necessarily fundamental to accountability. Accountability without process is something less than accountability.

The *third* group of themes which emerged from the analysis comprised action and outcome. This group addresses the “for what?” of accountability. While six out of nine definitions address this theme of action, only one definition included outcome along with action. This seems to broaden the scope of that for which one is accountable from not only what they do, to the results of what they do. There seems to be a general consensus that one should be held accountable, not for outcomes, but rather for the actions they take in the circumstances in which they find themselves. It should be noted that this does not let actors off the hook for adverse outcomes; rather, it focuses on what they could have done and should have done to navigate negative circumstances or to mitigate damage. The theme of action could be described as the substance of the obligation outlined in the above section. Are the actions taken by the relevant actors in line with their obligations to other parties? Action is fundamental to accountability

because if there are no actions which one is obligated to take (or not take, as it may be), then there is no obligation in the first place, and can be no accountability.

The *fourth* group of themes which emerged from the analysis consists of reporting, answering, and justifying. These three themes are all directly related to each other in that they are a gradient between two extremes. On one extreme is mere knowledge of the actions that have been taken. On the other extreme is interrogation on the basis of that knowledge. Between these extremes is *reporting* in which the accountable party takes action to make the other party aware of what has taken place, *answering* which involves responding to questions either after reporting or in that reporting in the form of anticipated questions, and *justifying* which involves the notion of defending the actions which have been undertaken. This may involve defence under attack, but more often simply involves the giving of reasons for key decisions and strategic directions. It is more difficult in this group to discern the fundamental element of accountability. One could argue that justifying is fundamental because it necessarily involves both answering and reporting (which it does); however, it is not essential to accountability to answer questions which have not been asked (and which need not necessarily be asked) or to justify actions which have not been questioned (and need not be questioned). Where an actor's report is accepted by the party to whom he or she is accountable and that party is satisfied, no element of justification or answering is necessary, and therefore, justifying cannot accurately be said to be fundamental to accountability. This leads to the question, is reporting fundamental to accountability? But as Gray et al. (2006) has pointed out, where everyone is aware of the actions that have been taken, additional formal reporting is not necessary. Hence, reporting per se, is not fundamental to accountability. What is fundamental to accountability, and is ironically possible to be absent from reporting, is transparency. Where the actions of

the accountable party are not transparent to an acceptable standard, accountability cannot exist. Transparency, therefore, is a fundamental element of accountability (Ortega-Rodríguez et al., 2020). It is important to remember here that while transparency is fundamental to accountability, it is not in itself accountability. Transparency is sometimes treated in the literature as almost, if not actually, synonymous with accountability. For instance, (Gray et al., 2006) says:

In a simple (i.e. non political) world the principles of accountability can be relatively easily framed through transparency and the notion of rights to information within relationships mediated by closeness. Accountability can be considered discharged if the information can be obtained through an existing channel (p. 336).

Mere transparency, however, is insufficient to the existence of accountability. Transparency is a fundamental element of accountability, but it is not itself accountability. Goddard and Assad (2006) point this out when they raise the problem of “accountancy” where there should be accountability (p. 379). So the fourth grouping of themes are mostly encapsulated in the fundamental element of transparency. But not entirely. Because while justification depends on transparency, it involves more than mere transparency. While it has been noted that justification itself is not fundamental to accountability, justification does imply something that is fundamental to accountability. If the party to whom an actor is accountable has no capacity to question or demand a justification for actions, then what exists is something less than accountability. This capacity—or potentiality—to demand justification is a loose end in this grouping of themes.

While all the nine themes which emerged from the analysis of the definitions of accountability in the third sector have now been addressed, there are two remaining

loose ends which are implied by themes which are present but which are not explicitly stated. These combine to highlight a *fifth* fundamental element of accountability. First, as noted immediately above, accountability does not require a demand for justification, but it does require the potential for a demand for justification. Or, to put it another way, justification is not fundamental to accountability, but the option to demand justification is. The second loose end is from the first grouping of themes (relationship, obligation, actualisation) and is the potential actualisation of accountability. More specifically, the pending right to act on any failure to meet the obligations of accountability. These two loose ends lead to another fundamental element of accountability which is latent, but not explicit, in the analysis of the definitions. This element involves the right to require an explanation and the potential to act on an insufficient explanation in a way which puts pressure on the actor to act in a manner which is acceptable to the party to whom he or she is accountable. This theme could be referred to as penalty, the potential for consequences either where accountability is not genuinely demonstrated or where the demonstration of accountability results in the view that the actions taken are not acceptable to the party to whom accountability is demonstrated. This penalty is not absolute; the actor is not required to directly follow all instructions of the one to whom he or she is accountable as in an employer/employee relationship. It does, however, involve an iterative process in which pressure is applied to the actor to find ways to navigate his role in ways which are generally and ultimately acceptable to the ones to whom he is accountable. Accountability, therefore, involves an ongoing process which directs and shapes the actions of the accountable party. This fundamental element of accountability will be discussed further in the following section.

The analysis of the nine themes carried out in section two of this study have been further analysed here allowing for the emergence of five fundamental elements of

accountability. These are obligation, process, action, transparency, and penalty. The representation of these five elements in the extracted definitions is summarised in Table 3.5.

Table 3.5: Representation of the essential elements of accountability

Definition/theme	Obligation	Process	Action	Transparency	Penalty
“Various dictionaries.”	✓	~		✓	~
Edwards and Hulme (1995; 1996a, 1996b)	✓	~	✓	✓	~
Fox and Brown (1998)	✓	✓	✓		~
Jones (1992) quoted in Mulgan (2000)	✓	✓	✓	✓	~
Gray et al. (1996)	✓	~	✓	✓	~
Kearns (1996)	✓			~	~
Sinclair (1995)	✓	~	✓	~	~
Connolly and Kelly (2011)	✓		✓	~	~
Jackson (1982)			✓	~	~

The tilde (~) refers to elements which are implied in the relevant definition.

Analysis of Consensus

This section will assess the degree of consensus within the definitions analysed in section two of this study. While Table 3.3 demonstrates a fairly scattered representation of themes, Table 3.5 demonstrates something much closer to consensus. Four of the nine definitions demonstrate complete consensus across all five elements. Three of the definitions demonstrate consensus across four of the five elements. Only two of the definitions demonstrate consensus across three of the five elements. The element which has the least consensus is process with six of the nine definitions representing. This is not surprising as this aspect of accountability has only been broadly recognised and emphasised in more recent decades. This explains the absence of this element in two of the three definitions that lack it. Action is the next least

represented element with seven of the nine definitions representing. Both obligation and transparency are represented by all but one definition. It should, of course, be recognised that these representations are not always explicit; sometimes they are merely implicit. In some cases, particularly with the element of penalty, only the most tenuous implication of the element can be detected in the definition. For instance, in the definition offered by Edwards and Hulme (1995; Edwards & Hulme, 1996a, 1996b), the element of penalty traces back to the theme of actualisation in the original thematic analysis which is based on the word “held” in the phrase “are held responsible for their actions.” There is, however, a remarkable degree of consensus between the definitions analysed for this study. It could accurately be said that the definitions here analysed demonstrate a broad—though not complete—consensus on the essential elements of the definition of accountability.

A Toothless Tiger

Having demonstrated the degree of consensus within the definitions selected from the third sector literature on accountability, this section will now focus in on the element of penalty, or as it could also be called sanction or consequences. Section two concluded in the critical assessment of the essential elements of accountability that penalty is one of those essential elements of accountability. This section will give a more in-depth analysis of the role of penalty in accountability.

Penalty is fundamental to accountability—*sine qua non*. Where the potential for penalty does not exist, neither does accountability. Where there is no potential for *penalty*, an *obligation to a process of transparency* relating to *actions* will consistently fail to result in meaningful accountability because obligation will be diminished to generosity and transparency will become voluntary. Such an “accountability” will appear to be successful until the moment at which it is most needed, at which point it

will fail because it is fundamentally optional. The potential for penalty, therefore, is the element of accountability which gives to obligation its imperative. To zoomorphise the point, without penalty, accountability is a “toothless” (Schedler, 1999, p. 16) tiger.

To demonstrate how utterly fundamental the concept of penalty is to accountability, consider the meaning of the phrases “held accountable,” “held to account,” and “held responsible.” The term “held” here necessarily implies power. Consider other uses of the same term in the same syntactical context: “held hostage,” “held up,” “held back,” “held out,” “held together,” etc. In every one of these cases, “held” implies power. And this power is directly related to penalty. Penalty is the arm of power just as the military is the arm of the state. Of course this penalty—or indeed this power—need not be explicit or formal; it may be implicit and informal (Foucault, 1975). The important thing is that there is an “or else” which can be held over the other party’s head. Gray et al. (2006) miss this power/penalty element in presenting the role of informal accountability. “For many NGOs, regardless of size, accountability will naturally occur through some combination of personal contact and the visibility of the activities undertaken by the NGO” (p. 335). They go on to posit that for some, “Knowing that Greenpeace are out in the North Sea opposing dumping or that Oxfam is present in Sudan delivering humanitarian relief may very well be sufficient accountability in itself” (p. 335). Their point is valid that informal reporting is sometimes sufficient *transparency* for the accomplishment of accountability; however, it must be pointed out that what is described here is mere reporting, not accountability. It lacks entirely the notion of holding to account—of power and penalty—and is therefore something less than accountability (though still potentially *part* of the accountability process). This brings to the fore the crucial relationship between accountability and power.

Penalty and Power.

Power is essential to penalty because without power the threat of penalty is unable to be carried out. If those to whom an actor is accountable have no power to hold that actor accountable, ipso facto that actor is not accountable (Bawole & Langnel, 2016). Although it is possible to enter an accountability obligation voluntarily, it is not possible for accountability to exist sans a real obligation involving the potential for a real penalty backed by real power. In other words, a toothless tiger can guard no gold.

This essential role of power in accountability is not being artificially inserted into the picture. This power is already necessarily implied in the element of penalty and this power structure already exists in any accountability relationship. For instance, citizens are held accountable for their actions by means of the police who are empowered to use reasonable, and at times even deadly, force to ensure compliance with the law where a situation is urgent, and by means of the court system who are empowered to impose a broad range of penalties for violation of the law. Similar dynamics exist between parents and children, teachers and students, employers and employees, etc. Obligation without power becomes meaningless. An employer who does not pay his employee has no right to consider his employee obligated to work. Indeed, such a person is not called an employee but a volunteer. Any obligation he has is merely moral and is entered (and exited) on a voluntary basis under normal circumstances. Accountability, then, cannot be meaningfully discussed without acknowledging the role that this power plays in accountability.

Penalty in Other Sectors.

It is notable that the essential element, penalty, has complete consensus in the definitions analysed here, and yet is not explicitly stated in any of these definitions. Indeed, it is alluded to in only the most tenuously distant manner. It could be said that

the tiger's teeth are the elephant in the room. Everyone seems to know they need to be there, but no one mentions them directly.

This is not always the case, especially outside the research literature of the third sector. Indeed, a number of papers which were assessed during the extraction of definitions, but which did not meet the criteria for inclusion in this research, were informally examined for the presence of this essential element, penalty. Multiple instances jumped out. For instance, in the second, government sector, Schedler (1999) says "the notion of political accountability carries two basic connotations: answerability... and enforcement, the capacity of accounting agencies to impose sanctions on powerholders who have violated their public duties" (p. 14). He elucidates further regarding accountability:

It also contains elements of enforcement (rewarding good and punishing bad behavior). It implies the idea that accounting actors do not just "call into question" but also "eventually punish" improper behavior and, accordingly, that accountable persons not only tell what they have done and why, but bear the consequences for it, including eventual negative sanctions. Exercises of accountability that expose misdeeds but do not impose material consequences will usually appear as weak, toothless, "diminished" forms of accountability. They will be regarded as acts of window dressing rather than real restraints on power. (pp. 15-16)

Also in the second sector literature, Gray and Jenkins (1993) explicitly refer to both the positive and negative use of power:

In essence, accountability is an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities. On this obligation depends the allocation of praise and blame,

reward and sanction so often seen as the hallmarks of accountability in action.

(p. 55)

In the same sector, Schettler's definition of accountability includes the phrase "sanctions in cases of noncompliance" (2020, p. 22). In the first, corporate sector, Newton et al. (2004) openly connects accountability to compulsion: "Responsibility has to do with defining proper conduct, accountability with compelling it" (p. 173). Also in the first sector, Schaaf et al. (2020) are explicit.

We define accountability as encompassing answerability and sanctions... Answerability entails the obligation to answer questions about decisions and/or actions..., and sanctions entail some kind of negative outcome – formally or informally levied - for failures and transgressions... [An upward stakeholder] stresses the remedy component of accountability, including, for example, restitution, which seeks to restore someone whose rights are violated to their position before the violations occurred; compensation, or a financial award for harms incurred; and guarantees of nonrepetition. (p. 3)

While expressed in various ways (enforcement, sanction, punishment, consequence, and compulsion), each of these examples include in their definition of accountability the concept of penalty in quite explicit, and even at times forceful, ways.

An Operational Definition of Accountability

This study has identified five fundamental elements of accountability: obligation, process, action, transparency, and penalty. Each of these elements is essential to the existence of accountability; where any of these elements is absent, so is accountability. This section will summarise these elements in order to facilitate the development of an operational definition of accountability. First, obligation necessarily implies a relationship which contains the potential for action which is designed to

ensure the fulfilment of that obligation. Second, accountability is inherently a process, not merely an event. This parallels the ongoing obligation implied in an ongoing relationship. Third, actors are held accountable for their actions, not the outcome of those actions. Fourth, transparency is an ongoing obligation which makes the actions of the obligated party visible to those to whom they are accountable. Fifth, penalty means that where an account, either formal or informal, is unsatisfactory, a justification may be required and where that justification is unsatisfactory, sanction may be imposed. These five elements of accountability combined form a *sine qua non* of accountability. By combining these five elements of accountability, the validity of any definition of accountability can be assessed. Further, it should be possible to construct any number of working definitions of accountability on the basis of this framework.

The word accountability is based on the word account and retains the notion of giving an account. The postfix -ability contains the notion of being able to. For instance, the word predictability means able to be predicted. These etymological factors maintain their definitional significance even where more technical factors have come into the definition of the term. For the purposes of this section, the following definition is offered: Accountability is a process of transparency about actions in fulfilment of an obligation backed by potential penalty. In other words, accountability is a process in which an entity is transparent about its actions in the context of an obligation with the potential for negative consequences for failure to satisfactorily fulfil the requirements of that obligation. Several things are worth noting in the above definition. *First*, process in any definition of accountability is not related directly to any one of the other four elements, but encompasses the workings of these four elements *in toto*. *Second*, justification is the implied space between transparency and penalty. Since transparency in itself does not create accountability, and since the potential for penalty is present, the

process of accountability will typically involve multiple instances of justification, either anticipated in advance or articulated after the fact. *Third*, for the purposes of defining accountability, negative consequences are relevant, but positive inducements are not. This is because accountability involves an obligation to meet minimum requirements rather than a system for achieving maximum potential. Accountability is not about optimising outcomes; accountability is about maintaining base level standards of behaviour. In short, accountability is not about performance management per se, though it may be used in that way at times; rather, accountability is about meeting the obligations implied in a relationship.

Conclusion

This study set out to undertake a conceptual analysis of extant definitions of accountability in the third sector research literature and then to use these conceptual elements to synthesise a working definition of accountability. This was operationalised in the three sections of this study as follows. First, extant definitions of accountability were extracted from the third sector research literature through a two-stage process in which recent definitions were traced to isolate influential definitions. This process resulted in nine definitions. Second, these nine definitions of accountability were analysed using thematic analysis finding nine substantial themes: relationship, obligation, actualisation, process, action, outcome, reporting, answering, and justifying. Third, these themes were then critically analysed, resulting in the synthetic distillation of five essential elements of accountability: obligation, process, action, transparency, and penalty. These essential elements were then compared to the original themes leading to further critical analysis and finally the synthesis of an operational definition of accountability. The resulting definition follows: Accountability is a process in which an entity is transparent about its actions in the context of an obligation with the

potential for penalty for failure to satisfactorily fulfil the requirements of that obligation.

This study has some limitations which should be kept in mind. First, the comparison between the third sector literature definitions and the broader accountability literature definitions is not extensive. Second, the papers that were considered within the third sector literature reflect a very limited timeframe and scope. The primary contribution of this study to the research literature on accountability, particularly in the third sector, is the development of the primordial form of a framework for conceptualising accountability in the third sector, building on the definitions of accountability in the literature. It is hoped that further research will lead to the development of a more complete framework for conceptualising accountability. This framework need not necessarily be limited to definitions of accountability in the third sector although its early conceptualisation is clearly centred around the particularities of the present state of research on accountability in the third sector.

While this chapter has looked at the definition of accountability, the next chapter (Chapter 4) will look at the views and practices of NGOs themselves in relation to stakeholder priority.

Chapter 4: NGO Accountability in Practice: An Examination

This study explores the attitudes of NGOs towards accountability with particular attention to the direction of accountability. In Chapter 1, the scope of the term NGO was defined as well as what is understood by the term small donor. Chapter 2 went on to review the literature which relates to this space outlining particularly the literature related to the direction of accountability. The first study in this thesis, in Chapter 3, then went on to address the definition of accountability at some length, finding the understated but significant role of sanction to be a key area for observation when looking at NGO accountability. This first study raises the question how NGOs in practice handle the concept of sanction in accountability. Do they suffer from the same conceptual in clarity and inexplicitness, or do they vary in one direction or the other? Either in the direction of more conceptual clarity and explicitness, or in the direction of less conceptual clarity and explicitness? This study will offer some peripheral insights into this question while exploring an objective more germane to the research aim of the overall thesis. The primary *objective* of this study is to explore the public views of NGOs on NGO accountability in practice with a focus on stakeholder priority. In order to do this, this study looks at NGO websites which are considered to be the most visible public face of NGOs. This study analyses the accountability paradigms demonstrated both explicitly and implicitly in the rhetoric and structure of the websites of ten Australian NGOs.

Methodology

This section will briefly summarise the theoretical approach of this study. This will then be followed by a brief section outlining the NGOs which are included in the project. Finally, this section will outline the methods of the research.

Theoretical Approach

This study comes from the theoretical perspective of critical realism. Critical realism (Bhaskar, 1978) is a postpositivist approach which sits between the positivist functionalist and critical interpretive paradigms. Critical realism attempts to blend the ontology of positivism with the epistemology of interpretivism yielding a broadened scope for the employment of theoretical perspectives in research as well as offering philosophically-rooted methodological flexibility (Modell, 2009; Bisman, 2010; Vincent & O'Mahoney, 2018). In interpretivism, reality is seen as internally constructed by the interpreter rather than externally situated. Critical realism differs from the interpretive approach in that while interpretivism tends toward ontological plurality (Chua, 1988; Lehman, 2017), critical realism argues that there are certain realities which, while sometimes difficult to discern and easy to misperceive, are nevertheless real and persistent realities. Modell (2009) summarises the trichotomic ontological and epistemological framework of critical realism developed by Bhaskar (1978, 2010) consisting of real objects and generative mechanisms that lead to actual events and empirical experiences of those events. The reality represented by these real objects and mechanisms, even where socially or politically constructed (Modell, 2009), cannot be safely or reasonably ignored, even while our empirical experiences of them are usually interpretive and rarely, if ever, perfect or complete.

This research, therefore, considers Australian welfare NGOs as operating within Western societal structures that are real objects and involve real mechanisms which contain causal power. While it would be difficult to consider every object/mechanism that affects such NGOs, several areas that involve such objects/mechanisms stand out as substantially relevant to this subset of organisations. *First*, there is within Western society a broad expectation of ethical behaviour (Barraquier, 2011). *Second*, there is an

assumption that the trustees of public resources are responsible to give an account for their use (Adams & Evans, 2004). *Third*, and closely related to the previous structure, is the general expectation that such entities will demonstrate transparency (Golob & Bartlett, 2007) as well as the legal obligation to submit certain reports for public scrutiny (Australian Charities and Not-for-profits Commission Act, 2012, s60.10). *Finally*, there are established economic realities, including, but not limited to, the concepts of private ownership, scarce resources, supply and demand, and return on investment. The mechanisms implied in these real objects are seen as generating NGO and small donor empirical experiences of actual events. Through the lens of critical realism, then, reality, though interactively complex, is still real and must be intelligently navigated by NGOs in order to function effectively and efficiently in pursuing their goals.

Critical realism has been chosen as the theoretical perspective for this study because it is well suited to examining the nexus between the concept of accountability in theory and the realities of third sector practice. Various writers (e.g. Carnine, 2009) outline the dangers of research disconnected from practice. This study helps to ground this thesis within the practice of NGO accountability. Specifically, the question arises as to the correlation between the way accountability is understood in the academic literature and the way it is practiced by NGOs. There is a danger that NGOs may pursue interpretive aspirations incongruent with the realities in the sector. Such a pursuit runs the risk of losing touch with a reality it fails to adequately recognise and take into account to the detriment of NGOs and the people who rely on them. Critical realism is, therefore, an ideal theoretical perspective from which to approach this study.

NGOs Included

Ten Australian NGOs were selected for analysis. The ten NGOs chosen were CARE Australia, an aid organisation working both in Australia and internationally with an emphasis on helping women; Caritas Australia, the international aid NGO of the Roman Catholic Church in Australia; CBM Australia, an international aid agency focusing on helping those with disabilities; ChildFund Australia, an international aid group focused on the welfare and rights of children; The Fred Hollows Foundation, an international agency dedicated to eradicating preventable blindness; Oxfam Australia, an international aid group focused on tackling poverty; PLAN International Australia, an NGO working on development and the protection of children; Save the Children Australia, an organisation working with children in Australia and internationally and emphasising education and health; TEAR Australia, a Christian international organisation focusing on the marginalised; and World Vision Australia, Australia's largest relief and development NGO. These NGOs were chosen because they comprised, at the time of the initial analysis (2014), the entire list of NGOs accredited by the Australian Department of Foreign Affairs and Trade (DFAT) as Australian NGO Cooperation Program (ANCP) partners (Australian Government Department of Foreign Affairs and Trade, 2014). The ANCP constitutes the highest level of DFAT accreditation for an NGO.

In 2009 DFAT determined that certain NGOs would be considered Partners based on the extent of their engagement across the Australian aid program, their ability to engage in dialogue and exercise influence politically, and their capacity to promote better practice and the sharing of lessons across the aid sector. (Office of Development Effectiveness, 2015)

These NGOs, therefore, were perceived by DFAT to be exemplary and worthy of emulation by other NGOs in the sector and have therefore been considered worthy of a closer look in this research.

Method

In order to provide a more fulsome picture of the public views of NGOs on NGO accountability in practice, this is a longitudinal study involving two separate analyses six years apart. The first analysis was conducted in May 2014 and the second in October 2020. These dates were chosen because the practical constraints of the research project over time made these particular dates practically expedient. It was important to select two dates as far apart as possible within the constraints of time in order to maximise the benefits of the longitudinal aspect of the research. The annual reports current at the time of these two analyses are the 2013 and 2019 reports.

A qualitative research method has been selected for this study as the goal is to capture views in as holistic a way as possible. This is considered to fit with the methodological flexibility of the critical realist approach to this research (Vincent & O'Mahoney, 2018). Specifically, the website analysis employs a qualitative content analysis of rhetoric and structure. The goal of the analysis was to identify evidence of the accountability paradigm explicitly or implicitly employed by the NGO. Included in consideration were both rhetorical and structural elements including the initial entry page presentation, overt statements, link and page structure, FAQs, general purpose financial reports, and site/page design. Key statements and observations were highlighted for each NGO under two categories: rhetorical or structural. These compiled statements and observations were then analysed in order to develop key themes emerging from the data. These key themes are summarised under the findings and discussion section below.

Findings and Discussion

Six themes were developed from the initial analysis of the websites of the ten NGOs selected for this study. The second analysis, while finding some cosmetic changes, found the same six dominant themes. These themes, set out below, represent underlying real objects and mechanisms, and the actual events which they generate, which lead to the empirical experiences of NGOs and their stakeholders.

Commercialistic Structures and Rhetoric

This commercialistic theme is evident in two areas. *First*, a commercialistic approach is apparent in the practice of nine out of the ten NGOs analysed in 2014 offering a webstore such as “Useful Gifts Catalogue” (TEAR Australia, 2014b) or something similar (e.g. Caritas Australia, 2014a; Oxfam Australia, 2020) where items can be bought for the poor as a gift to a loved one. The specific item to be given as a gift is selected (e.g. a goat, a toilet, an immunisation, etc.) and upon purchase, the item is given to the beneficiary while a card indicating the gift is provided for the person in whose name the gift is given. Such an approach is transparently commercialistic both in terminology and in substance. For instance, the terms “store” and “purchase” are overtly commercial terms. And turning welfare benefits into products which can be purchased in a store seems an overt commodification of welfare aid. By the time of the second analysis in 2020, all ten NGO websites included such a store, though the nomenclature varies.

Second, each website features a cash donations page link prominently on the homepage and in six out of the ten NGO websites analysed in 2014, to click on this link is to enter a commercialistic environment. For instance, donation amounts are set out in a webstore format offering products such as “one year of youth empowerment workshops for young people living in favelas in Brazil” (Caritas Australia, 2014b) or

“provide families in Timor-Leste with vegetable seeds, increasing nutrition and market opportunities” (Oxfam Australia, 2014b) in exchange for that donation amount. In the 2020 analysis, the commercialistic rhetoric was clearly linked to seven out of the ten NGO websites (an increase of 10%).

Since a website is by far the cheapest and most effective means of up-to-date mass communication on-demand available to NGOs, these websites have become a key portal for communication. Due to barriers of language, wealth, technology, and accessibility, the primary audience of these websites seems to be donors rather than beneficiaries. This naturally leads to a website designed for donors who are used to commercialistic structures and are more likely to give—and give more—when their donations are tied to commercialistic rhetoric (for \$15 more, I could provide a well instead of a goat). Hence, the empirical experiences emerging from these websites reflect the economic realities which shape them.

Dissociation of Empowerment and Accountability

The analysis of the websites of the ten welfare NGOs demonstrates a sort of rhetorical and structural dissociation in which accountability and empowerment are conceived as largely independent of each other. Yet reference to the definition of accountability synthesised in Chapter 3 demonstrates that accountability necessarily includes the notion of penalty; sanction. Accountability was defined in Chapter 3 as a process in which an entity is transparent about its actions in the context of an obligation with the potential for negative consequences for failure to satisfactorily fulfil the requirements of that obligation. As noted in Chapter 3, many of the extracted definitions of accountability and other definitions use the language of holding responsible or holding to account (e.g. Hammer & Lloyd, 2011). Yet if the stakeholder lacks genuine, substantive empowerment whether that empowerment be legal, social,

economic, administrative, or otherwise, on what basis can she “hold” the entity to anything? Furthermore, if such stakeholder empowerment is viewed as discretionary—to be handed out as a gift as the entity sees fit—it becomes illusory; even tautological. If accountability is a right, can it really be a gift? And if accountability is a gift, can it really be accountability?

The rhetoric employed on the welfare NGO websites demonstrates this dissociation of empowerment and accountability. For instance, one NGO aspires “to *give* those who are voiceless the opportunity to participate in the decision-making processes” (Caritas Australia, 2014c, emphasis added). Empowerment here is explicitly conceived as a gift (“give”) while in the same document participation in decision-making is conceived of as a right: “All people have the *right* to participate in decisions that affect their lives” (Caritas Australia, 2013, p. 4, emphasis added). Another NGO, World Vision Australia, demonstrates this dissociation in their statement that they are accountable to “the world’s poorest children” (Mitchell, 2014, p. 2). Yet it is hardly contestable that such stakeholders are among the least empowered people on the planet. Yet another example of this dissociation between empowerment and accountability is ChildFund Australia’s answer to the question “How is this accountability measured?” (ChildFund Australia, 2014) where it explains that “Systems of community involvement and participation... ensure ChildFund Australia's quality and accountability” (ChildFund Australia, 2014). Here mere “involvement” and “participation” seem to serve as proxies for actual empowerment. Caritas Australia even admits that the beneficiaries of their aid may have limited *capacity* for decision-making (“Caritas Australia works with local communities to support, promote and develop their capacity in decision-making so they can better respond to their own needs” [Caritas Australia, 2013, p. 4]). Such an admission demonstrates a paradigmatic

dissociation of empowerment and accountability. Finally, CARE Australia describe their beneficiaries as “primary stakeholders” (CARE, 2020). But they also state that “those in poverty are our *equal* partners” (CARE, 2020, emphasis added). This, coupled with a lack of any indication of empowering mechanisms, demonstrates an almost farcical dissociation of empowerment and accountability.

Assumed Upward Audience

Upward reporting, which is reporting to stakeholders above the NGO such as members, donors, benefactors, and regulators, is here contrasted with downward reporting which is reporting to stakeholders such as employees, the broader community, and beneficiaries. From a structural perspective, the intended audience of the NGO websites analysed is manifestly upward stakeholders. This is congruent with a critical realist perspective considering that socioeconomic, literacy, and linguistic realities necessitate such a focus. It would be impracticable to have the general purpose financial reports of each NGO available to every stakeholder of the NGO in a form that is accessible to them. Yet each NGO does have general purpose financial reports easily accessible to their primary donation base. This focus demonstrates the intrinsically upward direction of NGO reporting in at least the websites of the NGOs considered, notwithstanding attempts which may be made to compensate for this.

Rhetorically, the websites of all ten NGOs analysed in 2014 talk *about* the beneficiaries, not *to* them. In fact, no single instance of an NGO talking to the beneficiary was noted on any of the websites. Rather, statements such as “Your dollars at work” (Caritas Australia, 2020b) and “An organisation you can trust” (Save the Children Australia, 2014) assume an upward audience. A CBM Australia director’s report ends with “I profoundly appreciate your trust, your confidence and above all your support” (CBM, 2013, p. 5). Such rhetoric implies an embedded assumption that

the reporting offered on the website is to upward stakeholders primarily, if not exclusively. This conclusion was systematically supported by the 2020 analysis with one exception namely that several of the NGOs addressed the effects of the COVID-19 global pandemic of 2020 as something that affected all of their readers. Still, it was clearly assumed that the reader was a donor, not a beneficiary (Caritas Australia, 2020a).

Yet another indication of this assumed upward audience is the use of “where your money goes” pie charts. This is a small graph demonstrating the percentage of funds going to administration/fundraising versus welfare benefits. It is, presumably, a defensive measure in light of the apparent public perception that donations often do not actually reach the intended beneficiaries. In the 2014 analysis, nine of the ten websites displayed such a graph, if not on the homepage, within one click from the homepage. The 2020 analysis uncovered some variance in this practice. While all ten NGO websites disclosed this information, only eight did so on the homepage, or within one click from the homepage. Of these, two described the information verbally rather than showing it in a pie chart form. The two websites that did not disclose the information on the website itself, did so in their annual reports.

Equation of Mere Reporting with Accountability

Reporting is closely connected to accountability. World Vision Australia recognises this in their corporate governance statement.

Disclosure is inextricably linked with accountability to stakeholders. World Vision Australia and the broader World Vision Partnership is committed to continually improving the mechanisms by which it internally gathers information and reports to its stakeholders on progress towards delivering on its Commitments and use of the resources entrusted to it. World Vision Australia

prepares and makes available a variety of reports, each aimed at providing the information necessary to improve accountability and transparency. (World Vision, 2012, p. 5; cf. World Vision, 2018)

But, as this statement seems to concede, while reporting *facilitates* accountability, it is not in itself accountability. Another way to say this is that the mere giving of an account is not equivalent to being held to account. One NGO says “The board... provides accountability to members and stakeholders” (The Fred Hollows Foundation, 2013, p. 30). Provision of accountability is, once again, the language of a gift. But more than that, this statement conceives of the giving of account as essentially equivalent to being held to account. Another NGO, CBM Australia, states in their financial reports: “This report aims to be accountable to key stakeholders and offer transparency across all aspects of our international aid and development activities, evaluations, learnings and financial statements” (CBM, 2013, p. 2). Clearly a report cannot “be accountable.” Nor does it create accountability *per se*. Caritas Australia uses similar language when it says “we will tell the story of that change in more accountable and engaging ways” (Caritas Australia, 2013). Yet telling a story isn’t accountability. It is reporting.

Questions must be asked such as to whom is the report given? In what languages is it available? What options are available for the illiterate to receive reports? And far more importantly, are the receivers of the report empowered to do anything about issues or concerns they might have?

Dominantly Upward Structures of Accountability

Another key finding on the websites is the dominant use of upward or lateral accountability structures. Upward accountability, which is accountability to stakeholders above the NGO such as members, donors, benefactors, and regulators, is here contrasted with downward accountability which is accountability to stakeholders

such as employees, the broader community, and beneficiaries. Lateral accountability refers here to accountability to the NGO community, partner organisations, and to self.

The rhetoric on the websites consistently aspires to both upward and downward accountability. World Vision Australia provides a good illustration of the point.

World Vision is responsible to a broad range of stakeholders. These include employees, governments, funding bodies, donors, church bodies, partner agencies, other development organisations, [*sic.*] and most importantly, many of the world's poorest children. To say that we are responsible to these stakeholders, means that we must be accountable to them, albeit in different ways. Our ultimate responsibility to God can only be discharged by taking these more particular responsibilities seriously. (Mitchell, 2014, p. 2)

They aspire to downward accountability toward employees and “the world's poorest children” (p. 2). Lateral accountability is espoused to partner agencies and other development organisations. Upward stakeholders are outlined as including governments, funding bodies, donors, and church bodies. While accountability to God is conceived as a motive for meeting downward accountability aspirations, he is, nonetheless, an upward accountability stakeholder. This conception of downward accountability, therefore, is really mediated through upward accountability. TEAR Australia gives a list of exclusively upward and lateral stakeholders: “We are accountable to God for our use of time and resources. We are accountable to our partners, members and supporters.” More often than not, though, the rhetoric includes both upward, lateral, and downward stakeholders. For instance, Oxfam Australia says “We will be accountable to our key stakeholders: the people and communities living in poverty that we work with; our donors and supporters; our partners and allies; our staff, volunteers and the wider public” (Oxfam Australia, 2014a). Caritas Australia outlines a

similarly directionally diverse group of stakeholders: “We will tell the story... for the communities we assist and the ones here in Australia who wish to continue to support our work” (Caritas Australia, 2014c). This rhetorical theme is consistent across the 2014 and 2020 analyses.

However, when attention is turned to an examination of the actual structures of accountability outlined on the websites, a fundamental incongruence emerges between the rhetoric surrounding the direction of accountability and the actual accountability structures currently in place. Notwithstanding aspirations “to give those who are voiceless the opportunity to participate in the decision-making processes” (Caritas Australia, 2014c) and to create “systems of community involvement and participation” (ChildFund Australia, 2014), many of the structures which seem to be intended by the NGOs as structures of downward accountability are, metaphorically speaking, toothless tigers. For instance, ChildFund Australia cites “results documentation” (ChildFund Australia, 2014) as a way in which accountability is measured, yet the beneficiaries of this NGO are primarily children. This raises questions such as: Are such reports given to the children? Can the children and/or their parents read and comprehend the reports? Are the reports printed out as physical copies (vs. available merely on the website)? Are they translated into the language of each beneficiary stakeholder? This same line of questioning must be applied to any purported method of downward accountability which is comprised primarily of reporting. And the problem remains that mere reporting is here equated with accountability. To be fair, another method of measuring accountability cited by ChildFund Australia is “Systems of community involvement and participation” (ChildFund Australia, 2014). But such a general statement leaves the reader with no evidence of a toothed—alluding here to the toothless tiger analogy—structure of downward accountability, especially where such methods entail the giving

of verbal reports. As argued above, reports are not in themselves accountability. Accountability requires the power to sanction.

Instead, the structures outlined on the websites are dominantly upward or lateral structures. For instance, TEAR Australia specifies reviews by TEAR project workers (lateral accountability) as a structure of accountability (TEAR Australia, 2014a). CBM Australia (CBM, 2013, p. 27) refers to “supporter meetings around Australia” and “industry forums” (upward accountability). Structurally, the website itself and the published financial reports are, ostensibly, in themselves a primary mechanism of accountability which is almost exclusively upward. The absence of any observed webpage material directed toward beneficiaries in any way is a structural reality that seems to support this premise.

The question remains, what are the toothed structures of accountability in the NGOs considered in this study? The primary structure of toothed accountability is the buying power—to use a commercial analogy—of donors. To all appearances, the only way a stakeholder can insist upon having his views implemented is either to be in a position to regulate the NGO (i.e. be a Minister of the Crown) or to be a big enough donor that the threat of ceasing donation will have force. Still, even small donors can impose sanction on an NGO by simply no longer donating to them. Small donors have power. There is another form of power in NGOs. Each of the NGOs considered is legally structured as a public company limited by guarantee except for Caritas Australia which was legally structured as an incorporated association in 2014 but by 2020 had become structured as a public company limited by guarantee. So in all ten NGOs, a constitution is in place which is, in some cases, available for download on the website. This legal structure creates a potential toothed accountability via membership. This means that, depending on the content of the constitution, the board is elected by a group

of members who have actual, toothed authority to elect the board and hold the organisation accountable. It should be noted, however, that even here, the accountability lacks the traction that such a structure would have in the corporate world. This is because in a normal corporate structure, the membership is comprised of shareholders who have a direct financial stake in the company whereas in an NGO, membership gives a notional—not substantially financial—stake in the company. More importantly, in a non-NGO company, the value of each member's vote is determined not by dividing one by the total number of members (as an NGO would presumably do), but by considering the proportion of his financial stake in the company. This ties toothed accountability directly to financial investment into the company. Another consideration is the openness of membership. If anyone can join for a nominal fee and with minimal obligations, the accountability will be more substantial than if membership is by invitation only (which is the case with the Fred Hollows Foundation).

Reliance on Minimalist Structures of Accountability

Each of the NGOs considered in this study is a member of the Australian Council for International Development (ACFID) and subscribe to the ACFID Code of Conduct. Each NGO also submits to external annual financial audits. Finally, all ten NGOs considered here are accredited by the Australian Agency for International Development (AusAID). Such membership, audit, and accreditation are properly conceived as structures of accountability—albeit primarily upward accountability.

While some might argue that such structures provide a solid foundation of accountability, the postulation is not as sound as it might seem. In the case of a code of conduct, the standards set out in the code are too easily either so basic as to provide only the mildest of guidance or so aspirational as to defy any meaningful censure for failure to comply. Add to this the difficulty of demonstrating and proving an ethical

failure of any but the most severe kind and the limitations of this structure of accountability begin to become apparent. In the case of the ACFID Code of Conduct, compliance with the code is explicitly “self-regulatory” (Australian Council for International Development, 2020). Such a code, while helpful as far as it goes, is only likely to ensure a fairly basic level of accountability.

An audit is parallel in many ways to a code of conduct. While it will attempt to discover overt forms of fraud, it is quite limited in its intent and authority and quite unlikely to draw attention to inexpedient organisational directions or inefficient operational strategies so long as the basic standards of accounting are followed. Such a structure, therefore, is likely to provide meaningful accountability in only the most egregious cases of misconduct and never for ineffectiveness or inefficiency.

The same can be argued for accreditations. While accreditation standards are likely to be more specific and perhaps more intrusive than those of a code of conduct, they still present baseline, focused obligations for the NGO. As long as the NGO is meeting the bare minimum focused obligations set out by the accrediting body, the accrediting stakeholder will not be in a position to address inefficiencies or inexpediencies occurring in the NGO. Additionally, there is the difficulty presented by the fact that removing accreditation from an NGO is a fairly drastic step that is only likely to happen in the most extreme cases and only after a drawn-out process of attempted resolution (Shepherd, 2014). When this is taken into consideration, it becomes apparent that this structure too offers only a minimalist safety net for stakeholders.

Conclusion

The objective of this study was to explore the public views of NGOs on NGO accountability in practice with a focus on stakeholder priority. This study analysed the

websites of ten major Australian NGOs finding the following dominant themes: Commercialistic structures, dissociation of empowerment from accountability, assumed upward audience, equation of mere reporting with accountability, dominantly upward structures of accountability, and reliance on minimalist structures of accountability. These findings are set against the Western societal context in which these NGOs operate, a context comprised at least partially of the real objects and mechanisms outlined earlier. These include the expectation of ethical behaviour, the assumption of accountability for resources, the expectation of transparency, and established economic forces. Employing abductive reasoning (Modell, 2009) rooted in a grounded approach, it is suggested that these real objects and their related mechanisms—ethics, accountability, transparency, and economics—offer explanatory power against the findings of this research. In other words, if the interactively complex reality posited by critical realism—particularly in relation to ethics, accountability, transparency, and economics—truly is, then the findings of this research would generally, on analysis, be a matter of course.

While there may be insights from this study across the non-profit sector, the generalisability of this research is primarily relevant to the sorts of NGOs considered. These parameters draw in a fairly broad range of NGOs including large development and welfare NGOs based in Australia and catering to both their own nations and to less developed countries. Critical realism recognises that the real objects and mechanisms considered in this study are, to some degree, socially constructed and are therefore susceptible to cultural influences. Still, a case might be made for generalising the results of this study even more broadly to include large development and welfare NGOs based in other first-world Western nations and catering to both their own nations and to less developed countries.

This research is limited in a number of ways. *First*, the number of NGO websites considered could have been increased to strengthen the reliability of the results. *Second*, it would have been beneficial to have one or more additional researchers to provide blind analysis of the websites to reinforce the validity of the findings. *Finally*, this research was limited to Australian NGOs.

These limitations lead to some suggestions for future research. For instance, there would be benefit in reproducing this research on NGOs in other Western countries. A cross-cultural replication could also yield helpful insights. Additionally, research looking at NGOs based in Eastern nations might result in helpful benefits. Replication of this research considering local NGOs might shed interesting insights as well into the implications of cross-cultural factors on international NGOs. Finally, much research could be done in applying the approach of this research to the context of the advocacy NGO and other forms of NGO.

One of the key values of this study within this thesis is to provide a background against which to place the findings of the next two studies. By researching the views of NGOs on NGO accountability, it will be easier to see the contrast between these views and the views of NGO small donors which are the pursuit of the following two studies.

**Chapter 5: NGO Stakeholder Priority: A Survey of Small Donor Attitudes
Towards Accountability**

“Donating to charitable organisations to me is a no no.

You don’t know where the money goes.”

–survey respondent

This study explores small donor attitudes toward non-government organisation accountability. In order to clarify the unique importance of accountability to NGOs, it is necessary to consider how NGOs fit into the broader organisational context. The global organisational ecosystem can be divided into three basic sectors: the for-profit sector, the government sector, and the not-for-profit sector (Potůček, 1999). The not-for-profit, or NGO, sector exists to fill the gaps in human well-being left by the first two sectors. Organisations within this third sector engage in humanitarian work such as disaster relief, development work, advocacy for the vulnerable, spiritual care, education, and medical care. Such organisations are generally seen as beneficial for society and are often given special treatment by societies. While the first and second sectors (for-profit and government) are funded primarily by their commercial activities and taxes respectively, the third sector relies largely on donations or grants either from the first two sectors or from private individuals. The trust and goodwill of donors, therefore, is typically crucial to the maintenance and flourishing of organisations within the third sector (Liu, 2019; Waniak-Michalak & Perica, 2021). Since accountability is essential to fostering and maintaining donor trust and goodwill (Nichols, 2004), it is of vital importance in the third sector.

There has been plenteous research within the third sector context to date addressing many aspects of accountability (Hopper & Hoque, 2004). The research has generally recognised that while accountability is more than mere accounting, accounting and the information it produces is currently a significant means of discharging accountability in the third sector (Ebrahim, 2003a). However, the information requirements of third sector stakeholders may not be the same as the information requirements of stakeholders in the first and second sectors. This raises the question as to what information is needed for accountability. This question can only be answered if we understand who the stakeholders are to whom accountability is due. There are, therefore, two pertinent questions. First, who are the stakeholders of a third sector organisation? Second, what are the information needs of these stakeholders? These questions have received some attention in the research (M. Edwards & D. Hulme, 1995; Connolly, Hyndman, et al., 2013). Connolly and Hyndman (2013b) call for a “continuing debate as to how charities should communicate with donors and what should be included in such communications” (p. 965). This research seeks to continue that discussion by building on the research of Connolly and Hyndman (2013b) which is in turn built on the research of Hyndman (1990) in order to strengthen previous research and provide new insights.

The purpose of this study is to explore small donor attitudes toward NGO accountability with particular reference to beliefs about the accountability obligations of NGOs and the information requirements of small donors. In order to do this, a survey was conducted among small donors in Australia. The *objectives* of this research are *first* to determine to whom small donors believe NGOs should be primarily accountable, *second* to determine what information small donors require from NGOs for the demonstration of accountability, *third* to determine how small donors want that

information delivered, and *finally* to determine how engaged small donors are with the information presently provided by NGOs. This research was constructed such that the results can be compared to the previous research of Connolly and Hyndman (2013b) and Hyndman (1990)—both in the UK—in order to give insight on the geographical generalisability of previous research as well as yielding potential insights through longitudinal comparison.

The rest of this study will be set out as follows. First, the theoretical perspective of the research will be outlined. Next, the literature in this area of research will be reviewed briefly. This will be followed by a section on the methodology of the study. Then, the findings will be outlined and discussed followed by a conclusion.

Theoretical Perspective

This research was approached from a stakeholder theory perspective. Stakeholder theory argues that organisations should be responsible to consider their impact on any person/entity or group of persons/entities which has considerable influence on or is considerably influenced by that organisation (Freeman, 1984). Stakeholder theory is ideally suited to research on accountability in the third sector because it provides a framework for approaching the complex range of stakeholders to which an NGO may be accountable: Upward to regulators, donors, and society at large; laterally to commercial partners, employees, and management; and downward to beneficiaries and the broader community.

Stakeholder theory has been used in various other studies on TSOs (Awio et al., 2011; Taylor et al., 2014; Connolly & Hyndman, 2017). Additionally, stakeholder theory was the primary theoretical lens for the research of Connolly and Hyndman (2013b) on which this research is based. While the research of (Hyndman, 1990), on which the research of Connolly and Hyndman (2013b) is based, is not explicitly rooted

in stakeholder theory which was relatively new at the time, it does capture the spirit of stakeholder theory when it refers to “the information needs of a group referred to as contributors” (p. 297; i.e. a stakeholder group). Hyndman (1990) notes that “this group normally has no right to demand information” (p. 297), but goes on to point out that such people, collectively, should have a right to require information necessary to ensure the proper demonstration of accountability to themselves.

Literature Review

The dictionary defines “accountable” as “required or expected to justify actions or decisions; responsible” (Oxford University Press, 2020). Accountability differs from mere transparency in that accountability is obligatory and involves the capacity to exercise meaningful influence. Therefore, accountability necessarily implies the capacity of the receiver of the account to influence future decisions of the accountable entity as a result of the account given. Thus, accountability involves the accountable party, the party to whom they are accountable, and some mechanism/s through which that account is or may be given (Edwards & Hulme, 1996b) and sanction may be exercised.

Accountability in the second sector (government) has been the subject of discussion for millennia. Various forms of government have been devised to create and structure accountability in ways that limit corruption and abuse of power (Smith, 1776; *Constitution of the United States of America*, 1788; Rousseau, 1920; Plato, 1943; Hobbes, 1982; Machiavelli, 2015). The first sector (for-profit) in its modern form has much more recent origins. Society has learned the need for accountability in this sector through a destructive and painful process (Smith, 1776). For instance, society is no longer comfortable with allowing a corporation to operate a large standing army for the purpose of monopolising their trade as in the case of the East India Company and many

other companies (Smith, 1776). A more recent example is the collapse of Enron (“The amazing disintegrating firm – Enron,” 2001). As the first sector has developed so has the recognition of the need for accountability. Historically this has involved legislation as well as voting rights for shareholders (*Corporations Act 2001* (Cth)). The key mechanism for accountability in the first sector is now an annual report (*Corporations Act 2001* (Cth), s285) which discloses increasing amounts of information about the operations of public companies (Gray et al., 1995; Gray et al., 1996; Gray et al., 1997). With the introduction of large share trading markets, corporate ownership has become more diffuse. Also an increasing awareness of shared environments and communal resources has created a broadened, more complex view of the entities to whom corporations ought to be accountable (Gray, 2010). Stakeholder theory has attempted to address this complexity by taking into account multifarious groups who may have a stake in the actions and outcomes of a corporation (Freeman, 1984). Stakeholder theory recognises stakeholders such as customers, employees, local community members, citizens, governments, communities of nations, the broader global community, and even humanity as a whole to some degree (Gray et al., 2006). Such a holistic approach has led to a broadening of accountability paradigms to include these stakeholders as recipients of corporate accountability (Carroll & Nasi, 1997).

Traditionally, accountability in the first sector (corporate) has been upward to the owners of the corporation, and to government. While stakeholder theory has significantly broadened the stakeholders to whom accountability is seen to be owed, such accountability has tended to be relatively dilute. While a community activist may lobby the company for a change in environmental practices, they lack the sort of direct influence available to government or owners of the company. Such accountability, therefore, has generally been mediated through upward stakeholders by convincing

shareholders to change their attitudes or convincing governments to regulate industries. Even in the case of a boycott which might be viewed as downward accountability, the influence is ultimately mediated through upward stakeholders by damaging profits or the reputation—and therefore *future* profitability—of the company. Corporate sector accountability, therefore, has been traditionally primarily upward (Benston, 1982).

Accountability in the third (not-for-profit) sector has operated in roughly the same way as the first sector (Connolly & Hyndman, 2013a; Connolly, Hyndman, et al., 2013). Upward stakeholders—government and large donors—have been viewed as the primary stakeholders to whom accountability is due. NGOs have also used the same mechanisms of accountability as the corporate sector, namely annual reports and periodic reviews (Edwards & Hulme, 1996b; Yuthas, 2002).

This review of the literature will follow the structure of the objective of this study which is to explore small donor attitudes toward NGO accountability with particular reference to the accountability obligations of NGOs and the information requirements of small donors. These two categories, accountability obligations and information requirements, will serve as the main sections of the review.

Accountability Obligations: To Whom?

It is crucial, in order to properly demonstrate NGO accountability, to have a clear conception of to whom accountability is due. Hyndman (1990) recognises the importance of accountability to a broader range of NGO stakeholders than previously recognised including what he refers to as contributors (i.e. donors, particularly small donors). Najam (1996) continued to broaden the range of stakeholders, conceptualising NGO accountability as being primarily to three groups: patrons, clients, and themselves (p. 342ff). Mitchell et al. (1997) strengthened the validity of stakeholder theory for research by developing a model for “stakeholder identification and salience” (p. 853).

This model identified and determined the salience of stakeholders based on three factors: power, legitimacy, and urgency. This strengthened the accountability claims of stakeholders in all three sectors and paved the way for a broadening of stakeholder recognition. Donors came to be recognised broadly as having a legitimate claim to accountability from NGOs.

Since then, various studies have emphasised the importance of accountability beyond the traditional upward focus to include downward stakeholders, especially NGO beneficiaries (Edwards & Hulme, 1996b; Ebrahim, 2003a; Ahmed, 2004; Murtaza, 2012). However, research has demonstrated that in practice, downward accountability is complex and context-based (Unerman & O'Dwyer, 2006b; O'Dwyer & Unerman, 2008; Taylor et al., 2014) and is not without its risks and difficulties (Edwards & Hulme, 1996b; Dixon et al., 2006; Awio et al., 2007; Dixon et al., 2007; Roche, 2009; Awio et al., 2011; Murtaza, 2012).

Connolly and Hyndman (2013b) asked the question “to whom is a charity accountable...?” (p. 947). They conducted a large survey in the UK among NGO officials, NGO auditors, and NGO donors in which NGO donors were seen as the stakeholder to whom accountability is primarily due.

This broadened perspective on the identity and salience of NGO stakeholders intersects with the first objective of this research which is to determine to whom small donors believe NGOs should be primarily accountable. This research does not address the question of whether accountability *can*, or *should*, or the *means* by which it may, be carried out to downward stakeholders, but asks, rather, to whom small donors *believe* NGOs should be accountable. This research complements the research of Connolly and Hyndman (2017) which could be described as asking to whom *NGOs* believe NGOs should be accountable.

Information Requirements: What, How, and How Engaged?

The second, third, and fourth objectives in this research relate to the information provided by NGOs to donors asking three questions. First, what information do small donors require? Second, how do small donors want that information delivered? Third, how engaged are small donors with the information presently provided? These three questions will be addressed in turn.

What Information Do Small Donors Require?

It is important to remember that information provision is not the same as accountability. However, as provision of information is often sufficient discharge of an organisation's initial obligations in accountability, the provision of information is often seen as a proxy for the discharge of accountability itself. This research focuses particularly on the provision of information aspect of accountability.

Hyndman (1990) defines accounting as providing the information that the users need. He points out that in the third sector (the non-profit sector), there are many parties who do not have a direct, controlling interest in the organisation, but do have a legitimate claim as stakeholders. Examples include those who make small contributions to an NGO and the beneficiaries of NGOs. The growing consensus that stakeholders in the third sector—indeed in the first sector as well—may be legitimate stakeholders regardless of not having ownership or direct, controlling interest, raises the question of whether current reporting practices in the third sector are meeting the information needs of all stakeholders. Hyndman (1990) looked at the information needs of a group he calls contributors (“those who contribute to a charity but do not receive direct economic gain from their contributions,” p. 297), finding that the information disclosed varies substantially from the information contributors want to receive. First, he analysed actual reporting instruments, finding that they report mostly financial information.

Second, he surveyed contributors to NGOs to find out what information they want to receive, finding disturbingly low correlation between the two.

Hyndman (1991) conducted further research exploring the perceptions of NGO officials and NGO auditors about what is important to contributors to NGOs. He administered a survey to these two groups asking what information they perceive NGO contributors (donors) to find important. While the results demonstrated that these two groups largely understand the information contributors find most important, the study highlights the phenomenon in which the majority of these same charities do not disclose much of the information which they perceive contributors to want. This, in spite of the fact that they view the contributors to NGOs as the primary recipients of the annual reports in which they make their disclosures. Hyndman (1991) refers to this anomaly as a “relevance gap” (p. 69ff).

Connolly and Hyndman (2013b) built on the research of Hyndman (1990, 1991) exploring the attitudes of three stakeholder groups (donors,⁴ charity officials, and auditors) toward the information requirements of NGO donors. They conducted a survey comparing the perceptions of charity officials and NGO auditors about what information donors require with the reality of what donors actually require. This research found that donors do not value the three classical financial statements (income statement, balance sheet, and cash flow statement) very highly. This research, then, suggests that the typical annual report, which has been the mainstay of financial reporting in both the first and third sectors, does not satisfy the information requirements of a key third sector stakeholder group (donors). These findings are

⁴ Connolly and Hyndman (2013b) adopt the term “donor” in place of the term “contributor” used in Hyndman (1990, 1991).

confirmed by qualitative interviews (Connolly, Dhanani, et al., 2013; Connolly & Hyndman, 2013a).

While the present study does not address the question of what information NGOs currently provide, as previous research has done, it does address the question of what information NGO small donors require. The partially replicative nature of this research is designed to strengthen the reliability of the findings of previous research, to expand the applicability of the findings, and to offer longitudinal insight and currency.

How Do Small Donors Want That Information Delivered?

The delivery of information to donors has traditionally been through the statutorily required annual report (e.g. *Corporations Act 2001* (Cth)) in Australia and more recently, a voluntary annual review which is designed to be more user friendly (Connolly & Hyndman, 2013b). There are various dimensions of accountability which have bearing on the means of the delivery of information for the demonstration of accountability in NGOs. For instance, Ebrahim (2003a) points out the upward-downward, internal-external, and functional-strategic dimensions of accountability. Additionally, the formality of accountability may vary (Edwards & Hulme, 1996b). So called “participatory accountability,” a common method of discharging accountability downward to beneficiaries, is an example of informal accountability (Chu & Luke, 2018). Taylor et al. (2014) suggests that the more connected an NGO is with the grassroots beneficiary, the less the need for formal, verbal information disclosure.

Connolly and Hyndman (2013b) asked NGO donors to rank the two most common means of formal information disclosure: the annual report and the annual review. They found that the annual report ranked first.

How Engaged are Small Donors with the Information Presently Provided?

Another question which receives too little attention in the research is whether small donors read the reports they receive and say they value. For instance, Connolly and Hyndman (2013b), after finding that donors perceive annual reports to be more important than annual reviews to key stakeholders, found that the same donors perceive those same key stakeholders to be engaged most heavily with the annual review, not the annual report. This oddity may be explained by the findings of Connolly and Hyndman (2013a; cf. Connolly, Dhanani, et al., 2013) in qualitative interviews, that while donors engage more heavily with information sources other than the annual report, the annual report is still viewed as an important and legitimising document. In short, donors don't necessarily want to read it and don't necessarily see it as being for them, but donors still want it to exist. Connolly and Hyndman (2013a) go so far as to suggest that governments might consider regulating annual reviews as these are the dominant, formal means of delivering information for accountability to small donors to NGOs.

Method

This research builds on the research of Connolly and Hyndman (2013b) and Hyndman (1990). It seeks to replicate some aspects of the Connolly and Hyndman (2013b) research and strengthen the reliability of that research by applying it in another country. Connolly and Hyndman (2013b) list five objectives in their research. This study replicates only some aspects of that research and therefore replicates their second, third, and fourth objectives (see Table 5.1). Their second objective is to “identify the key charity stakeholders with respect to the discharge of accountability”⁵ (p. 947) which corresponds to our first objective which is to determine to whom small donors

⁵ Here the author means to determine which stakeholder group should be the primary recipient of accountability, and is therefore parallel to our first objective.

believe NGOs should be primarily accountable. Their third objective is to “determine the relative importance of established channels of communication in the discharge of accountability to key charity stakeholders” (p. 947) which corresponds to our third objective which is to determine how small donors want that information delivered. Finally, their fourth objective is to “ascertain the information needs of donors” (p. 947) which corresponds to our second objective which is to determine what information small donors require from NGOs for the demonstration of accountability.

Table 5.1: Correlation of research objectives

Connolly & Hyndman's objectives	The objectives of this research	Objective description
1	-	-
2	1	Identify primary stakeholders
3	3	Channels of information communication
4	2	Information requirements of donors
5	-	-
-	4	Donor engagement with information

In order to pursue the objectives of this research, a survey instrument was reconstructed from the published research (Connolly & Hyndman, 2013b). Use of an existing instrument provided opportunity to test the results in another developed country context. There were, however, some modifications to the original research. The *first* modification is that this study excludes representatives of NGOs or beneficiaries of NGOs. The *second* modification is that this research refrains from an analysis of the reporting instruments like Connolly and Hyndman (2013b) did because the focus of this research is on the perceptions of small donors. In spite of the differences between this research and that of Connolly and Hyndman (2013b), the survey instrument preserved the same wording and format as the original survey used by Connolly and Hyndman (2013b) where relevant except where noted otherwise.

The survey instrument (see Appendix A: Survey) contains eleven questions designed to determine small donor attitudes toward NGO accountability and reporting. The first two questions of the survey verify that respondents are adult permanent residents of Australia in order to ensure that the outcome reflects the views of Australians. The third question in the survey identifies whether the respondent is a donor, beneficiary, or NGO representative. The additional eight questions relate to the collection of quantitative data with room for qualitative input in two of the questions as explained below.

The final eight questions are comprised of four pairs of kinds of questions. The first two questions are ranking questions. These involve a list of options to be ranked by the respondent. These questions have been analysed by finding the mean rank for each category in the question and then ranking the means from lowest to highest, with the lowest mean score indicating the mean highest ranked item for the question. The second two questions use an ordinal Likert scale. The analysis of these questions involved averaging the scores for each category and then ranking these averages to give indication of the rankings in relation to each other within each question. The next two questions use interval scales and were analysed by calculating the quantity of responses in each category to find a percentage for each category. The final two questions provide space for further feedback to be filled in by hand.

The survey was administered in Far North Queensland, Australia. This region was chosen for its proximity to the researcher and because the general community was likely to be more familiar with NGOs since this region is a natural hub for NGO activities in nearby remote tropical locations such as Australia's Northern Territory, Papua New Guinea, and the Torres Strait Islands. The survey was administered in two shopping centres near Cairns to random members of the general public who identified

as donors. Note that donors were self-identified and may include some who might accurately be described as previous and potential donors. These shopping centres were selected because they were considered to be more often frequented by local residents of the region. As a high tourism region, it was considered important to ensure that results reflect local attitudes in order to maintain the integrity of the results as a reflection of small donor attitudes in Far North Queensland.

The survey was administered over three separate days during a period of several months. While Connolly and Hyndman (2013b) surveyed donors selected by participating NGOs, limited accessibility to donors constrained the approach of this research. A stall was set up with signs inviting donors to participate by filling out a short survey. Where a person expressed interest, they were given a survey and asked to fill it out on their own and turn it in. There were 104 surveys filled out during those three days. The original plan was to collect additional surveys from additional shopping centres, but this plan was interrupted by the rapid spread of the COVID-19 global pandemic in early 2020. At this point, rather than wait indefinitely for lockdown restrictions to be lifted, the decision was made to proceed with the responses up to that point. While the responses were fewer than originally hoped, it is believed the number of respondents is sufficient to provide meaningful, valid results.

Because responses were collected from the general public, few beneficiaries or NGO representatives responded (see Table 5.2). There were seven beneficiary respondents and four NGO representative respondents. Where respondents indicated they were both a donor and a beneficiary and/or an NGO representative, their response was included as a donor. Eighty-nine percent of respondents identified themselves as donors in relation to NGOs and the findings of this research are based entirely on this group of respondents; this research reflects the opinions of *donors only*. The survey

collected limited information on donation levels which will be discussed in the findings section.

Table 5.2: Analysis of respondents to survey⁶

NGO Stakeholder	Number of Respondents	Percentage of Respondents
Donor	93	89
Beneficiary	7	7
NGO Representative	4	4
	104	100

Findings and Discussion

The demonstration of accountability in NGOs is dependent on access by the relevant people to the necessary information in ways which are accessible for the purposes of accountability. This statement highlights the four key areas addressed in this research. *First*, who are the appropriate recipients of NGO information? *Second*, what information is most important to those people? *Third*, what means of providing that information do those people value most? *Finally*, how engaged are those people with that information? This section will outline the findings of this research under two categories: quantitative responses and qualitative responses.

Looking at the Numbers (Quantitative Responses)

This section will first look at the quantitative responses to the survey under four headings (corresponding to the four questions above): recipients of information, importance of information, sources of information, and engagement with information. The quantitative responses will be considered using descriptive analysis.

⁶ Where a survey is filled out as more than one category (e.g. donor and beneficiary), the survey is counted twice in this chart.

Recipients of Information.

In order to answer the first question (who are the appropriate recipients of NGO information?), the survey asked donors to rank seven key stakeholder groups in the order in which they believe NGOs should be primarily accountable to them. The seven stakeholder groups are the same seven stakeholder groups used in the research of Connolly and Hyndman (2013b) which is based on a report by the Canadian Institute of Chartered Accountants (1980). These groups are beneficiaries, businesses dealing commercially with the NGO, donors, employees, the regulator, trustees/directors and operational management of the NGO, and society at large. The two groups ranked most highly in this research were donors and beneficiaries in that order. These are the same two groups in the same order found in the research of Connolly and Hyndman (2013b), albeit this research affirms these findings by a slightly larger margin (see Table 5.3). Respondents, on average, ranked accountability to donors highest (with a mean rank of 2.62). The second ranking recipient of accountability is to the beneficiaries (with a mean rank of 2.91). The third ranking recipient of accountability is society at large (with a mean rank of 3.59), then the regulator (with a mean rank of 3.81), then trustees/directors and operational management (with a mean rank of 4.68), then employees (with a mean rank of 4.79), and finally businesses dealing commercially with the NGO (with a mean rank of 5.05). An analysis of the average deviation from the mean rank shows that respondents are more agreed on the ranking of donors (with an average deviation of 1.37) than they are on the ranking of beneficiaries (with an average deviation of 1.64).

Table 5.3: Mean rank of stakeholders

	Connolly	This Research	Difference
Donor	2.03	2.64	0.61
Beneficiary	2.22	2.91	0.69
Gap	0.19	0.27	

In this study, 28% of respondents ranked donors first indicating that they are the stakeholder group to whom NGOs should be primarily accountable (compared to 38% in Connolly and Hyndman [2013b]), while 29% ranked beneficiaries first (compared to 34% in Connolly and Hyndman [2013b]). These findings in Australia are consistent with the findings in the UK (Hyndman, 1990; Connolly & Hyndman, 2013b) which indicates that the primary stakeholder of NGOs is the donor, though beneficiaries are viewed as almost as important. It should be noted that this research includes the opinions of donors only.

The giving patterns of respondents were also collected. Seventy-two respondents chose to answer this question out of the ninety-three donors who filled out the survey (see Table 5.4). Of these, 43% gave between \$0 and \$499 to NGOs over the last twelve months, 18.3% gave between \$500 and \$599, 8.6% gave between \$1000 and \$1499, and 7.5% gave more than \$2000 in cash or in kind. Those who left this question blank may have found it too hard to calculate the correct response. The survey asks for gifts in “cash or in kind” and asks them to “estimate cash and in kind values if necessary.” Some may not have understood what “in kind” means. Perhaps others didn’t know how to put a cash value on their in kind giving and chose to err on the side of caution. Another possibility is that some did not check a box because they gave nothing (even though the “\$0-499” box would have been the appropriate one to check in that case).

Table 5.4: Respondent giving levels

	Number	Percentage
\$0-499	40	43.0
\$500-999	17	18.3
\$1,000-1,499	8	8.6
\$1,500-1,999	0	0.0
\$2,000+	7	7.5
Left blank	21	22.6
Total	93	100.0

The data collected, therefore, indicates that 34.4% of respondents gave \$500 or more to non-profits in the twelve months leading up to them filling out this survey. An additional 43.0% may have given up to \$499. The additional 22.6% have given no indication of their giving.

Further analysis gives additional insight into the findings above by asking how rank and average rank of most important stakeholder relate to the giving levels of respondents. Table 5.5 gives the average rank given to each of the two stakeholder groups that ranked highest in the overall results. The average rank of donors seems to go down as giving levels go up with the exception of those who gave between \$0-499. The data collected is insufficient to draw any conclusions from this finding.

Table 5.5: Average rank based on respondent giving

	Donors	Beneficiaries
No response	3.35	2.00
\$0-499	2.22	3.49
\$500-999	2.73	2.60
\$1,000-1,499	2.67	2.50
\$2,000+	2.57	3.14

A look at the rank given to each stakeholder group by the giving level of respondents yields additional insight (see Table 5.6). Caution is necessary in drawing inferences from sub-sections of such a small data sample. Nevertheless, there may be a

relationship between level of giving and the ranking of stakeholder importance for accountability. This may be an area for further exploration.

Table 5.6: Top three ranking stakeholders by respondent giving level

	Donors	Beneficiaries	Regulators	Society
No response	3	1	2	-
\$0-499	1	3	-	2
\$500-999	2	1	-	3
\$1,000-1,499	2	1	-	3
\$2,000+	1	2	-	3

Importance of Information.

In order to answer the second question (what information is most important to those people?), the survey asked respondents to indicate on a Likert scale the importance of fourteen types of information. The survey used the same question format as Connolly and Hyndman (2013b) where a one indicated that the information was not important, a two indicated slightly important, a three indicated moderately important, a four indicated very important, and a five indicated that the information was of vital importance. The subjects of the research were asked to rate the importance of the same fourteen forms of information used by Connolly and Hyndman (2013b). These fourteen forms of information were originally selected by Hyndman (1990) based on two groupings. The first ten forms of information are based on a model developed by Hyndman (1989) which developed an a priori model based on the argument that NGO donors would be interested primarily in forms of information which demonstrated, both in the past and looking forward, how their donations were being used to help beneficiaries and would, therefore, tend to be largely non-financial in nature. These ten forms of information are a statement of NGO goals, statement of current objectives, information on problem or need areas, measures of output, measures of efficiency,

administration cost percentage, simplified income statement, simplified balance sheet, statement of future objectives, and budget information. The final four forms of information are based on the findings of Hyndman (1990) that these were the four most commonly reported forms of information by NGOs based on his analysis of actual NGO reports. These four forms of information are an audited income statement, audited balance sheet, list of NGO officers, and audited cash flow statement.

In his original research, Hyndman (1990) found that the top seven ranking types of information respondents found important were a statement of NGO goals, information on problem or need areas, administration cost percentage, measures of output, measures of efficiency, statement of current objectives, and statement of future objectives. As Connolly and Hyndman (2013b) point out, “these were fundamentally performance-related disclosures” (p. 958) and matched exactly the top seven ranked types of information in Connolly and Hyndman (2013b)’s findings, though in a different order. Only five of the top seven ranked types of information in this research correspond to the top seven ranked types of information in the previous research (see Table 5.7). The two types of information that were included in the top seven but did not rank in the top seven in this research are information on problem or need areas and measures of efficiency, though both of these tied for rank eight in this research (compared to rank two and three and rank five and five respectively in previous research). The two new pieces of information that ranked in the top seven in this research are budget information which ranked second (rank nine in the two previous studies) and the audited income statement which tied for rank five (up from rank eleven and twelve in the previous research), possibly suggesting an increasing familiarity with and interest in income statements. It is, however, possible that this ranking difference is partially explained by the change in terminology from “operating statement” (in the two

previous UK-based studies) to “income statement” (in the present Australian study). Respondents may have found “income statement” to suggest a more accessible document. This notwithstanding, of the three classic financial reporting documents (income statement, balance sheet, and cash flow statement), the income statement is the only one in any of the three studies which is ranked any higher than ten. Besides this anomaly, all three studies suggest that the three classic financial reporting documents are not viewed as highly important to either of the top two stakeholder groups (donors and beneficiaries). Consistent with the findings of Connolly and Hyndman (2013b), regulators and NGOs may need to consider the reliance placed on these documents in annual reports for the demonstration of accountability. This may be an area for further research. Finally, the kind of information which ranks highest in this research is the percentage of administration costs. This suggests an important theme in attitudes toward NGOs particularly in Australia that NGO stakeholders consider the percentage of administration costs to be important.

Table 5.7: Importance of different kinds of information

	Mean score			Rank		
	Hyndman	Connolly	This research	Hyndman	Connolly	This research
Administration cost percentage	3.95	3.96	4.23	3	=5	1
Budget information	3.46	3.39	4.20	9	9	2
Measures of output	3.90	4.27	4.18	4	1	3
Statement of current objectives	3.70	4.04	4.17	6	2	4
Audited income statement	3.05	2.61	4.13	11	12	=5
Statement of NGO goals	4.44	4.01	4.13	1	4	=5
Statement of future objectives	3.67	3.80	4.09	7	7	7
Info on problem or need areas	3.98	4.02	4.08	2	3	=8
Measures of efficiency	3.73	3.96	4.08	5	=5	=8
Audited cash flow statement	2.66	2.49	4.06	=13	13	10
Audited balance sheet	2.83	3.05	3.99	12	10	11
Simplified income statement	3.48	2.78	3.86	8	11	12
Simplified balance sheet	3.16	3.44	3.81	10	8	13
List of NGO officers	2.66	2.48	3.52	=13	14	14

Sources of Information.

The third question (what means of providing that information do those people value most?) addresses which means of information the surveyed stakeholder group, donors, value most. As outlined in Table 5.8, the sources of information most valued by NGO donors in this research is the annual report followed by the annual review, NGO website, and emails from the NGO. This is consistent with the findings of Connolly and Hyndman (2013b) who found that the annual report ranked first in importance to respondents in their research followed by the annual review. This finding that the annual report ranks highest in importance is paradoxical in that the information normally found in an annual report (primarily the audited income statement, balance

sheet, and cash flow statement as well as the list of NGO officers)⁷ ranks consistently low in importance across all three studies (Hyndman, 1990, 1991; Connolly & Hyndman, 2013b, and this study) except for the noted anomaly of the income statement ranking five in this research. This paradox, that respondents value the document but not the primary information it contains, may perhaps suggest a psychological attachment to the document for the sake of its existence which is rooted in something other than a high valuation of the information it contains per se. If this is true, perhaps it is because respondents are unable to understand the information but are depending on the potentiality that somebody can understand the information should the need arise.

Table 5.8: Ranking of information delivery methods

	Value		Engagement	
	All	\$500+ donors only	All	\$500+ donors only
Annual report	1	1	1	3
Review	2	4	4	4
Website	3	2	2	1
Email	4	3	3	2

An additional insight emerges when the findings outlined above are compared to the findings from a subgroup of respondents based on reported size of donations. When only the 34.4% of respondents who indicated giving donations of \$500 or more in the last twelve months were analysed, the rankings changed. For this group, the ranking of the annual review moved from second to fourth rank (see Table 5.8). These changes suggest that donors of \$500 or more a year tend to value getting their information from a website or email rather than an annual review. Nevertheless, such donors still rank the annual report first in importance.

⁷ Other (higher ranking) information is sometimes, but not always, included in annual reports.

Engagement with Information.

The final question (how engaged are those people with that information?) addresses how engaged donors are with the information provided by NGOs. It differs from the third question in that it asks not what sources of information the recipients value, but rather what sources of information the recipients have actually read in the last two years and how thoroughly they have read them. Connolly and Hyndman (2013b) defined engagement as to “read, understand and consider” (p. 957). Rather than this binary approach, this research has sought to give more depth to responses by measuring engagement on a ten-point Likert scale where a one means that the respondent has read none of the document and a ten means that the respondent has read all of the document. Responses were sought for the four sources of information considered in the previous section (annual report, annual review, website, and email). The respondents were asked how much of these information sources they had read in the last two years.

As outlined in Table 5.8, the piece of information most read by respondents in this research (NGO donors) is the annual report followed by the NGO website, emails from the NGO, the annual review, and finally other sources of information (written in responses included phone calls, news media, and social media). The difference between the rankings of value and engagement is that the annual review moves from second rank down to fourth rank (see Table 5.8). This may suggest that while readers value the annual review, they do not read it. Alternatively, it could be that a more picture/story-based review doesn't strike the respondent as reading. Regardless, it seems salient that both the NGO website and emails from the NGO ranked higher than the annual review. Overall, the average deviation in responses to this question is quite large (averaging 2.95) which suggests that respondents have largely differing habits in what information

they read from NGOs. Still, there is a clear leaning towards digital information delivery and away from the annual review, perhaps because the review is viewed as lacking the hard data necessary to satisfy the demands of accountability.

When considering only those respondents who indicated giving donations of \$500 or more in the last twelve months, digital methods of information delivery outrank both the annual report and the annual review. This suggests that such donors are more recurrently connected to NGO activities.

Looking Behind the Numbers (Qualitative Responses)

In order to gain a deeper and richer understanding of donor attitudes, there was an open-ended qualitative question in the survey which asked simply “Do you have any other comments you wish to share?” The responses to this question were analysed, demonstrating a single dominant theme: Donors distrust the ability of the NGO sector to deliver outcomes honestly, transparently, efficiently, and effectively.

There were forty qualitative responses given (43% of respondents). Of these, twenty-five (62.5%) indicated a level of distrust or dissatisfaction with NGO accountability and performance. A further six comments (15%) were less clear, but could be taken to indicate a level of distrust. This means up to 77.5% of those who left comments and 33.3% of all respondents felt the need to indicate a level of distrust for NGOs. To give an idea of the kinds of comments given, several comments will be included here.

- “Donating to charitable organisations to me is a no no. You don’t know where the money goes.”
- “Charities should be investigated annually. Don’t trust any of them.”
- “Don’t trust [NGO name omitted] or [NGO name omitted]. Have worked for both.”

- “Don’t trust NGOs.”
- “I believe that while most charities start with good intent, they all seem to become corrupted in short order.”
- “Accountability is not happening, a lot of money is being wasted, and carelessly misused by a huge number of staff.”

These written comments were supplemented by many verbal comments recorded in the research field notes, both from those who filled out the survey and from passers-by, indicating similar sentiments of distrust. For instance, one person indicated that they stopped giving to charity years ago because they feel that many collect money for charity but only a small percentage of that money reaches the beneficiary. Another mentioned that NGO CEOs make too much money. Another person who raises money for a well-known NGO said “They need to be audited more often.” Another person who said he served for a number of years as CEO of an NGO said “I don’t give anymore. Too much goes to administrative costs. I give directly to the needy.” This sort of feedback was punctuated by more emotional expressions of distrust. Indeed, the field notes indicate that within a few hours of beginning to collect survey data, the researcher had come to the conclusion that a number of people seemed to be emotionally triggered by the sign on the table asking the question “Do you trust the charities you support?” Indeed, some of the field notes are not included here because of the crudeness of expression and there were a number of people who raised their voices in anger as they passed by. It should be noted here that survey respondents were referred to a support service where the survey may have caused distress.

This level of distrust may have been influenced to some degree by an incident which occurred in the weeks surrounding the collection of this data in which the Australian Red Cross and other NGOs had been accused of using funds donated toward

the 2020 Victorian bushfire crisis in Australia for purposes other than that for which they were given (Kidd, 2020; Lemieux, 2020). Indeed, a few entries in the field notes directly referenced this incident.

Conclusion

The objective of this research was to explore community attitudes toward NGOs and NGO accountability with particular reference to the information requirements of community stakeholders. In order to do this, a survey was conducted among community members in Australia. The objectives of this research were *first* to determine to whom small donors believe NGOs should be primarily accountable, *second* to determine what information small donors require from NGOs for the demonstration of accountability, *third* to determine how small donors want that information delivered, and *finally* to determine how engaged small donors are with the information presently provided by NGOs.

In relation to the first research objective, this study demonstrates that the Australian community sees donors as the primary stakeholders to whom NGOs should be accountable. Beneficiaries are a close second. Society at large and regulators are also seen as important recipients of NGO accountability. The findings of this research as they relate to the second objective are that the Australian community wants to know how much of their donation is going to administration costs and that they also highly value budget information, measures of output, and a statement of current objectives. In short, the information community members want most typically does not show up in the annual report. The findings in relation to the third and fourth objectives are that donors value and read NGO annual reports above annual reviews and engage next most often through the NGO website and emails. Those who donate \$500 or more a year to

NGOs engage with NGO websites and emails even more than the annual report even though they still place the highest value on the annual report.

There are several weaknesses to this research. First, the sample size is relatively small. Second, the respondents were required to volunteer to fill out the survey. It is possible that the context of community outrage over the recent story about NGO work in relation to the Victorian bushfire crisis may have caused more people who were distrustful of NGOs to volunteer to fill out the survey. Finally, this research was conducted in only one regional area of Australia and is therefore limited in its ability to represent Australian views as a whole.

This research has highlighted several areas for further exploration and research. These have been noted throughout the study. First, it has been noted that annual reports may not be satisfying the information requirements of key stakeholders. Further research might explore the degree to which the information which is most valued by NGO stakeholders is present in most NGO annual reports and whether there are better ways to make this information available to the relevant stakeholders. Second, further research which engages community members through interviews or case studies might provide richer results through triangulation of quantitative and qualitative research methods. Third, further research could explore why budget information ranked so high in importance for stakeholders in this study. Fourth, further research could further explore the distrust felt by donors toward the NGO sector. Finally, further research could beneficially replicate the research of Connolly and Hyndman (2013b) more completely including analysis of the annual reports in Australia or elsewhere.

This chapter has explored small donor attitudes toward NGO accountability with particular reference to beliefs about the accountability obligations of NGOs and the information requirements of small donors. The following chapter will explore the

first of these two areas (stakeholder priority) using qualitative research methods in order to understand small donor attitudes and beliefs in greater depth.

Chapter 6: NGO Stakeholder Priority: Digging Deeper

*“I’m hoping there is a regulator that is a true regulator;
like an overseer of all NGOs.”*

–interviewee (SD10)

This chapter further builds on the work of Hyndman (1990, 1991) and Connolly and Hyndman (2013b) by exploring the findings of the study in Chapter 5. In Chapter 5, Australian small donors were asked to fill out a survey indicating their views on NGO stakeholder priority and their information requirements. In this chapter, one of these two areas will be explored in greater depth: stakeholder priority. Information requirements are not pursued in this study because, based on the findings of Chapter 5, it was determined that a focus on information requirements provision was a limiting factor as it tended to substitute transparency for accountability. In order to better explore accountability beyond the scope of mere transparency or information provision, this research focuses on accountability from a broader perspective as defined in Chapter 3. Note that accountability as more than mere transparency, and necessarily including sanction, is a concept recognised by Connolly and Hyndman (2013a):

While information transmission is critical, the mere transfer of information is not sufficient, and that the actions taken by the principal based on their interpretation of the account also constitutes accountability. Implicit in this model is that the principal should have the power of authority to take appropriate action, including continuing with the relationship if so desired, amending the relationship or severing the relationship (p. 262).

This decision, to focus on accountability instead of information requirements, was also motivated partly by the surprising degree of qualitative feedback relating to trust and distrust of Australian NGOs received during the process of collecting the quantitative data (see Chapter 5).

The *objective* of this study is to explore in greater depth the views of NGO small donors toward NGO accountability and stakeholder priority. In order to do this, small donors will be interviewed in order to gain a richer appreciation of their views beyond the quantitative level. As noted, the study in Chapter 5 is built on the research of Hyndman (1990, 1991) and Connolly and Hyndman (2013b) in the UK. The study in this chapter follows the pattern of Connolly and Hyndman (2013a) in exploring the findings of quantitative research through qualitative interviews. The goal of this study is to gain deeper and more nuanced insight into the findings of the study in Chapter 5 through the use of qualitative methods.

Literature Review

As noted, the previous chapter was based on earlier quantitative research (Hyndman, 1990, 1991; Connolly & Hyndman, 2013b). This chapter, as noted, follows the pattern of that research in following up the quantitative research with qualitative research (Connolly & Hyndman, 2013a). While the parallels between this research and Connolly and Hyndman's research are not exact, they are close enough to allow for meaningful comparison between their findings and the findings of this study. This section will briefly outline two key themes: trust and power.

First, trust plays an important role in charity giving (Hyndman & McConville, 2018). The research of Connolly and Hyndman (2013a) is based on the stated statutory goal in England and Wales of "increasing public trust and confidence" in NGOs (p.

259). The paper continues to build on this theme of trust (viewed here as synonymous with confidence) in the rationale for the objective of the paper.

Given that charities are economically dependent on donors for their survival and growth, deficiencies in accountability to donors have the potential to undermine confidence in the sector and, as a consequence, impact negatively on both charitable giving and charitable activity (p. 261).

Their view is that “good accountability is viewed as a basis both for reducing the potential for scandal and for breeding confidence which, it is argued, promotes increased giving and increased charitable activity” (Connolly & Hyndman, 2013a, p. 272; cf. Connolly & Dhanani, 2013, p. 112). Their research focuses on building confidence through accountability which is conceptualised in terms of accounting and reporting practices. They find a considerable degree of trust among small donors and link this generally to accounting and reporting documents. The exploration of trust in this chapter, as noted already, is based partially on the qualitative findings from Chapter 5 in which a decisive majority of qualitative responses (but not all surveyed responses) expressed a degree of distrust for NGOs. This level of distrust was also reflected in the research field notes where a disturbing number of those asked to participate in the survey seemed to link their refusal to participate to a general distrust of NGOs.

Other research has looked at the role of trust in charity noting declining trust in some places (Nichols, 2004) as well as causally correlating trust and charity giving. Török (2005), in a study in Hungary, cites another study of Hungary (Czakó et al., 1995) in making the case that “If action is not taken to resolve accountability issues, trust in the nonprofit sector will deteriorate and private support for NGOs will continue to decrease” (p.174). Lee and Park (2017), in a study focusing on philanthropic experience, also demonstrate a link between trust and giving. Liu (2019) outlines two

forms of trust. Generalised social trust refers to trust in unknown social contacts. Institutional trust relates to trust in societal institutions (e.g. NGOs). Citing Evers and Gesthuizen (2011), he notes that both of these kinds of trust influence charity giving, “however, [institutional trust] exerts less influence on charitable giving compared to generalized social trust.” Waniak-Michalak and Perica (2021) do a statistical analysis of giving data in several European countries. Their findings suggest that indicators of general willingness to trust are not strongly correlated to increased giving in these contexts, but more focused indicators which may relate to trust in individual organisations, do correlate to increased NGO donations. Finally, Chaudhry et al. (2021) look at charity giving and trust in the context of NGOs that face repression, finding the level of social trust is connected to giving levels under various circumstances.

Second, power is a theme which is brought to the fore by the concept of downward accountability. As Connolly and Hyndman (2013a) point out, stakeholders are given weight on the basis of their salience which is judged on the basis of three criteria: power, legitimacy, and urgency (Mitchell et al., 1997). Considering that the quantitative findings in Chapter 5 of this study in tandem with the quantitative findings of Hyndman (1990, 1991) and Connolly and Hyndman (2013b) demonstrate that beneficiaries are the second highest priority stakeholder competing closely for first place, how can a downward stakeholder with little power be considered highly salient? The answer to this question will have crucial implications for accountability as it is practiced in the third sector.

Method

This study seeks to triangulate (Modell, 2009) the quantitative methods in Chapter 5 with qualitative methods in order to provide both new, qualitative findings and to potentially expose triangulated insights that would not be apparent using either method

independently. The qualitative method selected for this study is semi-structured interviews and thematic analysis (Parker & Northcott, 2016; Cobern & Adams, 2020). Ethics approval was obtained from James Cook University prior to commencing the study.

Recruitment

Interviewee recruitment was conducted through two social media platforms (Facebook and Twitter). Accounts were set up using the name “NGO Accountability Research.” On each account, two posts were put up. The first post contained a large image with the words “Do you trust the charities you support?” and contained the text “Help us understand charity accountability better by taking part in a brief Zoom interview. You will receive a \$30 gift card for your time. Register your interest at [link].” The second post contained a large image with the words “Help us improve our understanding of NGO accountability” and was followed by the same text. These two posts were then promoted using the advertising programmes of the respective social media platforms. The link in the post directed the prospective interviewee to a brief registration of interest survey built through the Qualtrics website. On this survey, prospective interviewees were asked to confirm three statements. First, “I am 18 years old or older.” Second, “I am currently living in Australia.” Third, “I have made some sort of contribution to charity in the last five years (this may be a donation of money, time, or something else).” Those who registered interest, and met the qualifications for inclusion in the study, were then assigned a number and were randomly selected using an online random number selector. Those who were selected were then emailed and asked to book a time in for an interview and to fill out a longer online survey which was also built through the Qualtrics website. This survey was an exact replica of the paper survey which had been administered for the study in Chapter 5. This survey

required the respondent to affirm that they are a permanent resident of Australia in order to qualify for the study. The purpose of asking them to fill out this survey was to be able to compare interviewee survey responses to the survey responses collected in the study in Chapter 5. This was designed to help assess the strength of the findings of this study by gauging the representativeness of interviewees compared to those who filled out surveys in the previous study. The analysis of this assessment can be found in the Findings and Discussion section below. Those who filled out the survey and booked an interview were then sent a Participant Information Sheet describing what would take place and an Informed Consent Form.

A substantial difficulty encountered in attempting to use social media to recruit prospective interviewees was that a number of those who registered interest in the survey were identified as not matching the criteria which they had affirmed in the survey. There were various means of identification. In a number of cases, digital GeoIP data from Qualtrics estimated their geographical location to be outside of Australia. Another method of identifying potentially illegitimate responses was through the software that was used to schedule interviews. In a number of cases, time zones were automatically detected and indicated as being outside Australia. Another key way in which these responses were identified is through various clues observed in early interview attempts. For instance, cultural linguistic cues, environmental noise patterns, declining to turn on video, remarkably bad internet connections, an over-interest in the reward offered, and inability to answer questions about their current time and location quickly and accurately all suggested the possibility of an illegitimate response. Though none of these factors is in themselves conclusive, these factors, particularly in combination, often led to the conclusion that a prospective interviewee was misrepresenting their qualification for inclusion in the study. Ostensibly with the

motive of collecting the reward. The reward of a gift card for AUD \$30 is not particularly generous within the context of Australia and would have limited value to someone outside of Australia based on its form as a gift card. Nevertheless, for those in developing countries it seems this may have presented a temptation. This difficulty was resolved after it was discovered that responses began coming in as soon as the link was posted on Facebook even before ads were being run. Apparently, somehow, links on Facebook which are in any way connected to financial rewards were easily and immediately identified and attracted hundreds of illegitimate responses. A number of adjustments were made to overcome this, but the most helpful was to move the recruiting to Twitter. However, even on Twitter, merely targeting the ads to Australian users was insufficient to stop the problem completely. The solution, ultimately, was to target the ads to users by their device carrier and to select only Australian internet carriers. This seems to have eliminated the problem of responses which appeared to be illegitimate. In the end, about half of the interviewees were recruited using Facebook and the other half using Twitter. While the process was unideal, the outcome provides a broader, more representative sample of Australian small donors.

Interviews

Semi-structured interviews were administered by the candidate and lasted less than an hour each. They were conducted online using Zoom software and were recorded with the permission of interviewees for later transcription and analysis. Interviewees were asked to confirm that they had received the Participant Information Sheet and the Informed Consent Form and were invited to ask any questions they had. The recording was then begun and interviewees were then asked to verbally affirm their consent to being recorded. After the first few interviews, it became apparent that some of them had at some point worked for an NGO. This led to the addition of the question

at the beginning of the interview as to whether the interviewee had any present or former relationship with an NGO as an employee or as management. The purpose of this question was not to eliminate such people, but to identify them as members of this cohort for potential analytical purposes. The result of this analysis can be found under the Findings and Discussion section. Finally, the interview questions were asked attempting to allow interviewees to focus on what they wanted to say. The interviewer sought to ask questions only to draw out meaning and to clarify anything that was unclear. Once, an interviewee had said what they wanted to say on a particular topic, the next question was asked.

The interview questions (see Appendix B: Interview Questions) were based directly on the survey instrument used in Chapter 5. The first three questions (questions 1-3) simply brought up their answers to the stakeholder priority question (Question 4) in the survey and asked them why they ranked that stakeholder in that order, and how close the competition between first and second rank was. The next four questions (questions 4-7) asked questions about small donor accountability. The final four questions (questions 8-11) asked questions about beneficiary accountability. These questions were chosen based on the findings of Chapter 5 (consistent with the findings of Connolly & Hyndman, 2013b) and sought to dig deeper into the ways small donors think about accountability to these two stakeholders.

Several interviews were excluded from the analysis for reasons outlined under the Recruitment section above. Twelve interviews were included in the study (compared to six included in Connolly & Hyndman, 2013a). This number was chosen because research suggests this number will provide a valid basis for thematic analysis (Cobern & Adams, 2020). Additionally, during analysis, it became clear that the twelve

interviews had reached a high level of saturation (Guest et al., 2006) which is ideal for the purposes of the generalisability of the conclusions (Parker & Northcott, 2016).

Analysis

The interviews were transcribed and subjected to thematic analysis (Braun & Clarke, 2006) using NVivo software in order to allow key themes to be developed from the data (Braun & Clarke, 2019). These themes are summarised and discussed in the following section.

Findings and Discussion

For the purposes of maintaining anonymity, each interviewee has been assigned a number from one to twelve preceded by SD which stands for small donor (i.e. SD1, SD2, etc.). This code will be used to identify interviewees throughout this section.

The findings of this study are set out in three main sections. In the *first* section, the surveys filled out by the interviewees in this study are compared with the surveys filled out by the respondents in the Chapter 5 study. In the *second* section, the interviewees in this study are considered on the basis of their connection or lack of connection to any NGOs. In the *final* section, the qualitative findings of this study are presented along with a discussion of these findings.

Comparison of Quantitative Findings

The findings in this first section are quantitative. They are the results of the quantitative survey administered to interviewees before they took part in the interview. This survey is the same survey administered in the study in Chapter 5 and therefore offers a valuable link for comparison between the respondents in Chapter 5 and the interviewees in this chapter. The quantitative results of this study outlined in this section are based only on the twelve interviewees and therefore constitute a sample far too small to be useful for meaningful analysis. These results are only useful for

comparison with the results of the study in Chapter 5 and are given here for this purpose.

The key finding in Chapter 5 relates to the overall priority ranking of NGO stakeholders. These findings are compared to the findings from this study in Table 6.1 below.

Table 6.1: Mean rank of stakeholders

	Chapter 5	Chapter 6	Difference
Donor	2.64	2.83	0.19
Beneficiary	2.91	2.92	0.01
Gap	0.27	0.09	

The key takeaway from this comparison is that in both studies, donors rank first and beneficiaries rank second. Indeed, the similarity in ranking for the beneficiary is uncanny. This comparison demonstrates a basic comparability between the interviewees and the respondents to the study in Chapter 5. This is important as it strengthens the representativeness of this study as digging deeper into the views of those who filled out the surveys in the previous study and strengthens the validity of the findings.

Another area for comparison is the giving levels of interviewees in this study compared to respondents to the survey in Chapter 5 (see Table 6.2). The key thing to note here is that those who were interviewed all qualify as small donors, though they indicated giving at higher general levels than those who participated in the study in Chapter 5. For instance, where 43% of those surveyed in Chapter 5 indicated giving less than \$500 in the previous year, only 16.7% of interviewees in this study indicated the same amount. On the other hand, where only 16.1% of those surveyed in Chapter 5 indicated giving \$1,000 or more, 66.6% of interviewees in this study indicated that

amount. Further insights from this finding will become apparent in the next section where giving levels are separated based on NGO connection.

Table 6.2: Comparison of giving levels

	Chapter 5 (%)	Chapter 6 (%)
\$0-499	43.0	16.7
\$500-999	18.3	16.7
\$1,000-1,499	8.6	33.3
\$1,500-1,999	0.0	33.3
\$2,000+	7.5	0.0
Left blank	22.6	0.0
Total	100.0	100.0

Table 6.3 gives the average rank of donors and beneficiaries based on the giving levels indicated by those who took the survey. The results suggest consistency with the findings of the study in Chapter 5.

Table 6.3: Average stakeholder rank based on giving

	Chapter 5		Chapter 6	
	Donors	Beneficiaries	Donors	Beneficiaries
No response	3.35	2.00	-	-
\$0-499	2.22	3.49	2.00	3.50
\$500-999	2.73	2.60	3.00	1.50
\$1,000-1,499	2.67	2.50	4.75	2.75
\$1,500-1,999	-	-	1.25	3.50
\$2,000+	2.57	3.14	-	-

Additional findings related to the comparison of quantitative findings in this section can be found in Appendix C: Supplement to Comparison of Quantitative Findings.

Interviewee NGO Connection

In this section, consideration is given to whether interviewees had any connection with an NGO. Four out of the twelve interviewees had a connection to an NGO. This connection was as a paid NGO employee (not merely a volunteer), either past or present. These four respondents are labelled SD1-SD4 in the following section

so that they are easy to identify as having some connection to an NGO. These interviewees were asked to still answer questions as small donors, not as employees of an NGO, but it was apparent in the interviews that this connection informed their ideas about NGOs at some level. This is viewed as a strength for the study rather than as a weakness, as it broadens the perspectives included and represents real donors who often do have some connection with NGOs even if it is merely as a volunteer or in a short-term capacity.

A key point to note in isolating NGO-connected interviewees is that those connected to NGOs demonstrate a strong tendency to rank beneficiaries higher and donors lower than their non-connected counterparts (see Table 6.4). This is true of both this study and the overall findings from the study in Chapter 5. This suggests a different way of thinking which may be the cause of their original connection to the NGO or perhaps a result of that connection. This association is suggestive and perhaps worthy of further research. Another point worth noting here is that NGO-connected interviewees rank donors at the same level (3.75) as NGO employees.

Table 6.4: Mean rank of stakeholders based on connection

	Overall	Connected	Not connected
Donor	2.83	3.75	2.38
Beneficiary	2.92	1.5	3.63

Another insight that emerges from a comparison of these two groups is that they have divergent giving levels (see Table 6.5). NGO-connected interviewees tended to give less than their non-connected counterparts. This may suggest that the interest that led people to respond to interview recruitment efforts resulted either from a connection to an NGO as defined here or from higher levels of giving.

Table 6.5: Respondent giving levels

	Connected (%)	Not connected (%)
\$0-499	25.0	12.5
\$500-999	50.0	0.0
\$1,000-1,499	25.0	37.5
\$1,500-1,999	0.0	50.0
\$2,000+	0.0	0.0
Left blank	0.0	0.0
Total	100.0	100.0

Another point worth noting is the possibility that there is something about being connected to an NGO as defined here that leads to lower overall levels of giving. One possibility is that people who feel they are accepting a lower salary than what they would otherwise get in the first sector feel that the sacrifice they make in foregoing a larger salary justifies lower donation levels. As a corollary, such people may also tend to feel that their paid work is a form of volunteerism and therefore feel less inclined to volunteer. If this is the case, this phenomenon is presumably counteracted to some degree by an opposite inclination. That is, the tendency to be more aware of the need and more empathetic toward those in need as a result of proximity to beneficiaries, and presumably a resulting increased desire to donate. Again, the data is suggestive and may warrant further research. Additional findings related to interviewee NGO connections in this section can be found in Appendix D: Supplement to Interviewee NGO Connection.

Qualitative Findings

Transparency: The Foundation of Accountability.

One of the broad themes emerging from the interviews is the concept of transparency. The importance of this theme is made evident by the fact that all but one interviewee raised this topic. Transparency was typically raised in terms of annual reports or other reporting documents or communications and the general disclosure of

information about NGO activities and operations. In short, small donors seem to want transparency, and generally the more of it, the better. Several interviewees raised concerns around opacity—lack of transparency—either through inaccurate reporting (SD1), through insufficient detail (SD1, SD2, SD8), or through unclear NGO processes (SD9). Another interviewee pointed out the dangers of an overemphasis on data-driven transparency (SD4). Nevertheless, everyone who addressed transparency affirmed or assumed its fundamental importance to the third sector. In whatever ways opinions may differ on other topics, this seems to be an area of universal agreement.

Accountability: The Foundation of Trust.

As noted in Chapter 3, accountability is built on, but not synonymous with, transparency. This point was recognised by several interviewees (SD1, SD4, SD9) with one of them stating “being open and transparent isn't everything but it's a first step” (SD1). Accountability was a dominant theme, and was addressed by each of the interviewees. A number of concepts were raised under the heading of accountability. These are stakeholder priority, the rights and obligations of stakeholders, and power and will be discussed below.

Stakeholder Priority.

One of the questions asked in the interviews related to the priority of stakeholders for accountability. Specifically, the question “To whom should the NGO be primarily accountable?” The responses to this question varied significantly as indicated in Table 6.6.

Table 6.6: Rank assigned to stakeholders by interviewee

	Donor	Beneficiary	Other
SD1		2	1
SD2	2	1	
SD3		2	1
SD4		1	2
SD5			1, 2
SD6	1		2
SD7	1		2
SD8	1		2
SD9	1		2
SD10			1, 2
SD11	2	1	
SD12	2	1	

In all but two cases, donors or beneficiaries received either the first ranking or the second ranking or both. The highest ranked stakeholder was donors with a mean rank of 2.83. The second highest ranked stakeholder was beneficiaries with a mean rank of 2.92 (see Table 6.1). This preference for giving priority to donors and beneficiaries is also apparent in Table 6.7.

Table 6.7: Number of interviewees giving rank by stakeholder

	First rank	Second rank	Third rank
Beneficiaries	4	2	2
Businesses dealing commercially with the NGO	2	2	-
Donors	4	3	1
Employees	1	1	-
The regulator	1	-	3
Trustees/Directors/Operational Management	-	3	2
Society at large	-	1	4

This preference for prioritising either the donor or the beneficiary was expressed in various ways.

The NGO does owe them an explanation of how they have used the money they have contributed because, you know, money these days is very hard to get so when someone gives you money... you do have to be accountable for, like, let them know what you have used the money for. (SD6)

Obviously because they're providing donations so they should be the first to know, they should be the priority when it comes to, you know, accountability and, uh, explaining how... the donations have been... distributed. So donors for me should be number one, uh, people that they should be accountable to. So that is just—it's normal for me. (SD7)

Do you mean like you know these are like the people who you feel you answer to? That's kind of how I read it, was like, who are the, um, you know, kind of people they feel like they answer to? And I... I actually do think it is—should be—the beneficiaries. You know or at least some representative... Like, they should be able to go “Hey, you know, we can say we're doing good for you.”

You know? Like “We're using our resources to, you know, benefit you.” (SD4)

This preference for prioritising either the donor or the beneficiary is also consistent with the findings of the quantitative survey in Chapter 5 and forms the primary binary in relation to the question of stakeholder priority. That said, it would be a mistake to see these two views as polarised since more careful analysis demonstrates an almost symbiotic relationship between them. Indeed, one interviewee even found it hard to choose between the two: “I think, um, it's very close because on some days I could put donors first” (SD2). Even where the competition was not close, the above noted relationship was still apparent.

The Rights and Obligations of Stakeholders.

Along with the question of stakeholder priority, interviewees were asked to comment on the rights and obligations of small donors. Each of the interviewees who was asked whether small donors have a right to require accountability from NGOs readily affirmed that they do, often in quite emphatic terms. This in spite of the broad diversions of views about which stakeholder should have first priority. For instance, one said “the donors definitely deserve to know where their donations are going” (SD7). Another said:

I feel the right to require accountability is tied to the fact that you are a donor. So, regardless of how much you’re sending, regardless of what it is because it’s even, um, sometimes it might not be monetary donations. The fact that I’m donating my time, the fact I’m donating my efforts and I’m putting in all of this work, you know, I... I should be able to demand some accountability. (SD8)

As noted in this statement, the kind and size of the donation is viewed as immaterial to the question of accountability. A number of interviewees made this same point regarding the size of donations (SD1, SD2, SD6, SD9, SD10, SD11). One person put it like this:

For me donors are donors. Small donors, big donors, whatever. Once you are donating your time or money to a cause—uh, to a charitable project, I feel you have the right to know and you... you have—they have—to be accountable to you whatever how little or how much of your time or money you’re donating. (SD9)

The logic of this view is well summarised like this: “We are giving away something that is ours” (SD10). Donors feel their donations, *because* they are donations, come

with rights attached. On the other hand, one interviewee made the point that these rights have some limitations.

I guess it would be taking it too far to want to know... about all aspects of the organisation just because you made a donation. I'd... I'd say it needs to be confined to the use of that donation rather than looking—rather than having certain expectations about what the organisation is going to do as a whole.

(SD1)

It is worth noting though that this interviewee was one of the interviewees who had close ties to an NGO, and may therefore reflect a perspective more congruent with NGO values than with small donor values. Another NGO-connected interviewee (SD4) also raised the point that there are different kinds of accountability (financial, results, governance) and felt that there needed to be limitations to the kinds of accountability to which donors had a right.

While small donors were unanimous in their support of the rights of small donors to accountability, the outcome was somewhat different when faced with the question of whether small donors had the *obligation* to hold NGOs accountable. Only a few felt there was an inherent obligation to require accountability of NGOs (SD2, SD7). Most felt that there is no obligation (SD4, SD6, SD8, SD9, SD10, SD11, SD12), though one saw the possibility of limited obligation under certain circumstances (SD1).

The general view is well represented by the following statement.

I think people give for all sorts of different, weird, random reasons. Like, you know, yes, there's some—like it'd be nice if they did [hold NGOs accountable]. I don't think they have an obligation. I think it's good enough that they're giving what they can. And not everyone has the time or the knowledge or any of those, like, skills to kind of think through that stuff. And I'd rather—I'd rather see

them, you know, support, um, you know, I guess, one of the organisations rather than feeling that they have to be kind of, you know—they need all this extra work as well too, so... Yeah, good if they did but I don't think they're obliged to. (SD4)

While interviewees were not asked whether NGOs have a duty to be accountable to beneficiaries, a number of them brought up this point (SD6, SD7, SD9, SD10), although as the following quote demonstrates, some placed limitations on this duty.

I don't think NGOs have a duty to be accountable to beneficiaries. Yeah. Accountability in the sense that maybe explaining about the processes to beneficiaries, I don't think they... they have that sort of duty. But they have a duty to be fair, to be responsible, to be punctual, to... to be effective and efficient in their, uh, in their distribution of maybe funding or the donations. But being accountable in the sense, like, explaining how the money came in or where the money comes from or how much comes in, I don't think they have that sort of duty. (SD9; cf. SD7)

Additionally, the concept of duty came up in the context of the donor's duty to be accountable to the beneficiary. One small donor felt "my obligation is to the beneficiaries... not to myself or the NGO" (SD12). They continued "my intention—my intent of giving the money is to help the beneficiaries so my obligation is really to make the NGO accountable for the sake of the beneficiary." This notion of the NGO as intermediary of accountability raises another major theme from the interviews: power.

Power.

The concept of accountability, so far, has been discussed in terms of its primary recipient (stakeholder priority), and in terms of who has a right to it and who is

obligated to give it. The two stakeholders ranked highest in priority both in this study and in the quantitative research in Chapter 5, are donors and beneficiaries. Indeed, there is a consensus among the interviewees that donors have at least some right to accountability. As noted, there is also substantial—though not universal (SD9)—support among interviewees for the notion that NGOs should be accountable to beneficiaries as a matter of some priority. This, however, raises the question of power because a key difference between donors and beneficiaries is their power in relation to NGOs.

In order to understand the power relationship between donors and beneficiaries in relation to NGOs, it is necessary to recall the discussion of market theory in Chapter 2. There, it was pointed out that market forces are a reality which cannot be safely ignored. The relationship of market forces to stakeholder power is that a market force *is* power, and conveys power to those stakeholders who control scarce resources in that market. It is scarcity which activates market forces. Whoever has the power to withhold the resources has the power to stop the work. This raises a question. In the third sector, which stakeholders control the resources which are most scarce?

NGOs need beneficiaries. Several interviewees noted this. One used the logic “if there’s no beneficiaries, there’s no NGO” (SD2). Another put it similarly: “without the beneficiaries, there won’t be NGOs” (SD3). There is some validity to this logic because, as another interviewee put it, “the whole reason that NGO exists is to help those beneficiaries” (SD12, cf. SD4). However, ultimately beneficiaries do not have much power because even though in theory NGOs need beneficiaries in order to exist, in reality there has never been a time in the history of civilisation when those offering help have not been exceeded by those needing help by a thousand fold. So even though NGOs do need beneficiaries, beneficiaries nevertheless are not a scarce resource. If

beneficiaries are unhappy with an NGO, the NGO can easily find an almost unlimited number of other beneficiaries who will be happy to receive the benefits. So beneficiaries do not have substantial power over NGOs.

NGOs also need donors. This was pointed out by a number of interviewees (SD2, SD4, SD9, SD11, SD12). According to one, “without funds, [NGOs] can't really do much... the power lies among the donors” (SD2). Another interviewee painted a stark picture, referring to NGOs as “dependent on” donors (SD12). This notion of dependence suggests a power imbalance of a rather extreme nature. The language of dependence is used for children who are largely, or even entirely, helpless. So donors naturally have a certain degree of power in relation to NGOs because NGOs need their donations. But also because NGOs cannot easily replace their donations should they choose not to make them. Donations *are* a scarce resource.

This power dynamic is at the heart of the nexus between transparency and accountability as discussed in Chapter 3 of this thesis. Transparency—the mere visibility of information—while good, is not accountability because accountability, as defined in Chapter 3 demands the concept of sanction. Transparency, short of sanction, is a toothless tiger and falls short of accountability. The concept of power and how it is used to give teeth to the views of the recipients of transparency, therefore, is the crucial issue at the juncture of transparency and accountability. In other words, when a person sees what is happening (transparency), but can do nothing about it, there is no accountability. When a person sees what is happening and has a view about it, they must have power to do something meaningful about it. Short of such power to sanction, there can be no accountability. This point was argued from a more philosophical perspective in Chapter 3. While small donors do not have absolute power, they do have power which they can exercise by simply withdrawing their donations or moving them

to another NGO. That this power is individually minimal is inconsequential. Such small choices, while immaterial in any given instance, constitute powerful market force in the aggregate and shape the market environment in which NGOs must operate. This is so only because donor resources are scarce.

Interviewees were asked whether it is possible for NGOs to overcome the power imbalance between themselves and beneficiaries so that they are truly accountable to beneficiaries. The responses demonstrated that while it is easy to be *transparent*, it is hard to be *accountable* to someone who is on the substantially weaker end of the power imbalance. When asked what interviewees thought was the best way for NGOs to overcome the power imbalance between the NGOs and the beneficiaries of their work, interviewee responses fell into only three categories. The *first* category cannot really be called a way of overcoming the power imbalance, but is rather an attempt to create a scenario in which accountability is not necessary. When asked how it is possible for NGOs to be accountable to those with less power, the responses in this category (SD4, SD6, SD10, SD11) amount to the answer “just don’t need accountability.” The idea is that if the organisation behaves well, there will be no need to call them to account. For instance, one interviewee says, “What NGO can, uh, do just to adhere to the guidelines, you understand, like, to adhere to proper guidelines, uh, of, uh, the organisations towards their beneficiaries, you understand? They don’t... like, they don’t cheat. They don’t, uh, discriminate” (SD6). Another interviewee summarised it as “making sure those values are embedded in how the organisation is set up and works and in how it operates” (SD4).

The second two categories do involve attempting to overcome the power imbalance. The *first* way of levelling the power imbalance is through various forms of transparency; methods which did not involve “teeth.” For instance, interviewees

suggested general access to NGO information (SD1), freedom of information requests (SD1), a complaints process (SD1), feedback forms (SD2), a beneficiary representative within the NGO (SD7), and NGO representatives spending a lot of time with beneficiaries (SD8). These methods function to increase communication, improve understanding, and amplify the voice of beneficiaries. None of them, however, goes beyond transparency to genuine, toothed accountability. The *second* way of levelling the power imbalance is accountability mediated through a third party who has more power than the beneficiary. For instance, interviewees spoke of appealing to others with more power than themselves such as the regulator (SD1), the police (SD11), more powerful members of society (e.g. academics, business people, journalists [SD1]), someone else in the NGO itself (SD1, SD11), or by approaching interest groups, advocacy groups, or the media (SD1, SD12). Another significant approach was to appeal to “people power” (SD12) using social media (SD1, SD12). In each of these cases, there is the potential to move well beyond transparency to genuine accountability. However, for this to happen, interviewees seem to feel that an appeal must be made to upward stakeholders before real accountability can be meaningfully imposed by the beneficiary on the NGO. Even where “people power” is used to seek to expose the bad behaviour of an NGO (SD1, SD11, SD12), this exposure functions as forced transparency which is still short of accountability. Even here, if this method is effective, it will only be because its use or potential use functioned to change the power dynamic through an appeal to an upward stakeholder.

It is notable that of all the suggestions for attempting to level the power imbalance between NGOs and beneficiaries in order to facilitate effective accountability, none would actually empower the beneficiary. As noted above, each falls into one of three categories. First, to simply not need accountability. Second, to

settle for mere transparency. Third, to appeal to an upward stakeholder in order to achieve accountability. None actually attempts to empower the beneficiary inherently so that they come to the negotiating table with inherent power as donors do. This in spite of generally recognising the power imbalance and, in some cases, even asserting that there are ways to overcome it. As one interviewee put it, “there are ways to overcome that imbalance. Yeah. I think it's important that it is overcome” (SD10). Another interviewee commented “I think that can be overcome by viewing your beneficiaries as your boss” (SD4). This comment is profoundly telling because it mentally places the disempowered beneficiary in the position of the powerful “boss.” It does not actually convey any power to the beneficiary. The beneficiary did not hire, cannot fire, does not have employee rights or a management pay packet. The beneficiary is still an actor with little power (often poor and/or sick [SD6], sometimes children or slaves, perhaps homeless or ostracised, etc.) relating to an actor who represents a powerful organisation, but by speaking of “viewing your beneficiaries as your boss,” the illusion is created that the imbalance is removed. While this attitude is certainly admirable in NGO representatives, and may be good policy in general, it cannot facilitate true downward accountability as it does nothing to address the inherent power imbalance between the NGO and the beneficiary.

While some felt that there are ways to overcome the power imbalance, not all did. One interviewee stated the opposite quite firmly: “I don't think there is. It's just the natural balance. So they cannot be equal. An NGO and their beneficiaries can never be equal” (SD6). Another said “I don't think it's really possible for that to happen because there is always the dynamics of the giver being more powerful than the receiver” (SD7). This seeming contradiction is easily resolved by recognising that the first quotes view mere transparency as accountability. But accountability, severed from the concept

of power and potential punishment (sanction), is an impossibility; it cannot rise above the level of transparency.

The nexus of transparency and accountability is fundamental to understanding the views and motives of small donors in relation to the next section: trust. The ultimate goal of accountability is not accountability but the ability to depend on the general health of the organisation and its capacity to remain healthy. For this reason, transparency, albeit distinct from accountability, is of crucial importance to donors. *Transparency* allows donors to see the organisation: its purpose, goals, and operations. In short, donors can see whether an NGO is doing the sort of work they would like done, and whether they are doing it well. The role of *accountability*, in contradistinction to transparency, is not to show people the general health of the organisation, but to ensure that the organisation operates in such a way that the picture people see through the window of transparency is generally accurate—not manipulated by the NGO—and so that people can have confidence that, in whatever ways the organisation is unhealthy, there are effective mechanisms in place to address the problems in ways that work iteratively toward the overall health of the organisation. Transparency, therefore, is not devalued by being demonstrated to be short of accountability. Its role is crucial as is the role of accountability, and they work interactively to present a picture of the organisation (transparency), to ensure that that picture is accurate (accountability), and to work towards keeping the reality behind that picture wholesome (accountability).

The link between accountability and trust is that accountability greatly increases the likelihood that the organisation is what it seems to be and will continue to be what it is or should be. Accountability, then, built on transparency, is the foundation of trust.

Trust: The Foundation of Donations.

Small donors donate on the basis of trust. If small donors do not trust the NGO, they stop donating. One donor said “The NGO that I did used to donate to...I have stopped because I no longer feel like, I suppose, I can trust them” (SD4). This theme emerged unsolicited from multiple interviewees (SD4, SD7, SD8, SD10, SD11, SD12). Trust, it seems, is important to small donors and plays a significant role in whether they will donate to a given NGO. This will be discussed further in the next section.

Interviewees were asked “Do you trust NGOs?” The responses were placed into three general categories. Those who were placed into the “generally yes” category have a general trust for NGOs, but still recognise to varying degrees the possibility of “bad apples” (SD8) and the need for research. Those who were placed into the “it depends” category demonstrated a more neutral tendency and a withholding of judgement until research was conducted. The final category, “generally no,” indicated a tendency to distrust NGOs, but does not imply an unwillingness to trust an NGO once research suggests that the NGO is trustworthy. The responses are summarised in Table 6.8. Eight out of twelve interviewees indicated they generally trust NGOs. Three indicated that it depends. One indicated a general distrust of NGOs.

Table 6.8: Responses to “Do you trust NGOs?”

	Count	ID
Generally yes	8	SD2, SD3, SD4, SD5, SD6, SD7, SD8, SD12
It depends	3	SD1, SD9, SD11
Generally no	1	SD10

The big takeaway from this data is that small donors—at least those who volunteered to be interviewed about NGOs—are generally more inclined to trust NGOs. But it’s also apparent that general distrust of NGOs does not preclude someone from being an active supporter of NGOs. While these responses speak to general tendencies, they also

demonstrate that donors are generally willing to be convinced—either toward trust or distrust.

In discussing why donors trust or distrust NGOs, a number of bases for trust were mentioned. Interviews based trust on being government regulated, on being non-government, on experience with, on familiarity with, on general public scrutiny, on history, on how funds are spent, on not having a profit motive, on performance, on process, on NGO size, on NGO transparency, and on donor research. While this list is quite broad, two stand out as being noted more often than others. These are trust based on being government regulated and trust based on research. *First*, trust is sometimes based on being government regulated. Some interviewees seemed to place a high level of trust in the government regulation process. As one person put it “I’m hoping there is a regulator that is a true regulator, like an overseer of all NGOs” (SD10). A number of others indicated a much higher level of trust than is warranted by any regulation in place in Australia. As one interviewee put it “I think they usually undergo some processes to be registered so I trust the government to... to vet them properly before being... uh, being granted the name of an NGO. You understand? So because of that I trust them” (SD6). Another said

Look, that’s where, you know, your trust in the regulators and the reporting requirements comes in. We’re... we’re not, you know—most people aren’t equipped to go in and, you know, do a, you know, forensic assessment of where the money’s going. And what gives us faith is to be able to go “alright, are they meeting reporting requirements? Are they falling foul of the reporting requirements?” and use that as a basis to go, um, “am I putting my money in the right place?” (SD11)

Yet another interviewee said “they do have to fulfil a whole lot of stuff. Otherwise they wouldn’t be renewed; their registration wouldn’t be renewed” (SD4). These responses indicate a perception among donors that government plays a fundamental role in vetting NGOs. Yet this faith is largely misplaced as government regulation on NGOs is quite limited in Australia and in most countries. In Australia, NGOs must follow certain reporting requirements set out by the Australian Accounting Standards Board (AASB) and must register with the Australian Charities and Not-for-Profits Commission (ACNC). But combined, these regulators require little information beyond legal governing documents and standard audits and financial reports (Chelliah et al., 2016). There is normally no direct oversight of NGOs by the government except where government grants are sought, and even then, the oversight is limited to oversight of the use of the grants themselves. In short, donor perceptions are not in line with reality in this area.

Second, trust is sometimes based on donor research. The most common theme that showed up as the basis for trust is donor research. Basically, some donors feel that it is important to do their own research so that they know who they are giving to. But this was not viewed as obligatory for all donors. For instance, one donor said “Some people like to donate with their eyes closed. Some others, like me, I like to donate with my eyes open” (SD9). Still, this is a theme that emerged in four of the twelve interviews (SD4, SD10, SD11, SD12). One donor, when asked “Do you trust NGOs?” responded with “I trust my own ability to do my homework and only support [NGOs], rightly or wrongly, that I might trust” (SD10). This answer demonstrates a trust-but-verify mentality that is characteristic of interviewees in this group. It views the donor as needing to take basic precautions to avoid giving to untrustworthy NGOs. But, as hinted at above, several interviewees made the point that there are limitations to the

research that small donors can be expected to do. As one person put it twice, “I’ve done my, you know, small donor level research” (SD11). The same donor makes the point that “most people aren’t equipped to go in and... do a... forensic assessment of where the money’s going.”

What stands out, then, in these two most prominent reasons people trust NGOs is that the first reason involves misplaced trust and the second involves a defensive posture seemingly born of bad experiences with NGOs. And there is considerable crossover among the interviewees in these two groups (SD4, SD10, SD11). This suggests that even those who give more credit to government regulation than perhaps is warranted, still feel the need to do their own research into the NGOs they support.

Another point follows the recognition that not everyone is obligated nor has the ability to research the NGOs they give to. This is the notion of outsourced research. This notion is described by an interviewee:

The donations I do, I donate through my church. You know, the church then contacts with the NGO. So I trust... I trust my church. I trust, you know, the members in charge of the donations at my church. I trust that they would get in touch with reliable NGOs to do what... what we intend to do.” (SD7)

This outsourced approach to research demonstrates a sense of communal responsibility in which the church community designates people who are best qualified to do the research and assess NGOs to make giving decisions. The community is then kept generally informed about the state of things: “We get feedback, uh, regularly from the church committee member who is in charge of the donations” (SD7). There are some parallels here to investment clubs and managed investments in the first sector.

Donations: The Foundation of the Third Sector.

If trust is the foundation of donations, then the risk of cynicism is a very real threat to third sector organisations. Several interviewees indicated having had a bad experience with an NGO (SD4, SD10, SD11) and a number of others seemed to suggest a bad experience of a less serious nature (SD1, SD3, SD8, SD12). As one person put it “Maybe people being a bit more cynical about like what NGOs do” (SD4). While such bad experiences may not lead directly to cynicism, they do seem to change small donor attitudes and behaviour. “I think, uh, cynicism has crept in a little bit. And hence I’m a bit more wary” (SD11). Cynicism does not make it impossible to earn trust, it just makes it harder to earn trust. It moves people lower on the scale in Table 6.8 from generally yes toward generally no. The NGOs that put in the effort to earn trust will still get donations, but the donor pool in general seems likely to diminish in size.

The Donor as Consumer.

The threat of cynicism noted above may function as a warning to NGOs. Small donors take their hard-earned donations very seriously (SD1, SD4, SD6, SD10, SD11, SD12). As one donor put it, “Money these days is very hard to get so when someone gives you money... you do have to be accountable for, like, letting them know what you use the money for.” (SD6). Another was even more blunt: “I take it very seriously, my donating” (SD10). In short, donors expect bang for buck. This evokes the market theory discussion in Chapter 2 where donors are conceptualised as correlating to the demand side of the market model; the buyer. Indeed, a number of interviewed small donors think of themselves, at least at some level, as consumers. Sometimes in overt, explicit terms.

If I give you money for a product, I should be getting the product back. And it should be, you know, um, it should be a value—it should be what sort of agreed

value—If I agree to pay you \$50, I think that product's worth \$50. If I'm giving you something, it should be, um—you should be able to show me, yeah, what I'm getting for my money. (SD12)

But in most instances the concept of the donor as shopping was more implicit. For instance, some donors indicated a beneficiary profile preference (SD1, SD7, SD10, SD12). In other words, small donors aren't just trying to do good in some general, nebulous sense. They sometimes have a clear idea of who they want to help and how they want to help them and they are shopping for someone who will provide them with that particular product. For instance, one interviewee who referred to becoming uncomfortable with a particular NGO said “I will do the homework to find out something that does a similar job but has a better record and so I'll then swap the same amount to that NGO” (SD10). This links back to the discussion of power under the accountability heading above where it was noted that donors have power over NGOs because NGOs compete for scarce donor resources. As noted under the heading which addressed trust, scarce donor resources are generally donated on the basis of trust. Therefore, NGOs competing for these resources must consider their perceived trustworthiness in seeking to compete for these scarce donor dollars. As one donor put it “There are people out there who wish to donate...but they're not sure...if the NGO, you know, is reliable enough” (SD7).

Several other points emerged in relation to the donor as the consumer. *First*, as just quoted, like consumers, donors have limited brand loyalty. “When I hear something... that makes me a bit concerned and I will do the homework to find out something that does a similar job but has a better record and so I'll then swap the same amount to that NGO” (SD10). *Second*, small donors often appreciate the work of journalists in exposing problems in NGOs and are inclined to side with the journalist

(SD1, SD11, SD12). *Third*, the fact that donors feel strongly about both ensuring that beneficiaries receive the intended benefits and receive strong accountability does not change the fact that donors give to NGOs they trust. As one donor put it, “My obligation is to the beneficiaries... not to myself or the NGO. ... My intent of giving the money is to help the beneficiaries so my obligation is really to make the NGO accountable *for the sake of the beneficiary*” (SD12, emphasis added; cf. SD11). In short, the importance of beneficiary accountability is not an out for NGOs. At least in some cases, the more seriously a donor takes that responsibility, the higher the standard to which the donor will hold the NGO.

Doing the Right Thing.

Another point that came out quite strongly in the interviews and quite spontaneously, is the concept of “doing the right thing.” This concept came up in eight out of twelve interviews (SD3, SD4, SD6, SD7, SD9, SD10, SD11, SD12). As one donor put it, “As a donor you go ‘well, are... are they doing the right thing by the beneficiaries?’” (SD11). The idea here seems to be that donors hold NGOs to a higher standard than mere legality or technical allowability. One donor spoke of this in terms of “the pub test” (SD12). This is an Australian concept which, to explain for non-Australian readers, is that the general acceptability of a thing in society can be tested by running it by a mob of mates at the pub. If they say “fair enough,” then the thing is considered to have passed the pub test. If they say “hey, that’s not on,” then it is considered not to have passed the pub test. The concept is often used in assessing the actions of public figures such as politicians. The idea, in Australian society, is that while something maybe be technically allowed, it really should not be done unless it passes the pub test. Conversely, if something is technically *not* allowed, but passes the pub test, it should probably be let go. The idea, then, as used by this interviewee is that

NGOs should operate in ways which would pass the pub test. A number of NGOs were raised as examples of organisations that failed to pass the pub test (SD4, SD10, SD11). While no allegation of anything technically wrong was suggested, in each case the implication was clearly that the small donor had been burned by the NGO and would be more cautious about giving in the future.

Conclusion

The objective of the study in this chapter was to explore in greater depth the views of NGO small donors toward NGO accountability and stakeholder priority as found in Chapter 5. The findings of this study are summarised in four key themes: transparency, accountability, trust, and donations. *Transparency* was almost universally affirmed as of crucial importance to small donors. The key issue under *accountability* related to stakeholder priority where small donors indicated a clear priority for accountability to donors first and to beneficiaries second. Also under accountability, small donors generally affirm that they have a right to require accountability from NGOs but not an obligation. Finally, under accountability, this research found that interviewees always resort to either mere transparency or accountability through an upward stakeholder when asked how to level the power imbalance between NGOs and their beneficiaries. The third finding is that most donors are generally inclined to *trust* NGOs, though this trust was found to be either misplaced (on the basis of misunderstanding the accountability structures in place) or defensive. Finally, the research found that cynicism is a threat to *donations*. Donors give discerningly and are watching to see that NGOs do the right thing.

A few limitations adhere to this study. *First*, by comparing interviewees recruited from across Australia to survey respondents recruited in Far North Queensland, there may be differences in the sample that are not apparent.

Notwithstanding, the strong correlation between the surveys filled out by interviewees and the surveys filled out by those who took place in the study outlined in Chapter 5. *Second*, a risk inherent to this research is that the kind of people who would agree to be interviewed about NGO giving are more likely to be more serious about their NGO giving. This risk is partially mitigated by the fact that the same dynamic may apply to the study in Chapter 5, but to a lesser extent. This limitation was somewhat mitigated by tracking and analysing separately the answers of those connected to NGOs in some way.

This chapter contains the fourth study in a series of studies. This study has employed qualitative research methods to delve deeper into the findings of the quantitative study in Chapter 5. The next chapter (Chapter 7) will contain a summary of the research which has been carried out as well as a discussion of the findings of that research.

Chapter 7: Discussion and Conclusion

The four chapters immediately preceding this chapter (Chapters Three, Four, Five, and Six) contain the four studies of which this research is comprised. This final chapter will attempt to draw these four studies together, to give the bigger picture of how they relate to each other, and to tell the story of how they progress logically.

In the next section, these four studies will be outlined and summarised. This will be followed by a section discussing the findings of this research. Finally, this chapter will outline some key contributions of the research, some recommendations for practice, and some limitations of the research.

Research Summary

This thesis is designed such that the four studies of which this thesis is comprised complement each other, with the fourth study exploring the findings of the third study. The four studies are rooted in the literature review (Chapter 2) which revealed a significant amount of discussion around the direction of accountability—a framing informed by stakeholder theory—based on various conceptualisations of the NGO within the organisational ecosystem. The literature generally suggested that the priority for accountability should be downward to beneficiaries. This raised questions about how upward stakeholders, particularly the relatively less powerful small donors, felt about this priority of downward accountability. The literature on this question found that donors felt that they should be the first priority in accountability, but only by a small margin. The beneficiaries were viewed as key stakeholders and donors seemed to value downward accountability to beneficiaries as well as upward accountability to donors to an almost equal degree. This led to an interest in exploring the views of small donors about the direction of accountability in more depth. In order to do this, it was

considered necessary to determine carefully what is meant within the literature by the term accountability. This, then, is the subject of the first study.

The *first* study, in Chapter 3, began with a look at the definition of accountability as it is conceptualised in the third sector academic literature with an emphasis on both recency and durability of definitions. These definitions were then analysed thematically in order to better understand the elements of which they are comprised. These elements were then subjected to analysis and were used to synthesise a working definition of accountability rooted in the third sector literature with the goal of understanding accountability *as it is understood* in the literature of the third sector. The study found five essential elements of accountability represented to varying degrees within the extracted definitions of accountability. These elements are obligation, process, action, transparency, and penalty. The key finding of the study is that the concept of penalty or sanction is the only element which is present in all of the definitions. It is, however, stated explicitly in none of them. This concept, sanction, is demonstrated to be both essential to the existence of true accountability and oddly and conspicuously absent in any explicit form. The definition of accountability synthesised from this research is: accountability is a process in which an entity is transparent about its actions in the context of an obligation with the potential for negative consequences for failure to satisfactorily fulfil the requirements of that obligation.

The *second* study, in Chapter 4, seeks to prepare the way for the goal of exploring small donor attitudes toward stakeholder priority by looking at accountability in the third sector itself. Where the first study sought to understand what exactly the literature means by accountability, the second study seeks to understand how NGOs think about accountability. In order to get a glimpse of this, this study looked at NGO websites which were considered to be the public face of NGOs. The study analysed the

accountability paradigm demonstrated both explicitly and implicitly in the rhetoric and structure of the websites of ten Australian development NGOs. The study found the rhetoric of downward accountability to be consistently represented on the websites in combination with a confederation of conflicted themes. It also found the same paucity of explicit reference to the concept of sanction combined with a tacit recognition of its role.

The *third* study (Chapter 5) addresses the research aim directly seeking to answer the question “What do small donors think about the direction of accountability?” It makes sense that if small donors are giving their money, but are not supposed to get priority in accountability, that they may be uncomfortable with this. As noted above, previous research demonstrated that stakeholders view donors as having the priority for NGO accountability, but not by a large margin. This study replicated that research asking small donors in particular what they thought. The findings on stakeholder priority were largely the same as the previous research. This raised questions as to why the priority of small donors does not match the priorities espoused in the academic literature and within the NGO sector as represented by the websites. This led to the last study.

The *fourth* study (Chapter 6) sought to look beneath the quantitative findings of the third study in order to better understand why small donors feel the way they do about accountability stakeholder priority. This was necessary for a number of reasons. First, if small donors want priority and don't get it, this may lead or be leading to diminished donations. This would be a pressing problem for the NGO sector. Second, even though both this study and the studies it is based on find that donors are the stakeholder which should receive priority, in both cases this finding is marginal and the beneficiaries consistently rank high in priority as well. This suggests either two closely

competing but strongly opposed parties or it may suggest that small donors in general value accountability both to themselves and to the beneficiaries. Third, where the previous research also explored the quantitative findings through qualitative interviews, the nature of that study was such that it only included interviews of three small donors. These reasons combined led to this fourth study which found a complex set of interacting dynamics at play beneath the surface of the quantitative findings. These findings will be discussed in more detail in the following section which will seek to summarise the findings of all four studies.

Synthesis of Findings

The most substantial finding from the *first* study, which looked at the definition of accountability, relates to the concept of penalty (sanction). Penalty is recognised both outside the third sector literature and implicitly within it as essential to the definition of accountability and is therefore too important to be left unarticulated. Indeed, some of the difficulties and inconsistencies encountered in the later studies can be traced back to the failure to properly appreciate the essential nature of penalty to the definition of accountability. This concept also raises the crucial matter of power in accountability. Accountability which fails to recognise the essential role of penalty is also likely to fail to perceive the role of power in accountability. The example could be given of a young child looking up at a police officer seeking to hold him accountable. The power imbalance between the child and the officer is not merely related to age or size—though these are considerable factors—but is exacerbated by the overwhelming physical force of the officer’s firearm and the profound social power of his badge. Now compare this scenario from the second study: “World Vision is responsible to...many of the world’s poorest children” (Mitchell, 2014, p. 2). Once it is recognised that penalty is essential to accountability, it becomes immediately apparent that

accountability cannot function without regard to the dynamics of the power relationships in the context.

The same under-emphasis of the concept of penalty was observed in the findings of the *second* study which explored the public views of NGOs on NGO accountability in practice, looking at the websites of ten Australian NGOs. One of the six themes found there is the dissociation of empowerment and accountability. Indeed, four out of the six themes emerging from that study highlight the evanescence of the concept of penalty in third sector practice. As noted, the dissociation of empowerment and accountability does so explicitly. The equation of mere reporting with accountability precludes the necessity of penalty and takes no account of power. The remaining two themes take some note of the presence of power. The third theme, dominantly upward structures of accountability, seems ominous in its recognition of the role of power in accountability. Finally, the theme of reliance on minimalist structures of accountability (e.g. memberships, audits, accreditations) tacitly recognises the importance of power and penalty, but employs it only in the most minimalist manner. These last two themes (dominantly upward structures of accountability and reliance on minimalist structures of accountability) hint at a fifth theme: commercialistic structures and rhetoric. This theme suggests a knowing posture toward those upward of the NGO. Money rules. Those who will fund the NGO are treated as customers. This contradiction between practice and rhetoric functions as the key conflict in the findings leading into the final two studies in this research.

The findings in the *third* study address this question of upward versus downward accountability. NGO small donors feel that they ought to be the primary recipients of NGO accountability. However, this conclusion is anything but unchallenged. The beneficiary is not far behind the small donor as the priority

stakeholder for accountability. Small donors view themselves as the highest priority for accountability and beneficiaries as the second highest. Another finding from the third study which was not sought was a disturbing degree of distrust for NGOs among Australian small donors. While this finding was unsought, it should not have been surprising because where penalty is not overtly recognised, and where power is therefore dissociated from accountability, distrust among donors would be the natural hypothesis. To put it more clearly, where small donors want upward accountability but NGOs are seeking to provide mere reporting (transparency), minimalist structures of accountability, toothless accountability, and downward accountability, small donors are likely to be dissatisfied; even distrustful. These findings are profoundly suggestive, but ultimately raise more conflict and questions than clear conclusions.

The findings in the *fourth* study help to draw together the threads of the previous three studies, giving insight beneath the what to the why. The *first* key insight from this study relates to stakeholder priority. The relationship between the top two competing stakeholders is demonstrated to be less adversarial, and more benevolent, even mediatorial. Indeed, donors seem to have a sense that accountability to themselves is *on behalf of* the beneficiaries. The perceived danger is not beneficiaries doing the wrong thing, but NGOs.

A *second* insight is that there is no such thing as downward accountability per se. While small donors highly value downward accountability, and many give it first priority, every method of accountability mentioned by small donors either falls short of accountability or seeks accountability through an upward intermediary. This brings the concepts of penalty and power back to the fore. Without penalty, attempts at accountability amount to mere transparency. And without power, there can be no real threat of penalty. Therefore, the only way to give real accountability to those with

substantially less power is to do it through an intermediary who has more power, and therefore carries a real threat of penalty. This intermediary role was delegated to a number of upward stakeholders in the fourth study. An intriguing instance of it was seen in the second study in Chapter 4 where more than one NGO espoused accountability to God, the ultimate upward stakeholder. One NGO put it bluntly: “We are accountable to God” (TEAR Australia, 2014a). Another explained “our ultimate responsibility to God can only be discharged by taking these more particular responsibilities [to other stakeholders including “the world’s poorest children”] seriously” (Mitchell, 2014, p. 2). By appealing to an upward stakeholder, in these cases God, they are appealing to a higher power and incurring the risk of penalty.

The relationship of these concepts to each other, as derived from the findings of this research, is illustrated in Figure 7.1 below where small donors fall within the category of upward stakeholders and beneficiaries fall into the category of downward stakeholders. The relationship between these stakeholders and the NGO is indicated by a vertical dashed line. As the NGO seeks to demonstrate accountability to stakeholders (indicated by the solid lines), the question arises as to the presence of penalty without which there can be no accountability. This raises the question of whether there is power in the relationship between the stakeholder and the NGO. Where there is no power, accountability becomes impossible. Where there is power, accountability can be demonstrated to the stakeholder. The notion of accountability through an upward intermediary is indicated in the figure by a dotted line.

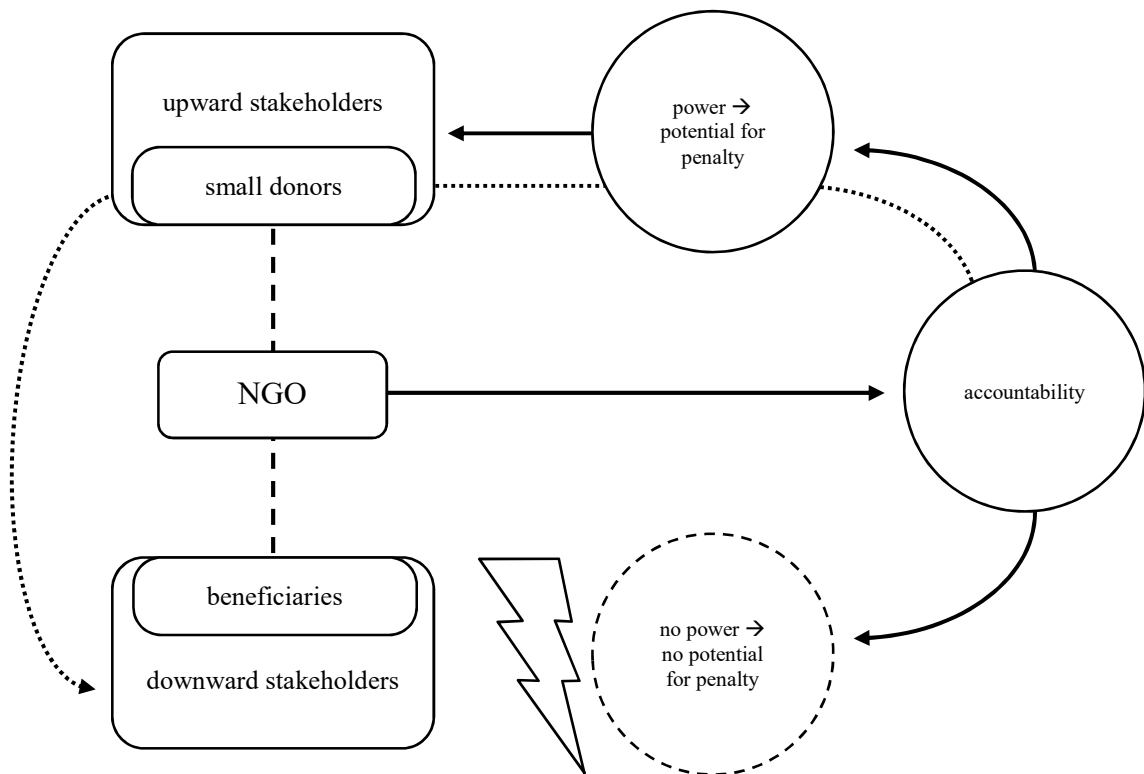


Figure 7.1: Relationship of key concepts.

The *third* key insight from the fourth study relates to the statement above that the perceived danger for small donors is not beneficiaries, but NGOs, doing the wrong thing. Donors have a generally benevolent posture toward beneficiaries and generally view NGOs as either friend or foe on the basis of their perceived enablement or sabotage of the donor's benevolent designs. Trust, therefore, is crucial to an NGO's capacity to raise funds from small donors, and distrust, specifically, and cynicism, generally, are a death sentence for NGO fundraising.

Contributions of the Research

This research makes contributions to human knowledge in a number of areas. *First*, this research makes a contribution to the literature in two primary areas. First, this research contributes to the literature in the area of the definition of accountability, particularly in relation to how accountability is articulated in the third sector research

literature. As noted in Chapter 3, it is important to define accountability carefully (Brett, 1993), and this is a difficult task (Ritchie & Richardson, 2000; Ebrahim, 2003b; Connolly & Hyndman, 2004; Dixon et al., 2006; Goddard & Assad, 2006; Gray et al., 2006; Awio et al., 2011; Connolly & Dhanani, 2013; Connolly, Hyndman, et al., 2013; Palmer, 2013). The contribution of this research is to assess a sample of recently used definitions in the third sector literature in order to lay the groundwork for a conceptually based, robust framework for the assessment of definitions of accountability. While this research does not establish a fully functional framework, it does provide an important foundation for the establishment of such a framework. Second, this research contributes to the literature in the area of understanding a key, and under-researched, stakeholder of NGOs: the small donor. Hyndman (1990, 1991) conducted research which looked at a broad range of stakeholders, including small donors. This was then built on by Connolly and Hyndman who replicated the earlier research (Connolly & Hyndman, 2013b) and conducted qualitative interviews in order to develop a deeper understanding of the findings of these studies (Connolly & Hyndman, 2013a). The present research, while replicating previous research, also narrows it to focus exclusively on the views of small donors. This research, therefore, not only broadens, deepens, and strengthens the generalisability of the earlier research, but it also isolates the small donor in particular in order to provide a more in-depth understanding of the views and interests of this particular stakeholder group. Connolly and Hyndman (2017) then focused in on the relationship between donors and beneficiaries finding that there was a unique dynamic in this relationship in which donors often impute saliency to beneficiaries. However, it was also found that a focus on the interest of donors was not necessarily in competition with or detrimental to the interests of beneficiaries. The present research is consistent with these findings and

provides new insights into the dynamics of the relationship between the donor and the beneficiary through its findings in relation to the nexus between power and accountability which is the concept of sanction. These findings also provide new insights which strengthen the findings of Hyndman and McConville (2018) relating to the relationship of trust and accountability.

Second, this research makes a contribution to theory. The study in Chapter 3 provides a model for the development of a theoretical framework for the assessment of definitions of accountability. While this framework remains in a quite primordial state, it is hoped that future research will further develop this framework in order to provide a more structured means of assessing and analysing definitions of accountability.

Third, this research makes a contribution to the accounting profession and the accountability literature by highlighting and reaffirming the essential distinction between mere transparency and accountability. This study has demonstrated that while transparency and accountability have a close and interactive relationship, they are not the same and must not be treated the same. Indeed, to do so undermines them both and diminishes the crucial importance of each. By highlighting the essential element of penalty in accountability and by extension, the vital importance of power awareness, this research protects the accounting profession from confusing mere reporting with accountability and offers a crucial corrective to the third sector accountability literature.

Fourth, this research makes a number of contributions to third sector practice. *One* contribution is to provide a working definition of accountability which is supported by a structured analysis of the definition in the third sector and with consideration to other areas of research. The primary contribution here is to highlight the need to pay close attention to penalty when researching and articulating the concept of accountability. This contribution has the potential to improve the precision of the

understanding of the concept of accountability or at the very least raise key areas for discussion within the literature. *Another* contribution of this research is an emphasis on the role of power in third sector accountability and its importance in building more robust accountability structures and practices. This is particularly important where aspirations of downward accountability are present as it allows research and practice to avoid the risk of developing an illusory accountability in which the relational power dynamics are ignored. By paying close attention to penalty as an element of accountability and power as a crucial contextual factor, the third sector can better calibrate accountability structures and practices. *Finally*, another contribution of this research is a more detailed understanding of the relationship between trust and donations. By examining small donor attitudes toward stakeholder priority, this research has made it easier for NGOs to understand the goals of donors and their insistence on receiving accountability even where they prioritise beneficiary accountability. This has potential to shape the way NGOs relate to small donors as well as the way they relate to the public in general. It also has the potential to lead to new donors and increased donations.

Recommendations for Practice

The findings and contributions of this research suggest several areas for consideration by third sector organisations. These recommendations may be considered for assessment and implementation within current third sector organisations. *First*, NGOs should consider the cultural vocabulary of their organisation. Three key areas in which vocabulary can be misleading and harmful are highlighted by the findings of this research. First, transparency and accountability should not be used interchangeably. Mere reporting is not accountability and should never be referred to under the term accountability. Rather, reporting is a form of transparency. Transparency is vitally

important, but it is short of accountability and therefore distinct from accountability. Building a vocabulary which clearly distinguishes between these concepts will help avoid crossing these categories. Second, it would be good to develop a code word within the organisational culture to refer to the concept of penalty as a constituent element of accountability. This may involve the word penalty or sanction or another word within the general semantic domain, or it may involve a more subtle syntactical code such as *holding* people accountable. In either case, the key is that within the organisational vocabulary, everyone understands the concept of penalty and attaches it to that code. This will help with the explicification of the concept of penalty. Finally, it is important that there be an organisational vocabulary that speaks with a degree of nuance about inter-relational power dynamics. This will give the culture the tools with which to think about and discuss power.

Second, distinct from vocabulary, NGOs should consider how to maintain a clear distinction between transparency and accountability. These two concepts must be distinguished repeatedly, and the correct names used relentlessly in order to avoid allowing them to meld into the same concept. Perhaps the best way to do this is to maintain constant communication around these topics, using the concept of penalty as a differentiating test. While this does not capture the core reason for the distinction, it does provide a memorable and easily assessed categorical test.

Third, NGOs should consider implementing processes for active assessment of power dynamics. This could be added to existing frameworks or built into new ones. In short, the power dynamics of relationships within the organisational experience should be a regular factor in the way those relationships are managed with recognition given to even relatively minor shades of difference between different beneficiaries and beneficiary groups. This has potential to improve relationships, develop trust, enhance

outcomes, and diminish risks. It also has a benefit of creating increased sensitivity to unique vulnerabilities which a beneficiary or beneficiary group may have.

Fourth, NGOs should consider nurturing opportunities for upward intermediary accountability. This research has found that many common mechanisms of downward accountability fail to involve any form of penalty and thus fail to reach the level of true accountability. NGOs should consider a careful analysis of existing mechanisms of accountability, both upward and downward, using the test of penalty in order to determine whether these mechanisms are truly mechanisms of accountability or merely forms of transparency. Additionally, it seems that there is much opportunity for the exploration of new intermediary mechanisms such as, for instance, an independent sector ombudsman, external accountability coalitions, etc.

Fifth, NGOs should consider carefully monitoring small donor trust levels. This monitoring should consider both specific trust for this NGO as well as general trust for NGOs. Specific trust can be addressed by making changes and/or targeted marketing. General trust can also be addressed by assessing marketing strategies through the lens of general public relations principles focusing more on earning the general trust of the public—or repairing it (Guo et al., 2023)—than on raising immediate donations. Such a long term approach has the potential to re-engage members of the public who have become generally cynical rather than merely distrustful of a particular organisation.

Limitations of the Research

This research project suffers from a number of limitations which should be kept in mind when considering its findings and contributions. A number of specific limitations have been outlined in each chapter in connection with the study to which they relate. Some persistent limitations relate to the limitations of time and resources. In particular, COVID-19 made the collection of data more difficult and led to an earlier

cut-off in the third study than was originally intended. Sample sizes were generally smaller than ideal with the exception of the interviews where it is felt that a good degree of saturation was achieved. There is also a limitation that the surveys were collected from random shoppers in a single region, whereas the interviewees were recruited from across Australia through social media. Additionally, this study is limited geographically by its focus on data from Australia. Yet another limitation in this study is that it does not include data from stakeholders other than small donors such as larger donors and beneficiaries. Finally, this study tends to focus on larger development NGOs. This leaves many unanswered questions around a broad range of other TSOs. These limitations highlight opportunities for future research. Additionally, a number of other areas for future research have been highlighted as they have arisen throughout the thesis.

Conclusion

This chapter has outlined the big picture of this research by drawing together the four separate studies and demonstrating their progressive and logical flow. In the second section of this chapter, the findings of this research were summarised and discussed. This was followed by a brief discussion of some key contributions of the research, some recommendations for practice, and some limitations of the research.

This research, particularly the fourth study, gives a window of insight into the passion small donors have for the work which NGOs do. These small donors, combined, donate amazing amounts of time, energy, and money in order to provide help and assistance to millions of the world's most vulnerable people. These NGOs fulfil a vital function as the middleman between these small donors and the people who rely on their charity. It is hoped that this research will lead to stronger NGOs and increased trust between NGOs and their donors so that the work they do will be more

successful. Ultimately, the goal is not merely to provide benefits, but to express genuine charity: love.

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Appendix A: Survey**Question 1**

Are you 18 years or older?

Yes

No

Question 2

Are you a permanent Australian resident? (Check only one)

Yes

No

Question 3

How are you best identified in relation to the NGO for which you are answering this survey? (Check the ONE that best describes you)

Donor

Beneficiary

NGO representative

Question 4

Please rank which of the seven stakeholder groups you believe an NGO should be primarily accountable to. (Most important rank 1, then 2, 3, etc.)

___ Beneficiaries

___ Businesses dealing commercially with the NGO

___ Donors

___ Employees

___ The regulator

___ Trustees/directors and operational management

___ Society at large

Question 5

Please circle the number that represents how important each type of disclosure is to you (1 – not important, 2 – slightly important, 3 – moderately important, 4 – very important, 5 – of vital importance).

1 2 3 4 5 Audited income statement (a.k.a. profit and loss)

1 2 3 4 5 Audited balance sheet

1 2 3 4 5 Audited cash flow statement

1 2 3 4 5 List of NGO officers

1 2 3 4 5 Statement of NGO goals

1 2 3 4 5 Statement of current objectives

1 2 3 4 5 Information on problem or need areas

1 2 3 4 5 Measures of output (for example, how many meals were provided)

1 2 3 4 5 Measures of efficiency (for example, the cost of each meal)

1 2 3 4 5 Administration cost % (for example, “18% of donations used for admin”)

1 2 3 4 5 Simplified income statement

1 2 3 4 5 Simplified balance sheet

1 2 3 4 5 Statement of future objectives

1 2 3 4 5 Budget information

If you are an NGO representative, please go to question 11.

Question 6

How much of the following information sources have you read in the last two years?

(where 1 means you have read none of the documents and 10 means you have read all of the documents; please circle your choice).

1 2 3 4 5 6 7 8 9 10 The Annual Report

1 2 3 4 5 6 7 8 9 10 An NGO Review

1 2 3 4 5 6 7 8 9 10 The NGO webpage

1 2 3 4 5 6 7 8 9 10 Emails from the NGO

1 2 3 4 5 6 7 8 9 10 Other _____

Question 7

Please rank the following sources of information from NGOs in order of their importance to you (write in order of importance from one to four).

_____ Annual Report

_____ NGO Review

_____ NGO website

_____ Emails from the NGO

Question 8

Is there other information you would like to receive from NGOs in order to feel that they have sufficiently discharged their accountability to you? If so, please write in below.

Question 9

If you are not a donor for the purposes of this survey, please go to question 10.

If you are a donor, what is the value of your donations (cash or in kind) in the last twelve months (please estimate cash and in kind values if necessary)?

- \$0-499
- \$500-999
- \$1,000-1,499
- \$1,500-1,999
- \$2000+

Question 10

If you are not a beneficiary for the purposes of this survey, go to question 11.

If you are a beneficiary, what is the value of your benefits (cash or in kind) in the last twelve months (please estimate cash and in kind values if necessary)?

\$0-499

\$500-999

\$1,000-1,499

\$1,500-1,999

\$2000+

Question 11

Do you have any other comments you wish to share?

Appendix B: Interview Questions

Questions from the survey

1. I noticed on Question 4 you ranked _____ as the group to whom NGOs should be most accountable. Why do you feel this way?
2. You ranked _____ as the group to whom NGOs should be second most accountable. Why do you feel this way?
3. In your mind, how close was the competition for the first rank between these two groups?

Small donor accountability

4. Do you trust NGOs? Why or why not?
5. Do you feel that NGOs are accountable to you? Why or why not?
6. Do small donors have a right to require accountability from NGOs? Why or why not?
7. Do small donors have an obligation to require accountability from NGOs? Why or why not?

Beneficiary accountability

8. How do you feel about NGO accountability to beneficiaries?
9. What kind of methods do you think NGOs use to discharge accountability to beneficiaries?
10. Is it possible for NGOs to overcome the large power imbalance between themselves and beneficiaries so that they are truly accountable to beneficiaries?
11. What do you think is the best way for NGOs to overcome the large power imbalance between themselves and the beneficiaries of their work?

Appendix C: Supplement to Comparison of Quantitative Findings

These tables are supplementary to the findings in Chapter 6.

Table C.1: Top three ranking stakeholders by giving level (Chapter 5)

	Donors	Beneficiaries	Regulators	Society
No response	3	1	2	-
\$0-499	1	3	-	2
\$500-999	2	1	-	3
\$1,000-1,499	2	1	-	3
\$2,000+	1	2	-	3

Table C.2: Top three ranking stakeholders by giving level (Chapter 6)

	Donors	Beneficiaries	Employees	Regulator	Management	Society
No response	-	-	-	-	-	-
\$0-499	1	=2	=2	-	-	-
\$500-999	1	2	=3	=3	-	-
\$1,000-1,499	-	1	-	2	3	-
\$1,500-1,999	1	3	-	-	-	2
\$2,000+	-	-	-	-	-	-

Table C.3: Importance of different kinds of information

	Mean score		Rank	
	Chapter 5	Chapter 6	Chapter 5	Chapter 6
Administration cost percentage	4.23	4.08	1	=4
Budget information	4.20	4.08	2	=4
Measures of output	4.18	4.08	3	=4
Statement of current objectives	4.17	4.33	4	1
Audited income statement	4.13	4.00	=5	8
Statement of NGO goals	4.13	4.17	=5	3
Statement of future objectives	4.09	3.73	7	10
Information on problem or need areas	4.08	4.25	=8	2
Measures of efficiency	4.08	4.08	=8	=4
Audited cash flow statement	4.06	3.58	10	=11
Audited balance sheet	3.99	3.92	11	9
Simplified income statement	3.86	3.50	12	13
Simplified balance sheet	3.81	3.58	13	=11
List of NGO officers	3.52	3.25	14	14

Table C.4: Ranking of information delivery methods

	Value		Engagement	
	Chapter 5	Chapter 6	Chapter 5	Chapter 6
Annual report	1	3	1	4
Review	2	1	4	3
Website	3	2	2	1
Email	4	4	3	2

Appendix D: Supplement to Interviewee NGO Connection

This table is supplementary to the findings in Chapter 6.

Table D.1: Importance of different kinds of information based on NGO connection

	Mean score			Rank		
	Chapter 6	Connected	Not connected	Chapter 6	Connected	Not connected
Administration cost percentage	4.08	4.00	4.13	=4	=4	=3
Budget information	4.08	4.00	4.13	=4	=4	=3
Measures of output	4.08	4.00	4.13	=4	=4	=3
Statement of current objectives	4.33	4.50	4.25	1	=1	=1
Audited income statement	4.00	3.75	4.13	8	=8	=3
Statement of NGO goals	4.17	4.50	4.00	3	=1	=8
Statement of future objectives	3.73	3.50	3.86	10	=10	10
Information on problem or need areas	4.25	4.25	4.25	2	3	=1
Measures of efficiency	4.08	4.00	4.13	=4	=4	=3
Audited cash flow statement	3.58	3.25	3.75	=11	=12	11
Audited balance sheet	3.92	3.75	4.00	9	=8	=8
Simplified income statement	3.50	3.25	3.63	13	=12	=12
Simplified balance sheet	3.58	3.50	3.63	=11	=10	=12
List of NGO officers	3.25	3.25	3.25	14	=12	14