COMMUNICATING THE IMPACT OF THE GLOBAL FINANCIAL CRISIS IN ANNUAL REPORTS: A STUDY OF AUSTRALIAN NGOS

ABSTRACT

Purpose: This paper analyses the extent and nature of communication about the impact of the global financial crisis (GFC) in the annual report narratives of Australian NGOs.

Design/methodology/approach: The annual reports of 10 Australian NGOs are content analysed for information about the impact of the GFC and the use of Impression Management (IM) techniques.

Findings: All organisations in the study experienced some financial impact from the GFC, with all but one referring to this in their annual report narratives. This information was very limited, indicating a missed opportunity to communicate meaningfully with stakeholders. Furthermore, of the nine orgs providing disclosure of the GFC's impact, eight used at least one IM technique, arguably reducing the transparency of their communication.

Research limitations/implications: This study provides a detailed analysis of communication about the GFC's impact in a limited number of NGOs. Further research could broaden this study to include other organisations in the not-for-profit (NFP) sector, to consider other modes of communication, or to examine communication patterns at other times of crisis.

Practical implications: All NFP organisations, including NGOs, face resourcing challenges, particularly in times of economic uncertainty. With their mission focus, NFP organisations must balance the need to communicate information about their financial needs with the need to communicate news that could potentially reflect negatively on stakeholders' impressions of their worthiness and effectiveness. Improved communication and greater transparency are the goals of corporate reporting initiatives. Examples of communication patterns will assist NFP managers in framing their narratives for annual reports and other modes of communication.

Originality/value: IM has been employed primarily in quantitative studies of profit-oriented organisations. This qualitative study focusing on the NFP sector not only reinforces the recognised need for narrative communication by NFP organisations, but also provides evidence of the quality of the communication currently provided.

Keywords: Global financial crisis; Australian NGOs; impression management; annual reports; aid and development; communication

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INTRODUCTION

The Global Financial Crisis (GFC) of 2008 and 2009 was a major economic event with continuing global ramifications. During this period, the worst was feared for Australian businesses and the economy, however, limited public attention was given to the GFC's impact on the Not-For-Profit (NFP) sector. Australia successfully avoided going into recession, but evidence suggests that it still faced significant negative impacts including a decline in economic growth, rising unemployment rates and businesses performing poorly, with many being forced to close (Access Economics 2008; Kim and Penn 2008; Edwards 2010; Butterly, 2011). As a result, in addition to a predicted decline in NFP funding due to economic uncertainty, demands for the services of the sector increased significantly, threatening the ability of NFPs to fulfill their mission (Access Economics 2008; Melouney and Mayoh, 2010). The situation also created uncertainty regarding the sustainability of NFP organisations during and after the crisis (CSI, PwC and FIA, 2009, 2010; Besel *et al*., 2011; Boney 2011).

Organisational communication, and in particular the communication of accounting information, taps into issues such as the mode of communication (Craig and Brennan, 2012), the crafting of communication (Hrasky, 2012; Higgins and Walker, 2012; Merkl-Davies and Koller, 2012), the contribution of communication to organisational image and reputation (Craig and Brennan, 2012; White and Hanson, 2002; Brennan and Gray, 2000), and broader issues of organisational accountability (Tregidga *et al*., 2012a). A global initiative for improved business reporting focuses on a move from compliance-driven disclosures to transparent communication that provides stakeholders with a clear picture of business activities (IIRC, 2012). For Australian NGOs and other NFP organisations, the institution of the Australian Charities and Not-for-profit Commission (ACNC) provides an opportunity to reconsider the manner and extent to which they communicate with their stakeholders, particularly in providing accessible narrative information about financial matters (Ryan and Irvine, 2012).

Transparent communication becomes even more important during times of crisis, as these disrupt existing social arrangements and funding relationships. Crises potentially threaten the reputations of organisations, stimulating them to convince stakeholders of their ability to manage the situation (Merkl-Davies and Koller, 2012). In considering whether managers consciously skew their communication about company performance, or whether they are unconsciously biased, Keusch *et al*. (2012) found that during times of crisis, managers of the largest European companies engaged in more "self-serving bias", i.e. IM, when communicating with shareholders. During the GFC, NFP organisations had to balance their ongoing financial sustainability struggle with the presentation of an unimpaired image to stakeholders, in order to ensure that they continued receiving funds to operate.

This tension of balancing economic hardship while presenting a positive image could lead NFP organisations to manage their communications about the crisis by presenting their performance in the best possible light. The inference of impression management (IM) by organisations, i.e. promoting corporate reputation through annual reports and other modes of communication, has gained extensive adoption, primarily being applied quantitatively, and to organisations in the for-profit sector

(Aerts, 2005; Brennan and Gray, 2000; Merkl-Davies and Brennan, 2007; Merkl-Davies *et al*., 2011). There is limited research that applies IM qualitatively and in-depth (Tregidga *et al*., 2012b), that investigates organisations that are not part of the corporate sector, or that analyses communication relating to a crisis such as the GFC (Keusch *et al*. 2012).

This study addresses these three issues: it uses IM theory to analyse qualitatively the way the impact of the GFC was communicated in the annual report narratives of a sample of Australian Non Government Organisations[i] (NGOs). Specifically, we address the question of whether Australian NGOs used IM in their annual reports when communicating information about the impact of the GFC. The focus of the study is the annual reports of 10 Australian development NGOs[ii], all of which were signatories and/or members of the Australian Council for International Development (ACFID), a council that oversees the practice and accountability of international aid organisations in Australia. It is thus the first qualitative study to analyse the extent and manner of NFP communication with stakeholders through annual reports during times of economic hardship from the perspective of IM theory. From this, we provide examples of communication that subtly use IM and we identify opportunities where communication could be improved.

The paper is structured as follows. First, we provide an overview of the impact of the GFC on Australia and its NFP sector. We then introduce IM theory, identifying the way it is used to analyse annual reports and developing a framework for the conduct of the study. Following this we outline the qualitative research design, including the development of an IM theory framework used to address the research question through content analysis. Results and findings of the narrative analysis are then presented and discussed. The conclusion identifies opportunities for future research, and highlights the contribution of the study.

THE GLOBAL FINANCIAL CRISIS AND THE AUSTRALIAN NOT-FOR-PROFIT SECTOR

The 2008-2009 GFC was a major economic event that shook financial markets worldwide. Prior to the crisis, financial markets were considered highly sustainable with easy access to credit, limited risks and low interest rates that encouraged aggressive lending practices in a highly deregulated market (Antonopoulou, 2010). In the US this led to the creation and distribution of new and innovative financial securities that were backed by residential mortgages (Crotty, 2009). Expectation of low risks and high returns led investors to demand more of these securities, and financial institutions were encouraged to lend even to the least creditworthy (sub-prime) individuals, creating a bubble in the US housing market (Crotty, 2009; Rötheli, 2010).

Signs of economic meltdown were evident by August 2007 as US homeowners defaulted on their mortgages; house prices started declining and interest rates increased. This resulted in losses to investors holding mortgage-backed securities (Crotty, 2009; Rötheli, 2010). Trust in credit markets and counterparties ceased and financial institutions tightened credit conditions. The aggregate loss of investors was too large for the financial markets to bear, leading to further financial deterioration. Due to the interconnectedness of the financial markets and banking systems worldwide, the impact of the crisis was felt worldwide, being in full swing by September 2008 (Antonopulou, 2010). The crisis had a direct impact on households by reducing consumption levels and household wealth.

The impact on the Australian economy was evident with its slowing after years of unprecedented economic growth (Edwards, 2010). While a proactive approach by the Australian government ensured that Australia did not go into recession, the country still suffered negative impacts from the GFC due to rising unemployment, falling commodity prices and business closures that put pressure on its low-middle income earning population (Access Economics, 2008; Commonwealth of Australia, 2009).

These factors increased the demand for social services in Australia with the federal Department of Human Services reporting increasing pressure as the number of people asking for government support grew rapidly (Commonwealth of Australia, 2009). NFP organisations also experienced a similar increase in demands for their services (AusAID, 2010)[iii]. The Australian Parliament's 2009 report on the impact of the GFC on Australia noted that NFP services providers were lacking the financial and human capital to meet the increase in unemployment (Commonwealth of Australia, 2009). The NFP sector was therefore not immune from the effects of the GFC across the Australian economy[iv].

The Australian NFP sector consists of over 700,000 organisations and agencies that assist families and individuals with financial and human services both directly and through facilitating government programs (Barned, 2009). In 2007, NFP organisations assisted over 2 million Australians (Access Economics, 2008). This made these organisations an essential part of the Australian community but there were signs that indicated that the sector was already working at full capacity. More than 70,000 individuals were turned away in 2007 by NFP organisations due to a lack of resources (Access Economics, 2008). In 2008 the GFC thus put further pressure on an already struggling sector. This raised the question of the financial sustainability of the sector in a time of economic downturn, where the demand for the services of the sector increased but the resources needed for the sector to operate were constrained.

Two studies were conducted in an attempt to find evidence of how the NFP sector was impacted by the financial crisis. The first of these studies was a two stage survey-based study conducted by the Centre for Social Impact (CSI), PricewaterHouse Coopers (PwC) and Fundraising Institute of Australia (FIA) (CSI *et al*., 2009; 2010). The surveys assessed what the management across a range of NFP organisations sensed to be the impact of the crisis, using responses from 119 different organisations (CSI *et al*., 2009; 2010). The results of the two surveys confirmed the expectation that the NFP was being impacted negatively, but also that it was not as severe as anticipated. This finding was similar to the impact on the Australian economy, which was also not as severe as originally anticipated. The survey respondents indicated that the income of their NFP organisation had decreased and was expected to continue decreasing for a further 12 months, specifically donations, fundraising and investment income (CSI *et al*., 2010).

The second study on the impact of the GFC on the NFP sector, by Access Economics (2008), was derived from an assessment of the impact on the Australian economy, specifically employment, the housing sector and emergency relief, all of which are linked to the rise of demand in social service sector. This study came to the logical conclusion that the NFP sector was negatively impacted, because of the increase in demand for services concurrently with a decrease in funding. Australian NGOs, as part of the sector, thus faced the demands of the developing world at a time of global economic downturn, alongside the prospect of receiving decreased funding from Australian stakeholders.

The overall anticipated impact of the crisis has been captured in these studies, however they do not reveal how NFP organisations communicated this negative impact to their stakeholders. While NFPs communicate through websites and media releases, for research purposes the most reliable method of studying the communication with stakeholders has been to analyse an organisation's annual reports (Koonce and Mercer, 2005; Brennan *et al*., 2009; Merkl-Davies *et al*., 2011). These not only provide audited financial information, but their narratives provide a means of assessing how firms communicated any major events that have affected them during the year. Therefore, it would be expected that any financial impacts of the GFC would be reflected in the financial statements and that a more detailed discussion on the issue would likely be available in the narratives of the annual report. It is well established in academic literature that besides the use of annual reports as a tool to communicate with stakeholders, management uses these reports to present their activities in the best possible light, adopting IM techniques (White and Hanson, 2002; Brennan *et al*., 2009; Merkl-Davies *et al*., 2011).

IMPRESSION MANAGEMENT

Goffman (1959) developed the concept of IM, arguing self-presentation was an important instrument for individuals to hold a place in the social order. In social psychology, IM is a study of how individuals present themselves to build a favourable image and reputation among the people around them (Hooghiemstra, 2003). Since organisations take the form of a 'legal person' IM has been applied extensively to organisations to analyse the extent to which they have reflected or constructed an image. IM construction entails either reflection or construction of an image. Reflection involves presenting an accurate view of the organisation but focuses on more favourable or positive outcomes and persuasive presentation (Higgins and Walker, 2012), whereas construction of image involves a more sinister inference, that organisations present an image that may not be accurate (Merkl-Davies *et al*., 2011).

The concepts of corporate reputation and corporate image play a central role in corporate communication (Hooghiemstra, 2003). Previous literature has emphasised the importance for firms of image and reputation in a competitive environment (Dowling, 1986; Schmitt *et al*., 1995; White and Hanson, 2002; Craig and Brennan, 2012). This image is mainly built on the financial soundness of the firm, although recent studies identify narratives in annual reports as a contributing factor (Merkl-Davies and Brennan, 2007; Brennan *et al*., 2009). A corporate annual report can be seen as a communication exercise that is carried by the images and words that are voluntarily included along with financial statements and other regulated reports (Davison, 2008; Hrasky, 2012; Merkl-Davies and Koller, 2012). The use of annual reports for these purposes is quite logical because they are among the most common formal form of corporate communication with external parties (Barned, 2009). Subsequent researchers, in studying individual behaviour, have adopted this work.

Many studies now focus on strategies used by management to promote a corporate image through annual report disclosures (Dowling, 1986; Gardner and Martinko, 1988; Rose and Thomsen, 2004; Provis, 2010; Tregidga *et al*., 2012a). These studies have focused primarily on use of IM in annual reports as an instrument of manipulation to mislead investors by presenting an inaccurate image of the firm for personal perverse incentives (White and Hanson, 2002; Aerts, 2005; Skaerbaek, 2005; Merkl-Davies and Brennan, 2007; Brennan *et al*. 2009; Merkl-Davies *et al*., 2011). Another focus of analyses is the importance of the role that narratives in the annual reports play in communication between management and stakeholders (Koonce and Mercer, 2005; Skaerbaek 2005; Brennan *et al*., 2009; Merkl-Davies *et al*., 2011). Merkl-Davies *et al*. (2011) argued that the narratives are a vehicle by means of which management forge relationships with stakeholders by providing an account of managerial decisions and actions.

It is well established that annual reports act as an information tool for stakeholders and that management uses these reports to present their firms in the best possible light (White and Hanson, 2002; Clatworthy and Jones, 2001; Aerts, 2001; Merkl-Davies and Brennan, 2007; Brennan *et al*., 2009; Higgins and Walker, 2012). This can involve constructing and maintaining a desired reputation and image through the use of IM techniques (Neu *et al.*, 1998; Hrasky, 2012).

IM theory thus has been applied to disclosures in annual reports to understand how management uses these reports to explain performance, and in particular to account for a change in performance. Therefore when analysing annual reports, it is necessary to assess the way in which management has explained changes in organisational performance as a result of negative outcomes and events or at times of controversy or crisis (Merkl-Davies and Brennan, 2007; Merkl-Davies and Koller, 2012; Keusch *et al.*, 2012). Merkl-Davies and Brennan (2007) reviewed and synthesized the literature on discretionary narrative disclosure, including previous works on opportunistic behaviour and engagement in IM, and identified seven IM techniques.

Syntactical Manipulation

The majority of prior studies relating to the analysis of IM used in disclosures in annual reports have focused on the language used to make the disclosures and the use of syntactical manipulation. Difficulty in reading is regarded as obfuscation (Merkl-Davies and Brennan, 2007), defined as "a narrative writing technique that obscures the intended message, or confuses, distracts or perplexes readers, leaving them bewildered or muddled" (Courtis 2004b). Previous studies have identified managers' use of language that is difficult to read to obscure negative performance (Baker and Kare, 1992; Kohut and Segars, 1992; Smith and Taffler, 1992; Courtis, 1995; 1998; Jones, 1997; Clatworthy and Jones, 2001). These studies have focused on the readability of the narratives and have compared this to the performance of the firm, where difficulty in readability about negative performance provides evidence of the use of IM. Research using an obfuscation hypothesis has provided mixed results. Courtis (2004b) found that the firm's financial performance and reading difficulty are inversely related, whereas Clatworthy and Jones (2001) and Rutherford (2003) did not find any such relationship. Merkl-Davies and Brennan (2007), on the other hand, found that organisational size was the determinant of reading difficulty, as larger organisations' annual reports were more difficult to read.

Rhetorical Manipulation

Rhetorical manipulation is the use of linguistic choices and rhetorical language to influence meaning, and hence foreshadow any negative performance (Brennan *et al*. 2009). The technique is also based on the obfuscation concept. Issues such as persuasion, arguments, verbal jousting, credibility, arguments and plausibility of the language can be identified (Brennan and Gray, 2000; Jameson, 2000). Rhetorical language has been used for concealing negative performance by using a passive tone hence it is primarily focused not on *what* is said, but *how* it has been said, to create desired impressions (Merkl-Davies and Brennan, 2007; Merkl-Davies and Koller, 2012).

The way the managers argue, debate or converse with the intention of pursuing the reader, is the focus of rhetoric technique (Merkl-Davies and Brennan, 2007). Managers may be more direct when performance is positive and less direct otherwise (Jameson, 2000). Thomas (1997) reviewed the linguistic choices adopted by the management of a tool manufacturer with decreasing profits over four years. He found that a decline in organisational performance was associated with an increase in rhetorical language. In this case, the use of rhetorical language underlined the motivations and priorities of the organisation (Brennan *et al*., 2009).

Attribution

Attribution is the process whereby an organisation explains the reasons for its performance. Studies on attribution (Aerts, 1994; 2001; Baginski *et al*., 2000; Hooghiemstra, 2000; Clatworthy and Jones, 2003; Baginski *et al.,* 2004; Aerts, 2005; Barton and Mercer, 2005) have found that management can attribute the responsibility of positive outcomes to organisational or internal factors, hence engaging in self-enhancement. Conversely, management can attribute negative outcomes to external factors, thus giving excuses for and explanations of bad performance. This is particularly apt at times of an externally-imposed or isolated crisis (Merkl-Davies and Koller, 2012; Keusch *et al*., 2012).

Internal factors influencing performance include better performance by staff and success in achieving planned goals and strategies, whereas external factors could include the state of the economy, industrial factors, and geographic factors. Studies of performance explanations by management in the narratives of annual reports in listed and unlisted companies found that positive performance was disclosed clearly through cause-effect statements whereas negative performance was disclosed using complex accounting terminology (Aerts, 1994; 2001; 2005). When an organisation has both positive and negative outcomes, the IM technique of attribution can be used to attribute positive outcomes to internal factors and negative outcomes to external factors (Hooghiemstra, 2000; Clatworthy and Jones, 2003).

Thematic Bias

Thematic technique involves management's presenting a disclosure in the best possible light by using positive and negative words or sentences, thus creating a bias in the information disclosed (Smith and Taffler, 1995; Lang and Lundholm, 2000). Researchers have analysed words and sentence frequencies to analyse the use of thematic manipulation (Brennan *et al*., 2009). Clatworthy and Jones (2006), in assessing the effect of organisational performance on disclosures in Board Chairs' statements, analysed quantitative data in the form of passive sentences, and financial performance and future-oriented sentences. Some studies have found that managers have a tendency to emphasise positive performance and marginalize negative outcomes regardless of their performance (Smith and Taffler, 2000; Rutherford, 2005). Lang and Lundholm (2000) used the terms "optimistic", "pessimistic" and "neutral" to analyse disclosures relating to public offerings of shares before and after the offering. They found that the tone of the disclosures was more optimistic prior to, and more neutral after the offering.

Selectivity

Selectivity entails management's choosing to disclose certain performance numbers that present the firm in the best possible light (Lougee and Marquardt, 2004), usually through choosing the earnings numbers (Brennan *et al*., 2009). Selectivity has been identified in prior studies, which have argued that the aim of management was to engage in selectivity in order to demonstrate more profitability than had actually been achieved (Johnson and Schwarz, 2005; Brennan *et al*., 2009). Other studies have focused on pro forma earnings numbers to demonstrate the way management have presented their earnings in the best possible light, thus engaging in IM (Lougee and Marquarat, 2004; Bowen *et al*., 2005; Johnson and Schwartz, 2005;). Guillamon-Saorin and Sousa (2010) studied the use of annual report press releases by companies in the UK and Spain. They found no support for the hypothesis that increased firm earnings were associated with greater use of voluntary press releases, but suggested that the voluntary nature and flexibility of such press releases gave managers the freedom to choose information and present it in the way that was most favourable, thus engaging in IM.

Visual Presentation

Visual images in annual reports can provide powerful images that assist management to promote the image of the organisation (Davison, 2008). Visual presentation techniques can be utilized either to highlight or marginalize information by adding visual emphasis. Examples of visual presentation techniques include the placement of information, the use of colour, presenting text in bold, the size of the font, the use of bullet points, the ordering of information and the use of graphs or photographs to create an image (Courtis, 1996; 2004a; So and Smith, 2002; Bowen *et al*., 2005; Elliot, 2006; Brennan *et al*., 2009; Hrasky, 2012). Courtis (2004a) however, in a study of the annual reports of 100 Hong Kong based firms, found no evidence of a difference in use of colour between positive and negative performance.

Performance Comparisons

The final IM technique identified by Merkl-Davies and Brennan (2007) is the use of performance comparisons. This is the process by which management chooses to present performance comparisons with certain benchmarks that once again portray the firm's performance in the best possible light (Cassar, 2001; Brennan *et al*., 2009). Lewellen *et al*. (1996), in the first study to focus on benchmarks, examined disclosures related to ordinary share price performance in proxy statements. They found that the benchmarks were biased downwards and therefore the performance comparison was overstated. Short and Palmer (2003), when investigating how CEOs interpret and monitor firm performance using internal and external referent points, found that performance indicators were more likely to be internal referents (past performance) rather than external (industry averages). They also found that external comparisons were more likely to be used by well-performing firms than by poorly performing ones. Schrand and Walther (2000), in their study of use of favourable prior-period performance benchmarks involving the sale of property, plant and equipment, found that organisations were also more likely to present the lowest prior period benchmarks in order to enhance current period performance. This technique has been studied primarily by using quantitative performance comparisons.

Therefore, to assess the communication of the impact of the GFC on organisations, this study used these seven techniques to analyse the narrative disclosures in the annual reports of ten Australian NGOs.

THE STUDY

Content analysis is widely accepted as appropriate for a study of "discretionary narrative disclosures" in a variety of contexts (Smith and Taffler, 2000, p. 625). This study was conducted using documentary analysis of archival data, specifically the content analysis of annual reports, which consist of discretionary narrative including reports of Board Chairs and CEOs. Research suggests that voluntary disclosures offer a strategic opportunity for management to present a favourable image (Boesso and Kumar, 2007; Bujaki and McConomy, 2012), thus being appropriate for a study on the use of IM.

When conducting content analysis, the decision about which documents to rely on is crucial, with many studies focusing on annual reports (Unerman, 2000). While it is acknowledged that annual reports represent only one dimension of communication with stakeholders, particularly in the era of websites, twitter, facebook and blogs, they have been chosen in this case because they present an historic, reliable, verifiable, formal mode of reporting which reflects attitudes and events at the time in which they were written, without the benefit of hindsight (Niemark, 1992).

The manner in which content analysis is conducted is important, to ensure it does not lack rigor or consistency in the application of terminology (Milne and Adler, 1999). When measuring disclosures, researchers have relied on a variety of assessments including the number of pages, sentences, words, or the percentage of total disclosure or of total pages (Unerman, 2000). We adopted a form-oriented approach (Krippendorf, 1980) initially, by recording the number of words referring to the GFC. This indicated the identified importance of the GFC's impact, and enabled a comparison across the three years of the study, and between organisations. Recognising that content analysis can be conducted with a meaning-oriented approach, i.e. by identifying general themes in the narrative (Krippendorf, 1980), and that inferences can be made about the presentation and significance of information (Smith and Taffler, 2000), we examined these disclosures for the use of specific IM techniques.

The sample for the study consists of the annual reports of 10 organisations for the 3 years of 2008, 2009 and 2010, the years in which it would be expected the GFC's impact would be most strongly experienced. As already highlighted, all the organisations were signatories and/or members of ACFID and subject to its Code of Conduct. The Code requires members to be accountable for the way their organisations are managed, to ensure that public trust is built and maintained, with the purpose of improving outcomes in international development activities (ACFID, 2010b). To comply with the Code of Conduct, audited financial reports must be accurate, conform to presentation guidelines, and be presented in a specified format (ACFID, 2010c). Overarching all this financial communication is the notion that transparency in reporting is "a key part of their [organisations'] accountability to all stakeholders" (ACFID, 2010b, p. 12).

Access to the organisations' annual reports was gained through a Memorandum of Understanding with ACFID, whose members and signatories make up a large portion of the Australian aid and development sector. Organisations whose reports are used are non-identifiable, with the organisations in the sample assigned a letter of the alphabet (see Table 1).

At the time of the study, ACFID had around 70 members, however this was not stable from year to year. Because we wanted to assess the change in financial performance from pre-GFC (2006 and 2007), through to post GFC (2010), we required a population of organisations that had been signatories, and therefore lodged their accounts with ACFID, for all five years, 2006 – 2010. This reduced the sampling size to 29 (ACFID, 2011). The remaining firms were cross-sectioned based on their total annual income in 2010, with Group 1 representing the smallest NGOs in terms of annual revenue, Groups 2 and 3 representing medium-sized NGOs, and Groups 4 and 5 representing the largest (see Table 1). The two median organisations in each of these five income groups were chosen, thus the final sample size is 10 organisations, providing a total of 50 financial statements over 5 years[v], and 30 annual reports whose narratives were analysed for reference to the GFC, from 2008 to 2010. The aim of the selection and division into groups based on income is to generate a sample size that represents a full cross-section of the sector. Comparisons were made between the larger and smaller firms to assess whether size had any impact on communication.

Table 1: Organisations included in the study

Income Group	Total Income in 2010	Organisations
1	<$500,000	A and B
2	$500,000>$1,000,000	C and D
3	$1,000,000>$5,000,000	E and F
4	$5,000,000>$10,000,000	G and H
5	>$10,000,000	I and J

We then analysed the narratives of the financial statements and annual reports in 2008, 2009 and 2010 where information about performance relating to the GFC would be disclosed. The analysis was conducted qualitatively, first identifying references to the GFC, and then interpreting them by using key concepts from IM theory. The analysis also takes a broader view and assesses the importance of transparent communication by organisations to their stakeholders relating to important events such as the GFC.

Key word searches[vi] and detailed reading of the reports were conducted specifically focusing on the narrative in the reports from Directors, Chairs and CEOs. Since these narratives are largely unregulated, they represent a potential tool for management to present a desired image when communicating with the stakeholders of the organisation (Merkl-Davies *et al*., 2011).

The following table summarises the seven techniques, and the way they were interpreted in studying the annual reports of the aid and development organisations:

Table 2: IM techniques and their application in this study

IM Technique	Explanation and guide for analysis
Syntactical	Confusing or difficult language is used that is challenging to read; lack of clarity about what is being communicated
Rhetorical	The text directs the reader away from the performance of the organisation; the language used emphasises the social and humanitarian motivations and objectives of the organisations
Attribution	Negative performance is attributed to the GFC and positive outcomes are attributed to internal factors such as the dedication of staff or management policies

Thematic	Pessimistic statements or future-oriented statements may not present the actual view of the impact of the crisis, thus biasing the reader about the impact of the GFC on the organisation or the severity of the GFC
Selectivity	Earnings numbers and other quantitative or qualitative disclosures such as specific income and expenditure figures are presented, however they do not represent the overall financial performance during the GFC
Visual Presentation	Information is placed in later parts of the report; a distracting image such as people living in poverty is placed with the disclosure; different colour is used to provide positive information; small font size is used when disclosing negative outcomes
Performance Comparisons	Favourable earnings figures over 2008-2010 are presented, compared with poorly performing industries; the impact on developing countries as performance benchmarks is used to present the organisation in the best light

Disclosures identified were analysed for evidence of the use of the seven IM techniques, as portrayed in Table 2. In addition they were compared with the financial performance from the organisation's financial statements to assess the extent to which the disclosures corresponded with the actual financial impact.

COMMUNICATING THE IMPACT OF THE GFC

The financial reports of all organisations in the sample provided evidence of some negative impact of the GFC, with most displaying a reduction in donations and fundraising and/or investment income in 2008, 2009 and in some cases, 2010. The Appendix identifies the income of all 10 organisations over the period 2006-2010 and provides a snapshot of expenditure, surpluses and reserves over the period. The smallest organisations were impacted the most, with the biggest reported decline in income. The least impacted organisations were the middle-sized organisations in Group 3, both of which appeared to be almost completely unaffected by the GFC. The narrative disclosures about the impact of the GFC made by each organisation were compared with financial performance to assess the extent to which the disclosures correspond with what actually occurred and whether the organisations used IM techniques.

Group 1

The 2 organisations in Group 1 were most severely impacted by the GFC, evidencing the greatest decline in income. These it could be expected to have the highest level of disclosure in the narrative, however this was not the case for either organisation. Org A disclosed a significant level of explanatory information while Org B's communication of the impact was limited.

Organisation A disclosed an aggregate of 851 words of information over the 3 years, 2008, 2009 and 2010. It presented this information in the Chair and CEO reports, using headings and specific subheadings: "*Our environment*", "*The economic backdrop*", "*Looking for the future*" and "*After the crisis.*" The information was easy to find and the language used was easy to read and straightforward, with little evidence of syntactical or visual presentation techniques, despite Organisation A's being negatively impacted by the GFC. This finding is similar to that of Courtis

(2004a), who found no evidence of the use of visual presentation technique between firms that were profitable and firms that recorded losses. Org A identified the impact of the GFC on donations and fundraising income and also informed its stakeholders about the commencement of government and private grants that offset the impact on income and allowed the organisation to recover in 2010.

> *"This economic background did affect our donation income during the year, …was largely offset by increased support from government and corporate sponsors."* (Org A, 2010, Year in review)

However this was all the information disclosed about the financial impact of the GFC. Org A used rhetorical language and performance comparisons in the 3 years of disclosures.

> "*…we remain privileged in comparison to most others."* (Org A, 2008, Year in review)

> *"…the need for our work remains as relevant and necessary today as it has ever done."* (Org A, 2008, Year in review)

> "*Our relative good fortune through the global financial crisis contrasts sharply with that of the nearly 1 billion people in the Asia Pacific...*" (Org A, 2010, Year in review)

This language was presented to give report users a sense that, despite the impact of the GFC on the revenue of the organisation, it was not severely affected, with the impact of far less importance than that on the people that they help.

The use of these techniques takes the attention away from the impact on the organisation to draw attention to their goals and mission and the people who need their help. This is an important issue for NGOs, and could potentially create confusion and uncertainty about the actual impact on the organisation.

The annual reports of Org B, in contrast, contained a brief discussion of the impact of the GFC only in 2009, with a mere 58 words. In these words, the organisation engaged in thematic IM technique, and failed clearly to identify the impact of the GFC.

> "*We have re-shaped* [organisation name] *to improve our effectiveness, and in doing so, have met the challenges of the Global Financial Crisis*." (Org B, 2009, Message from the CEO)

Org B stated that it reorganized operations to improve effectiveness and in the process combated the effects of the GFC. It thus provided a positive account of its response to the GFC and as a result, could have biased readers.

This statement, however, was not supported by the financial performance of the organisation. While the surplus increased significantly in 2009 in comparison with 2008, income from donations and fundraising declined and no investment income was received that year. Org B failed to disclose that the only reason for an improved surplus in 2009 was due to a significant reduction in expenditure. Furthermore, the surplus decreased significantly in 2010 due to an increase in program expenditure in that year. Again, Org B failed to disclose this change in expenditure and how it actually met the challenges of the GFC. Therefore the disclosure by Org B was limited and lacked clarity and transparency in its presentation of the actual financial impact and in providing details of its response.

Group 2

The two organisations in Group 2 disclosed the least amount of narrative information about the impact of the GFC of any of the organisations across the five groups. This was despite the fact that the financial statements of both organisations provided evidence of the impact of the GFC. Org C had a significant decline in income in 2008, especially in its income from donations and fundraising, while Org D suffered a small deficit in 2008 and large deficits in 2009 and 2010. Org C failed to disclose any information related to the effects of the GFC while Org D disclosed a mere 78 words over two years, 2008 and 2009. However, the information disclosed was not informative regarding the impact of the GFC.

Due to a decrease in expenditure, Org C did manage to report a surplus in both 2008 and 2009 despite the negative impact on its revenue. The organisation had the opportunity to disclose information about how it managed its expenditure through the GFC. However the failure to do this represents an opportunity missed by its management.

Org D's limited disclosures about the impact of the GFC provide evidence of the use of IM techniques. It is suggested that the organisation engaged in the techniques of thematic bias and attribution evident in this disclosure. Despite the impact of the crisis being felt by Org D in 2008, 2009 and 2010, it marginalised the impact of the crisis in its narratives. While the management admitted to the significant impact of the crisis, they used a negative thematic technique to suggest that financial performance and external events are common, multiple and a regular occurrence and that the GFC was merely one of many negative occurrences.

> "*The global financial crisis has impacted significantly, but so too have natural disasters, war and conflict in many parts of the world*." (Org D, 2010, From the CEO)

This negative theme gives the sense that declining or negative financial performance is to be routinely expected. This also signals the use of the IM technique of attribution where the organisation's continued deficits were attributed to the external environment or events that occurred in the current period, such as the GFC.

Hooghiemstra (2000), in a study of firms from US and Japan, found that organisations always attribute negative outcomes to external factors regardless of performance. This is reflected in the reports of Org D, which attributed its negative outcomes to multiple external circumstances. Therefore, both organisations in this group failed to disclose much needed information relating to the impact of the GFC, despite its impact being evident in the financial reports.

Group 3

In contrast to the other groups, the organisations in Group 3 were financially the least impacted by the GFC. This provided an opportunity for the organisations to disclose how they remained unaffected and what decisions management took to ensure a limited impact. They also had the opportunity to enhance their image and reputation by informing stakeholders of their ability to protect their funds and utilize it appropriately regardless of the economic environment. Both organisations took up this opportunity to report how well they had performed. In doing so, they were selective about the performance numbers that they disclosed, compared performance to the previous year, used thematic bias to enhance their performance and engaged in attribution.

Org E disclosed 350 words relating to the GFC in 2008 and 2009 while Org F disclosed 250 words over the same two years. The selectivity of performance numbers was in the form of revenue and surplus amounts and percentages that were compared with those from the previous year. Org F provided details of the increase in its total assets from the previous year. Org F also failed to disclose narrative information about the decreased surplus in 2009 and the deficit in 2010. It therefore missed the opportunity to clarify how it remained unaffected by the GFC and still had a lower surplus from previous years in 2009 and a deficit in 2010.

Both organisations also engaged in attribution by giving all the credit for the success of the organisations to their internal efforts, specifically of staff members. The narratives of both organisations also provided evidence of thematic bias to paint a picture of the GFC as a crisis that was severe and had a significant impact on the sector.

> *"… particularly in the climate of poverty and global financial crisis where so many people are genuinely struggling to live what we would call a 'meaningful' life."* (Org E, 2008, Program)

> *"A challenging economic environment to mobilise resources is how 2008 will be remembered."* (Org F, 2008, Resources)

Thus organisations E and F both presented an image of a hostile financial operating environment, but of their triumph through those challenging times. This gave readers the sense that the GFC did have a significant impact on the sector, thus potentially enhancing the magnitude of the financial performance of both the organisations. Therefore both organisations fully utilized the opportunity to present an unharmed image through the crisis. However, in doing so, they engaged in multiple IM techniques that could have misled their stakeholders regarding the severity of the impact of the GFC on the rest of the Australian aid and development sector.

Group 4

The organisations in Group 4 were negatively impacted by the GFC, with both experiencing a decrease in income in 2008. Both organisations disclosed the impact of the GFC with similar information that included admitting to the negative impact but using the IM technique of performance comparison to marginalize its impact on their organisations. Org G disclosed 740 words over 2008 and 2009, whereas Org H disclosed only 150 words in 2010.

The acknowledgment of the impact of the crisis was in the form of discussing the impact on the sector, rather than providing specific information about the organisation. Both organisations used developing countries as the performance benchmark to highlight positive performance, thus engaging in performance comparison technique (Lewellen *et al*., 1996; Schrand and Walther, 2000; Cassar, 2001; Short and Palmer, 2003). The organisations disclosed information about how significantly people in developing countries had been affected by the crisis and how fortunate Australia was in comparison, in experiencing a smaller GFC impact.

> "*…the global financial crisis is very much affecting the funds provided for development assistance … Australia is one of only a handful of countries that have continued their international assistance at the same level."* (Org G, 2010, Chairperson's Report)

This was in contrast to Group 3, where Org E and F presented the impact of the GFC as severe and significant. This provided evidence of the way organisations in the same sector use IM techniques to present information differently to promote their desired image. Smith and Taffler (2000) and Rutherford (2005) found evidence of firms enhancing positive outcomes regardless of performance, indicating that organisations with both positive and negative performances have engaged in this technique.

The remainder of the disclosures from both organisations focused on discussing the impact on the developing countries in which they operated and using performance comparison with Australia and Australian organisations to present the impact of the GFC as less significant. The use of performance comparison technique can create misunderstanding of the actual impact of the crisis on an organisation. There was inconsistency between the financial performance and the narrative disclosures of both organisations. Stakeholders could have got a sense that the impact of the GFC on Australia was very limited compared with other countries. This implies that the GFC was not such a significant event, and as a result there was limited to no impact on the organisations. However the financial performance of both organisations shows that the impact *was* felt by organisations in Australia.

Group 5

Both organisations in Group 5 reported a decline in income over the period. For Org I, this was in 2010 and for Org J this occurred in 2009. However it was also the decrease in the rate of growth in income that provided an impact. The two organisations provided very contrasting disclosures about the crisis. Org I provided transparent disclosure about the impact of the GFC. Of the 10 organisations' reports examined in this study, Org I provided the most disclosure on the impact of the GFC, with 868 words over 2008, 2009 and 2010. In contrast, Org J only provided 150 words of disclosure in 2009. Org I provided disclosure of aspects of performance that were negatively impacted from the crisis and the management response to those impacts.

> *"Expenses in Australian dollars rose by over 30% and donation income was down around 15%."* (Org I, 2009, Chair's Report)

Org I reported a limited impact of the GFC in 2008 and 2009. The organisation did not attribute the better than anticipated performance to internal factors.

> *"This was achieved on the basis of stronger than projected income and the favourable Australian dollar exchange rates that prevailed through most of the year."* (Org I, 2010, Team Director's Report)

This was also in contrast to the organisations in Group 3 that attributed their positive financial performance to internal factors. Org J's disclosure was more focused on attributing performance of the organisation to the generosity of the Australian public. It failed to clarify the reason for its deficit in 2009 or any other aspects of the impact of the crisis. Org J also engaged in performance comparison technique by comparing donation levels with the previous year, and reinforcing that they were consistent.

This disclosure however was not accurate, as revenue from donations decreased in 2009 from 2008. The organisation also failed to disclose the impact of the GFC on the halting of its income from donations each year.

> *"Despite the worldwide financial crisis, donations remained at last year's level for the year ending 30th June 2009."* (Org J, 2009, Making a difference)

> *"…income has remained significantly constant."* (Org J, 2009, Executive Report)

Furthermore it attributed the results to the Australian public, thus marginalizing the impact of the crisis on the organisation. This form of attribution does not fall under the traditional definition of attribution of assigning positive outcomes to internal factors however it does fall under the criteria of management using attribution for self-serving behaviour (Merkl-Davies and Brennan, 2007).

> *"I've come to appreciate even more, the overwhelming generosity of the Australian people."* (Org J, 2009, Executive Report)
>
> *"…our Australian donors have continued to recognise the needs of those living in poverty and distress."* (Org J, 2009, Executive Report)
>
> *"I would like to take the opportunity to sincerely thank our Australian donors for their ongoing efforts in helping to relieve poverty throughout the world."* (Org J, 2009, Executive Report)

These reports could have given the readers of Org J's reports the impression that the revenue of the organisation was unaffected by the GFC due to continued support from the Australian public. It demonstrates the use of thematic bias, whereby Org J provided a positive image of its performance that did not correspond with the financial analysis.

Discussion

It is evident from the narrative analysis that there was limited communication by the organisations in their annual reports about an event that caused an impact on them all. The largest organisation in the sample (Org J) provided very limited disclosure and the smallest organisation (Org A) provided the second largest volume of disclosure. Org C failed to provide any disclosure of the impact despite their financial statements revealing evidence of a negative impact. In each group, one organisation provided the majority of the disclosures except for group 3, where both organisations provided comparable amount of disclosure. The analysis found evidence of the use of IM techniques by all organisations except Org I, as summarised in Table 3.

Table 3: Impression Management techniques used by organisations

Group	**1**		**2**		**3**		**4**		**5**		
Organisation	A	B	C	D	E	F	G	H	I	J	
Total words (2008-2010)	851	58	0	78	350	250	740	150	868	150	
IM Technique											
Syntactical	-	-	-	-	-	-	-	-	-	-	0
Rhetorical	✓		-	-	-	-	-	-	-	-	1
Attribution	-	-	-	✓	✓	✓	-	-	-	-	3
Thematic	-	✓	-	✓	✓	✓	✓	✓	-	✓	7
Selectivity			-	-	✓	✓	-	-	-	-	2
Visual Presentation	-	-	-	-	-	-	-	-	-	-	0
Performance Comparison	✓	-	-	-	✓	✓	✓	✓	-	-	5
Total IM Techniques used	2	1	0	2	4	4	2	2	0	1	18

There was no evidence of the use of syntactical techniques and little evidence of rhetoric being used, as the information presented was easy to read and understand from a common sense viewpoint. Thus there appeared to be no obfuscation in the narratives. Previous studies of syntactical manipulation also found no evidence of this technique, with Courtis (1995), Baker and Kare (1992), Smith and Taffler (1992), Clatworthy and Jones (2001) and Rutherford (2003) finding no link between an organisation's performance and the use of syntactical manipulation. There was also no evidence of visual presentation technique as the information disclosed was easy to find and was generally located in the CEO's or Chair's reports, in the early parts of the annual report. There was no evidence of attempts to emphasise positive outcomes or marginalize negative performance. This is contrary to previous studies on for-profit firms, where Bowen *et al.* (2005) asserted that firms visually directed the reader to emphasise positive outcomes.

The most commonly occurring IM technique identified was the use of thematic bias. This was used differently by organisations in Groups 3 and 4. Orgs E and F in Group 3 used it to present the GFC as a significant event and contrast their performance with it, whereas Orgs G and H in Group 4 disclosed the impact of the GFC as insignificant. This detracted from the communication about the way the organisations performed as well as the severity of the GFC. It may have contributed to a lack of clarity, thus jeopardizing stakeholders' understanding of the actual impact.

The other contributing factor in the lack of clarity in communication was use of the IM technique of performance comparisons. Organisations made performance comparisons relating to the impact of the GFC between people living in poverty and the countries most severely impacted by the GFC. Although bringing the focus of the impact of the GFC to developing countries was a key issue for aid organisations, this form of communication could have caused stakeholders confusion in making an assessment of the impact on the organisation itself. There was also some evidence of the use of attribution and selectivity. Particularly in the case of Group 3, organisations attributed negative performance to the GFC and positive performance to internal factors, while selectively presenting favourably comparative income and surplus figures.

CONCLUSIONS

It can be concluded from this analysis that the organisations studied failed to communicate the impact of the GFC as transparently as they could have, foregoing what could have been an opportunity to tell their own stories about the GFC's impact and thereby communicate meaningfully with their stakeholders (Ryan and Irvine, 2012). Instead, some engaged in the use of IM techniques that further reduced the transparency of their GFC-related narratives. Whether this was the result of a conscious effort, or an unintentional bias (Keusch *et al.*, 2012), this is of concern, and indicates that narrative disclosures may need to be more closely monitored by boards as part of an overall communication approach.

The sample organisations thus missed an opportunity to present the impact of the GFC and management responses to it, and in consequence, they missed an opportunity to strengthen communication and bonds with their stakeholders, not achieving the ideal of transparent communication (IIRC, 2012). A similar concern relating to the transparency of communication was presented by Barned (2009), however he was more focused on the transparency of financial reporting by NFP organisations rather than narrative disclosures.

This study has two obvious limitations, one inherent in any qualitative research design and the other relating to the small sample size and to the restriction of the study to a consideration of annual reports. There is inevitably some subjectivity in analysing the narratives in annual reports. This is an issue common with using content analysis to analyse texts, particularly when adopting a theoretical lens such as IM. While the selection of only 10 organisations, and an examination of only their annual reports, provides an opportunity for in-depth analysis, it nevertheless provides a limited snapshot of Australian NGOs and the way they communicated the crisis of the GFC to their stakeholders.

These limitations however, do suggest opportunities for future research. A larger study could be undertaken to extend the results of this study to more Australian NGOs and to other sub-sectors of the NFP sector, such as social service providers or NFP employment agencies, with the aim of making organisations aware of the potential of annual report narratives to communicate meaningfully with stakeholders. An examination of other means of communication, including social media and websites, and of the broader theoretical implications of organisational communication, would enrich our understanding of the role of the media in demonstrating accountability and crafting an image (Tregida *et al*., 2012b).

This study contributes to the literature by analysing *qualitatively* and in-depth how NFPs use their annual reports to communicate the impact of a crisis from the perspective of IM theory (Tregida *et al*., 2012b; Keusch *et al*., 2012). In doing so, it provides practical guidance for NFP organisations about the importance of transparency of communication by identifying communication techniques used that may not be helpful and by identifying areas that need to be addressed to improve communication.

Australia's NFP organisations play an important role in improving the nation's social wellbeing, and NGOs demonstrate the nation's commitment to global development goals. However, as revealed in this study, and particularly with an increasing emphasis on narrative reporting, there is a need to improve the quality of communication between NFP organisations and stakeholders especially during times of economic difficulties or other crises. It is necessary for these organisations to communicate their financial policies and performance with full transparency in order to build trust and partnership with stakeholders and society, all of whom are pivotal to the survival of the sector and to the continuing fulfillment of their mission. This raises the matter of the need to educate stakeholders on the issues that NFPs face in discharging their mission.

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Appendix

To analyse the financial performance of the 10 organisations, the income of each organisation was analysed over a five-year period, from 2006 to 2010. This time frame enabled comparison of the pre-GFC operating period in 2006 and 2007, operations during the economic downturn of 2008 and 2009, and the return to post-GFC conditions in 2010. This information was gathered from the Financial Statements, all of which were prepared according to the ACFID Code of Conduct, which specifies the presentation of the statements including the individual line items required. The results are presented in the form of figures (A-1 to A-5 below) that show the income trends for each organisation rather than specific figures, due to the requirements of the Memorandum of Understanding with ACFID, that organisations should not be identifiable.

Group 1

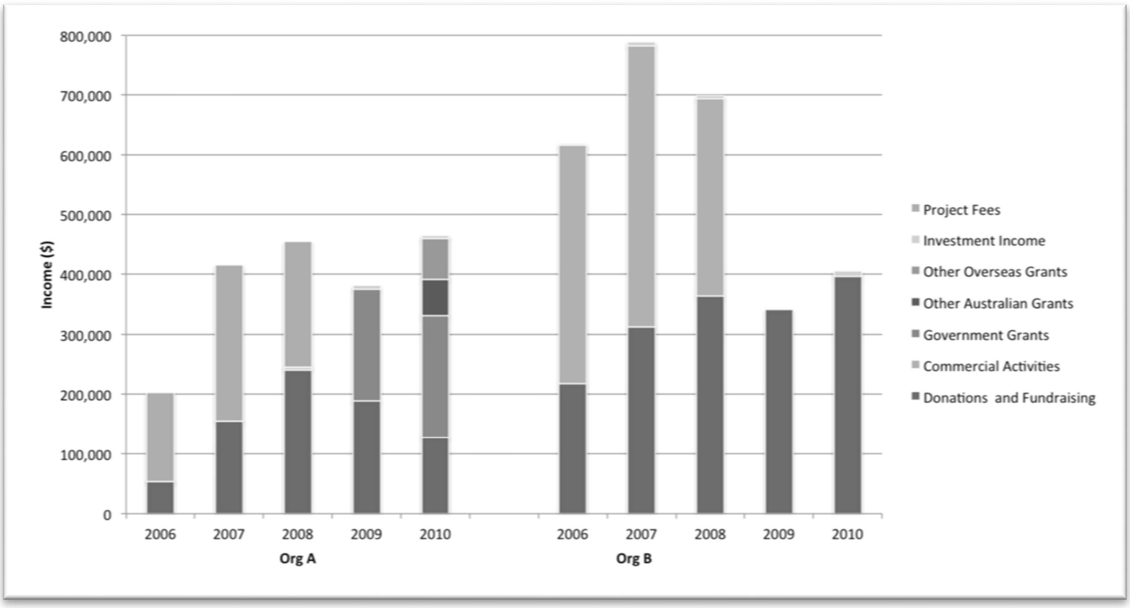

Figure A.1. Income sources of Group 1 organisations over 5 years

Organisation A is the Australian arm of a global network that works across over 60 countries to provide development activities, microfinance and literacy. It cut its overseas program expenditure in 2009, a year in which its rising surplus and reserves dropped substantially, but cash held rose substantially. In 2010, A increased its overseas program expenditure, and also reported a substantial loss and a marked decrease in both cash and reserves.

Organisation B spearheads development projects in a variety of developing countries, and offers opportunities for volunteers to work in those projects. Its overseas program expenditure dropped slightly in 2008, more dramatically in 2009, and increased again in 2010. It moved from a deficit situation in 2006 to establish and maintain a surplus from 2007 to 2010, during which time its cash holdings rose. It established reserves in 2009 and increased them in 2010.

Group 2

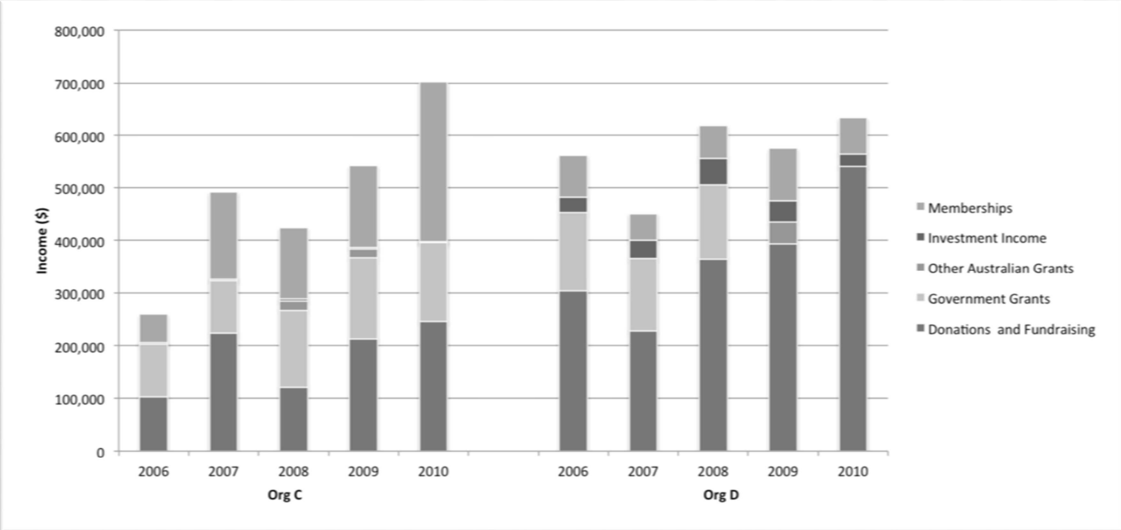

Figure A.2. Income sources of Group 2 organisations over 5 years

Organisation C provides both aid and development activities, including education, acknowledging the local context of its poverty alleviation work. It maintained overseas program expenditure over the five year period, and remained in surplus for each of those years, with limited but rising cash reserves.

Organisation D partners with communities in long term development projects in Australia and the Asia Pacific, delivering education, welfare and health care. Its overseas program expenditure dropped in 2007 but rose dramatically the following year, remaining in deficit territory over the 5 year period, but with a dramatic increase in that deficit in 2009 and 2010. Its cash holdings also increased in this period, and it established substantial reserves in 2009 and 2010.

Group 3

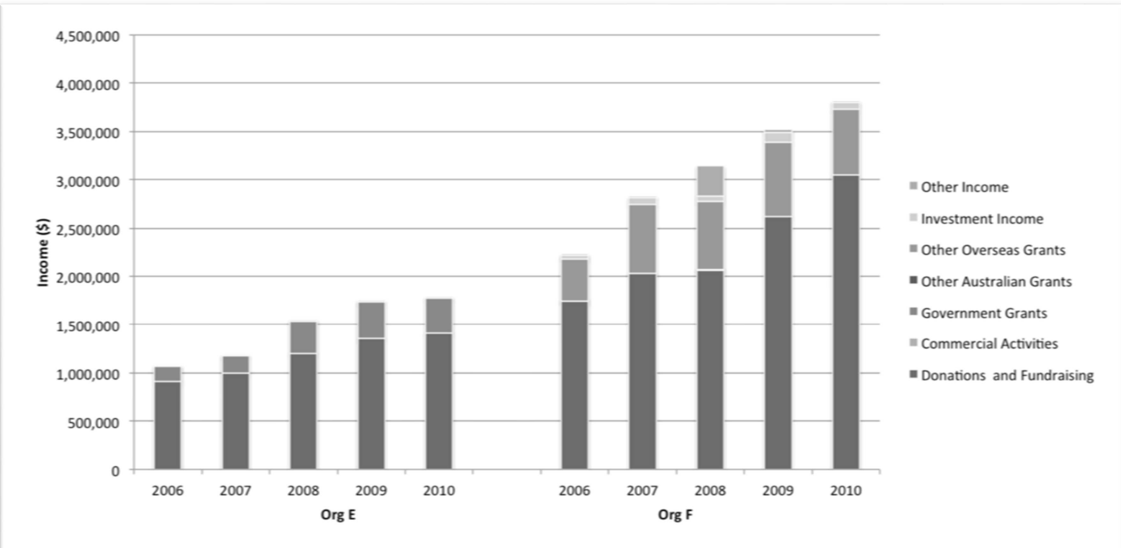

Figure A.3. Income sources of Group 3 organisations over 5 years

Organisation E is a Christian organisation, part of a global network that works towards the alleviation of poverty through community development. It steadily increased expenditure on overseas programs in line with increases in its total income, and over the five year period, moved from a small deficit in 2006 to a modest surplus in the following four years. Cash holdings rose steadily over these years, as did reported reserves.

Organisation F works across Asian countries, and in Australia, to address poverty issues, including the provision of housing and education. Overseas program expenditure fell from 2007 to 2009, rising again in 2010. F's surplus grew from 2007 to 2008, dropping dramatically in 2009 and moving to a deficit in 2010. Cash holdings, which dropped to 2008, rose in 2009 and again in 2010.

Group 4

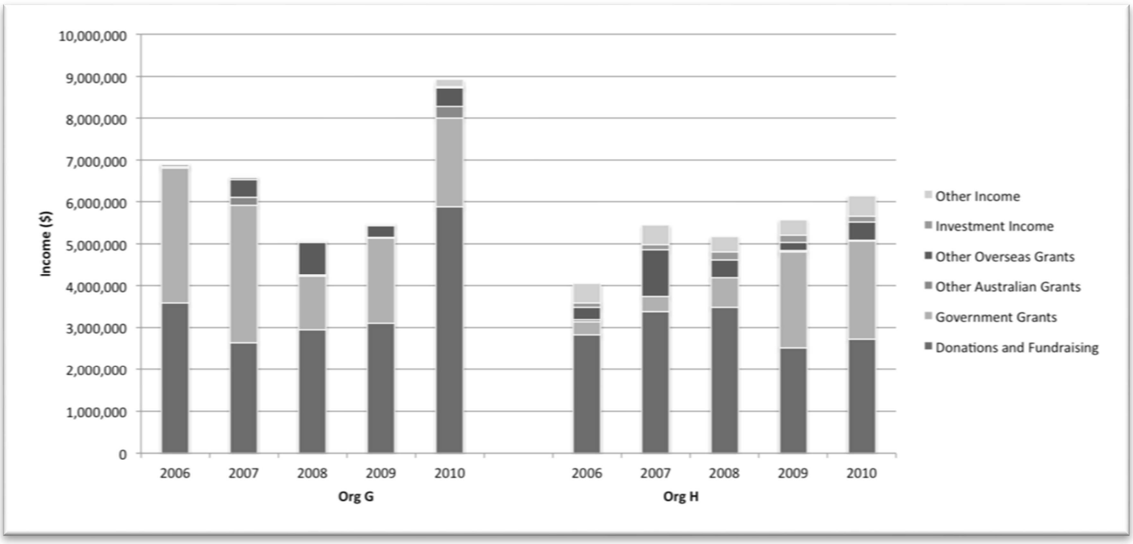

Figure A.4. Income sources of Group 4 organisations over 5 years

Organisation G works with partners overseas to implement aid and development programs including livelihoods, water, social inclusion, and health. Its overseas program expenditure dropped in 2007 and again in 2009, but rose substantially in 2010. G dipped into a deficit in 2008, pulling back to a surplus situation the following two years, but still not reaching its 2007 situation. Its cash holdings, that dropped in 2008, built steadily the following two years, as did its funds set aside for future use.

Organisation H is the humanitarian aid agency of an Australian group that is committed to justice, solidarity and self-reliance in its development work. Its overseas program expenditure was maintained through 2007 – 2009 and rose in 2010, however in this year it moved from its previous surplus situation to report a substantial deficit for the only time in the 5 year period. Its cash holdings that grew until 2009 dropped back the following year, as did its retained earnings and funds itemised for future use.

Group 5

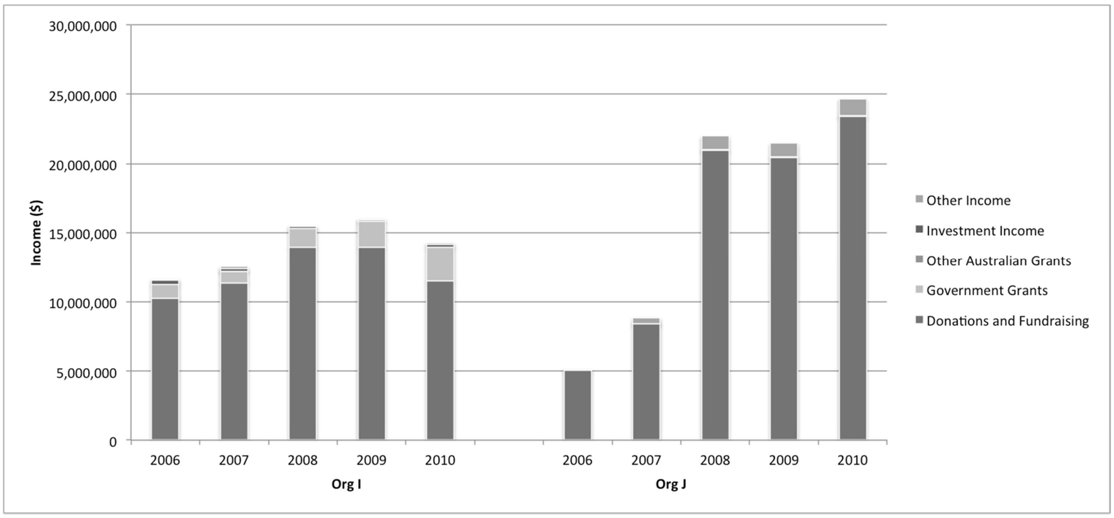

Figure A.5. Income sources of Group 5 organisations over 5 years

Organisation I, a Christian organisation, works in partnership with churches, community organisations and development agencies to address the needs of the poor. Expenditure on overseas programs dropped slightly in 2009 and 2010, but over the five year period, I moved from a deficit situation in 2006 and 2007 to achieve surpluses the following three years, and at the same time, to increase its cash holdings and retained earnings.

Organisation J works with overseas partner organizations to carry out humanitarian projects and provide poverty relief. Its expenditure on overseas programs rose dramatically in 2008 and increased again the following two years. It maintained a surplus over the five year period, although this decreased in 2009. Cash holdings increased or were maintained over the period, and reserves were steadily built.

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[i] There is no single, crisp definition of an NGO. In this context an NGO is a non-governmental organisation, operating as part of the wider Australian NFP sector, to deliver aid and development internationally.

[ii] Development NGOs exist primarily for the purpose of “improving the standard of living of people in developing countries” (ACFID, 2010a).

[iii] A Canadian survey in 2010 found that demand for the services of NFPs had increased there, but was accompanied by stagnant revenues and expenditures that threatened to overwhelm those revenues (Imagine Canada, 2010).

[iv] A 2012 US study identified that the NFP sector there was still struggling to meet the demands of the public in the “aftermath of the 2007 – 2009 economic recession” (Salamon *et al*., 2012, p. 1).

[v] A brief summary of this analysis is included in the Appendix.

[vi] *Keywords used*: crisis; down-turn; economy; economic crisis; recession; GFC; global crisis; financial crisis; external events; economic fluctuation; economic hardship; global challenges; economic environment. These were supplemented with detailed reading of the entire Annual Reports for each of the 10 organisations.