

HOW DOES DIVERSITY IMPACT ACCOUNTABILITY IN THE NGO SECTOR?

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ABSTRACT:

Defining the sector comprising nongovernmental organizations (NGOs) is difficult, due to the diversity of organizations within it, funding and operating alongside it. Yet, despite the sector's heterogeneous nature, regulators, funders and donors often treat NGOs as homogeneous when demanding accountability. Does this lead to an accountability expectation gap if there are misunderstandings as to NGO's main stakeholders, 'for what' it is accountable and which mechanisms it may best use to discharge accountability?

This paper utilizes a six-cluster NGO categorisation based on revenue streams to encourage a more informed discussion of accountability schemas for these organizations. The literature review found case studies covering: advocacy NGOs, classic charities, infrastructure providers, member-based NGOs, philanthropists and service providers. While this research suggests that accountability across NGO clusters diverges, an objective of this research was to 'test' the generalisability of the case studies' findings to the six NGO clusters. This research therefore seeks to inform our understanding of accountability within these clusters.

Keywords:

NGO taxonomy; NGO accounting; infrastructure NGOs; philanthropists, social services, charities

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1. INTRODUCTION

NGOs are increasingly depended upon to respond to societies' needs as, compared to governments, they are more likely to involve local communities, be responsive to local needs and, when contracting to deliver services, they may also be cost-effective (Edwards & Hulme, 1996). Yet, NGOs are not merely service providers, as their activities and beneficiaries are diverse: the sector includes advocacy movements, grass-roots sports organizations, environmental charities and professional bodies. To enable them to meet their goals and beneficiaries' needs, these organizations raise funds from private donors as well as businesses, service recipients and governments.

Nevertheless, information asymmetry means NGOs' staff potentially act opportunistically with governments' and donors' funds (Desai & Yetman, 2005). Further, examples abound of NGOs not achieving their goals (Lehman, 2007; for example, Loft, Humphrey, & Turley, 2006), or being diverted from their mission (for example, Koppell, 2005). Due to allegations of fraud and mismanagement, in recent years the accountability of civil society and the NGOs within it has been called into question, reducing the legitimacy of these organizations (O'Dwyer & Unerman, 2007).

O'Dwyer and Unerman (2008, p. 814) suggest that stakeholders seek "bang for their buck". Accordingly, they may seek to ascertain the economy with which NGOs can deliver goods and services (for example, who or what does a NGO spend its funds on) (for example, Charity Commission, 2005), to discern NGOs' efficiency (for instance, the ratio of fundraising income to fundraising costs) (for example, Charity Commission, 2005), or to analyse NGOs' effectiveness in making a positive difference to their local and global environments. Therefore the existence of multiple stakeholders brings divergent expectations of the ways NGOs will carry out their mission/s and the mechanisms through which they should discharge accountability (Ebrahim, 2003a). For example, an advocacy NGO may be called to account for the impact of its advocacy activities (Unerman & O'Dwyer, 2006a), or a development NGO for its engagement and impact on local communities (Dixon, Ritchie, & Siwale, 2006; Goddard & Assad, 2006).

NGOs' diverse funding suggests differentiated schemas are required if NGOs are to 'account' appropriately according to the stakeholders who are their main resource providers, but there is a paucity of literature defining how these NGOs differ and how different resource providers might drive NGO accountability. Defining and describing similarities and differences in accountability are important if NGOs and their stakeholders are to understand the variations between different sub-sectors and therefore intelligently assess the "bang for their buck". It should also be useful for regulators who seek to increase NGOs' accountability. Further, from an academic standpoint, a better understanding of NGO attributes will enable more informed discussion of accountability schemas. Vakil (1997) suggested that the lack of a suitable theoretical and empirical schema hinders the understanding of the function and development of NGOs. We argue it also impedes the development of accountability theory, especially in those sub-sectors that have hitherto escaped analysis.

Arguments exist that differently-funded NGOs have different accountabilities (Brown & Moore, 2001; Ebrahim, 2003a). Accordingly, this research synthesises case studies to

develop a schema for accountability for different sub-sectors. It then ‘tests’ this schema across six NGO clusters chosen for the different funding and aims of those NGOs. In so doing, this paper focuses on the main stakeholders of the six distinctly different organizational clusters which present specific accountability contexts. The study contributes to the literature by analyzing organizational accountability in NGOs using a theoretically and empirically derived taxonomy based on revenue streams. As prior literature has been normative (for example, Ebrahim, 2003a; Najam, 1996; Roberts, 1991) or case studies (for example, Awio, Northcott, & Lawrence, 2011; Brown & Moore, 2001; Cordery, Baskerville, & Porter, 2010; Kreander, McPhail, & Molyneaux, 2004; O’Dwyer & Unerman, 2008), this research also provides an opportunity to assess the conceptual nuances of accountability across different subsectors.

The paper proceeds as follows: first relevant literature is reviewed to define both the term NGO and NGO accountability as used in this research. Next, the method is described and a summary of the accountability expectations and experiences in different NGOs is presented. A discussion and conclusion also highlights opportunities for future research.

2. RELEVANT LITERATURE

2.1. DEFINING NGOS

Unerman and O’Dwyer (2006b) note that a key issue in the NGO sector is defining what NGOs are (or are not). Traditionally defined as being neither public sector nor commercial organizations, not only are NGOs increasingly moving into areas that were previously the preserve of governments and/or the private for-profit sector, but the boundaries between these organizations are blurring. Hence, definitions can be contested and fuzzy. Accordingly, Unerman and O’Dwyer (2006b) argue that neither the *de facto* approach (an organization is an NGO because it is not government nor is it a business) nor the *de jure* approach (only legally incorporated nonprofit organizations are NGOs) is satisfactory. Instead, they argue that NGOs should be identified by the activities they undertake and that such an analysis would also assist in deriving the type of accountability that would be expected.¹

In respect of activity, the international statistical classification undertaken as part of the Johns Hopkins nonprofit studies classifies NGOs by differences. Although these activity classifications are widely utilized by regulators and national statisticians (Salamon & Anheier, 1992);² there has been no research into accountability differences between these activities. Indeed, researchers tend to dichotomise NGO activity, or to focus on one sector alone. Examples of dichotomies include Unerman and O’Dwyer’s (2006b) suggestion that NGOs are involved in two general activities (welfare provision and advocacy), while Dawson (1998) focuses on the World Bank’s geographical/activity definition of ‘Southern’ NGOs (undertaking service delivery in developing countries) and ‘Northern’ NGOs (undertaking advocacy in the developed world).

¹ Within these activities, the Johns Hopkins definition is useful: that is, an NGO has a formal constitution, is self-governing and separate from government, non-profit distributing and voluntary to some meaningful extent (Salamon & Anheier, 1992).

² The 12 activities identified are: culture, sports and recreation; education and research; health; social services; environment; development and housing; law, advocacy and politics; grant-making, fundraising and volunteerism promotion; international; religion; business and professional associations, unions; and ‘not elsewhere classified’.

Alternatively, organisational theorists have analysed NGO structures rather than activities. For example, Hansmann (1986) dichotomises NGOs as either being controlled by members (as mutuals) or managed independently. Anheier and Themudo (2002) agreed and extended this structural analysis to NGO accountability, arguing that member-based organizations have greater spaces for democratic holding to account, whereas supporter-based organizations are less likely to encourage direct voice because there are no owners. In their analysis of the place of NGOs in a globalised society, Teegen et al. (2004) contrast member-based NGOs to social-purpose NGOs (activity-based groups such as environmental and human rights organizations), which suggests that NGOs that do not depend on members may receive revenue from donors, governments and other streams and, by inference, the stakeholders to whom they are accountable will broaden. In respect of revenue, Hansmann (1986) argued that NGOs would either receive funds from donations (and therefore be ‘donative’) or from goods and services (and therefore be ‘commercial’).

Accordingly, these authors offer a range of options for conceptualising NGOs according to their: sectoral/activity differences, the existence of either member owners or independent managers, or by their funding sources. NGOs are likely to have a diverse mix of beneficiaries, members, donors and other resource providers; although these charities, GROs, and other NGOs share some similar characteristics, that is: they are nonprofit distributing, voluntary, and addressing and supporting the public good. Nevertheless, the extent to which these various stakeholders can assess organisational accountability if and when it differs by sub-sector may depend on how that sub-sector is described. Alternatively, it may be that organisations in different subsectors conceptualise accountability differently. The next section provides a brief overview of organisational accountability before analysing how this has been discussed in different sub-sectors.

2.2. NGO ACCOUNTABILITY

Recent special issues and articles have begun to address the previous paucity within the accounting literature on NGO accountability (for example, Awio et al., 2011; Goddard & Assad, 2006; Gray et al., 2006; O’Dwyer & Unerman, 2008; Unerman & O’Dwyer, 2006a). The issues debated in the literature are three-fold and include the necessity to identify:

- NGOs’ main accountability stakeholders (‘to whom’)
- ‘for what’ NGOs are accountable to these stakeholders, and
- how NGOs might discharge accountability appropriately to their stakeholders (mechanisms).

The argument of this paper (Ebrahim, 2003a; Gray et al., 2006) is that NGOs’ main stakeholders (‘to whom’) and the ‘for what’ of accountability is likely to differ according to NGOs’ main funding sources. Mechanisms to discharge accountability may also differ.

The lack of a single focus on the bottom line and the absence of shareholders as primary stakeholders means NGOs face competing demands from multiple groups “more acutely and more regularly than do private firms” (Ebrahim, 2003a, p. 814). Conflicting expectations of multiple stakeholders may disable NGOs from discharging accountability to each group of stakeholders effectively (Edwards & Hulme, 1996), due to potentially conflicting incentives and sanctions. Schmitz et al. (2011) report on the challenges facing leaders who try to balance organizations’ day-to-day accountabilities along with longer term responsibilities to a broad list of stakeholders. In line with Gray et al. (1996), Gray et al. (2006) recognize the need for organizations to develop a list of stakeholders and to prioritize them in the intentional discharge of organizational accountability.

The extent to which NGOs meet stakeholders' accountability demands may depend on stakeholders' relative power. Thus, NGOs are perceived to more readily account 'upwards' to government funders than 'laterally' or 'downwards' to other NGOs and their own beneficiaries (Roberts, 1991). This is because stakeholders can be overridden when they are unable to form groups powerful enough to demand accountability (Hill, Fraser, & Cotton, 2001; Najam, 1996). Nevertheless, Tenbenschel et al. (2007) state that government agents have a role to encourage NGOs to develop inward and downward accountabilities. It is generally acknowledged that lateral and downwards relationships are less formal and more cooperative than hierarchical/upwards accountability relationships (Awio et al., 2011).

A second major aspect of accountability is the 'for what' question. As noted above, resource providers looking for "bang for their buck" seek information on outputs (economy and efficiency). Edwards and Hulme (1996) define 'tactical' accountability as the need for an NGO to account for its use of resources and the immediate (or short-term) impacts of its work. Others (Ebrahim, 2003a; Najam, 1996) term this type of accountability 'functional'. It is also argued that an NGO needs to discharge 'strategic' accountability for its impact on its clients and achievement of its mission (Ebrahim, 2003a; Edwards & Hulme, 1996; Najam, 1996).

Najam (1996) assesses that NGOs discharge high functional accountability and moderate strategic accountability to donors (patrons), are unlikely to discharge either functional or strategic accountability to clients and discharge low levels of functional and strategic accountability to themselves (internally). The processes and mechanisms for discharging these accountabilities vary (Ebrahim, 2003a; Goddard & Assad, 2006).

2.3. NGO SUB-SECTORS AND ACCOUNTABILITY

Prior research has either been theoretical or utilised small case study sets to illuminate NGO-specific accountability frameworks. Case studies have highlighted different stakeholders, for what organisations are accountable, and which mechanisms they have used; these case studies have also included different types of organizations. No study has been found that has attempted to compare and contrast the differences in accountabilities between different NGO sub-sectors. A parsimonious classification is required to do this and, with resource providers as the key drivers of accountability demands, a revenue-based clustering of organizations is used to organize the current analysis of NGO accountability (see Cordery, Sim, & van Zijl, 2013). The clusters are: advocacy, classic charity, infrastructure, member-based, philanthropists and service providers.

2.3.1. ADVOCACY NGOS

Advocacy NGOs seek to influence government or corporate policy in respect of a previously disadvantaged group or cause, or to mitigate negative spill-overs from policies. The credence given to advocacy NGOs arises from their ability to 'speak with' or 'speak for' disadvantaged people and therefore provides a powerful voice for change (Unerman & O'Dwyer, 2006a). Advocacy NGOs are accountable for the impact on the groups for whom they advocate, especially when they claim to represent local constituents (Brown & Moore, 2001). Therefore, Ebrahim (2003a) theorised that advocacy (network) NGOs should discharge accountability through their "lobbying, litigation, protest, fact finding, transparency, coordination" as they work for change.

Table 1: NGO accountability practices by type categorised by revenue sources from other Case Study research

NGO type and studies	Main stakeholders to which accountable (Lateral/Upwards)	What is accountability for? (Functional/Strategic)	Key Mechanisms used/recommended
Advocacy: e.g. Ebrahim (2003a); Lehman (2007); Knutsen and Brower (2010); O’Dwyer and Unerman (2008); Unerman and O’Dwyer (2006)	Lateral: to those for whom the NGO advocates, others affected by advocacy Upwards: to donors and other funders, governments	Functional: for responsiveness and openness, short-term impact on community; resource use, performance, targets Strategic: for long-term systemic impact	Lobbying, litigation and influence on key decision-makers to promote social gain and/or mitigate negative spill-overs from others. Indicators of long-term achievement in changing policy, especially dialogue (“consultative mechanisms”)
Classic charity: e.g. Brown and Moore (2001); Davison (2007); Dixon et al. (2006); Everett and Friesen (2010); Jayasinghe and Wickramasinghe (2011);Murtaza (2011); Offenheiser et al. (1999)	Lateral: to service recipients/ beneficiaries, staff Upwards: to donors and district, national and international funders as well as political and military actors	Functional: for services provided/ goods distributed, resource use in line with donors (and presumably beneficiaries’) expectations, collaboration Strategic: for achievement of development goals, macro- and micro- impacts on beneficiaries	Internal processes and training to ensure quality, monitoring and supervision Financial and progress reports to members, funders, local and other supporters including fundraising/programme ratios, quality of service. Participatory mechanisms at local level.
Infrastructure provider: Brown and Kalegaonkar (2002); Cupitt and Mihalidou (2009); Macmillan (2008)	Lateral: NGOs utilizing infrastructure Upward: Lenders, funders	Functional: Upkeep of infrastructure, repayment of loans, NGO support Strategic: Planning for future infrastructure needs in collaboration with community	Financial reports to lenders NGO Support: e.g. low rental charges, well-maintained property Strategic plan published
Member-based: e.g. Anheier and Themudo (2002); Awio et al. (2011); Ebrahim (2003a); Knutsen and Brower (2010); Loft et al. (2006); Lowry (1995); Ospina et al. (2002)	Lateral: to NGO members Upwards: to any district, national and international funders (in Loft et al., 2006, other similar bodies)	Functional: for services provided, goods distributed, resource use representation Strategic: less likely as focused on members alone	Member-centred (voice) including oral reporting and processes for feedback Also financial and progress reports to members, funders, local and other supporters

<p>Philanthropist: Benjamin (2007, 2010); Cowton (2004); Delfin and Tang (2006, 2008); Jung et al. (2013); Kreander et al. (2004); McKinney and Kahn (2004)</p>	<p>Lateral: Internal, NGOs funded Upward:?</p>	<p>Functional: Return on funds, NGOs receiving grants Strategic: Ethical investment, planning to resolve ‘wicked’ problems</p>	<p>Internal reports on investment returns and grants made, reports to regulatory bodies Clear grant-making policy</p>
<p>Service Provider: Bennett and Savani (2011); Christensen and Ebrahim (2006); Cordery, et al. (2010); Ebrahim (2003a); Knutsen and Brower (2010)</p>	<p>Lateral: to service beneficiaries/purchasers and service provider professionals Upwards: to regional and national funders</p>	<p>Functional: for services provided/ goods distributed, resource use Strategic: more difficult as priority to upwards funders prioritised</p>	<p>Reporting on funding, evaluation and performance assessment; staff feedback Processes for client complaints</p>

Nevertheless, Knutsen and Brower (2010), in their analysis of Canadian organisations advocating for ethnic immigrants found that these NGOs discharged accountability to funders (government, United Way and private foundations). Reporting and complying with government regulation was prioritised rather than those the NGOs advocated for (Ebrahim, 2003a; Knutsen & Brower, 2010). Further, while O’Dwyer and Unerman’s (2008) research analysed accountability mechanisms in Amnesty International (Ireland), they found that new mechanisms being developed to discharge accountability for long-term impact on stakeholders were swamped by the drive to report performance (activity) upwards. Nevertheless, competition for its major funding source (donations) had increased the necessity for Amnesty International to report on the impact of its advocacy (O’Dwyer & Unerman, 2008).

Unerman and O’Dwyer (2006a) argue that, as well as to funders and others who influence them, advocacy NGOs are also accountable to those whom they advocate against for their achievement of mission. Supporting this argument for strategic accountability, Lehman (2007) criticises advocacy NGOs’ lack of focus on the limitations of the public sphere. He suggests that NGOs’ advocacy does not engage with systemic issues of capitalism, commodification and globalisation. Lehman (2007) argues that advocacy NGOs’ focus on legitimacy with governments and funders reduces their effectiveness as change agents. He questions whether these NGOs are the “optimal means to implement and develop social initiatives in society” (Lehman, 2007). The fact that these NGOs are ‘unelected institutions’ and therefore lack authenticity is core to his concern. Brown and Moore (2001) argue “as INGOs [International NGOs] focus more on political influence, they may need to construct consultative mechanisms to develop strategies, set agendas, and make decisions” as they seek to make strategic, long term change.

A further unique factor regarding advocacy NGO accountability is that, while there is increasing regulation of NGOs in general, advocacy NGOs are least likely to be regulated. This is due to the limitation in many countries’ charity law so that NGOs with a main aim of advocacy are restricted from registering with regulators and therefore can operate in a less transparent manner than other NGOs that are so required (Cordery et al., 2013). Accordingly, table 1 shows the key stakeholders expected, the ‘what for’ and how accountability is discharged.

2.3.2. CLASSIC CHARITIES

A great majority of the ‘classic charity’s’ income is from public donations (Cordery et al., 2013). Many NGOs are charities (Gray et al., 2006) and this cluster is the one that most frequently experiences regulators’ monitoring and control. Statistics New Zealand (2007) suggests that organizations receiving the greatest amount from donations in that country are religious and international organizations, but this cluster also includes environmental charities, humanitarian aid and those assisting youth, the aged, and animals (Lehman, 2007). As well as money, donations to resource the NGO include volunteer time and staff who are paid less than market value for their input and contributions of goods (Brown & Moore, 2001).

Charities differ from member-based NGOs and service providers in their focus on charitable support of beneficiaries, rather than (respectively) members and services alone. In addition to receiving the greatest majority of their funds from public donations, classic charities are also the most likely of NGOs to record fundraising costs (Cordery et al., 2013). In terms of accountability discharge, Davison (2007) highlights the role of one classic charity’s (Oxfam’s)

Annual Report in communicating the plight of people in developing countries. While she agrees that charities are accountable to multiple stakeholders, she hypothesises that Oxfam communicates in this way so that donors will provide more funds for their cause.

Everett and Friesen (2010) analyse the accountability of another classic charity, the Red Cross. Within this well-established humanitarian charity, they argued that accountability should not merely be to donors, but also to victims affected by disaster (beneficiaries) and political and military actors. Yet, while Everett and Friesen (2010) provide examples of growing professionalization in accountability towards beneficiaries/victims, they note Red Cross lacked representation or beneficiary 'voice' (as predicted by Najam, 1996). Further, this NGO's accountability to/from political and military actors is weak and unspecified. To ameliorate this perceived failing, Everett and Friesen (2010) argue that donors bear the responsibility for demanding more downwards accountability rather than focusing only on technical dimensions such as fundraising ratios.

Jayasinghe and Wickramasinghe (2011) take an alternative view of charities' accountability, as they consider the impact of donations to a village and express concern about a lack of local/downward accountability. Similar to Everett and Friesen (2010), they recommend that charities increase their participatory mechanisms, and enhance transparency around resource allocation in order to increase charities' legitimacy (or reputation). Nevertheless, Murtaza (2011, p. 116) bleakly notes that "given the isolated nature of most NGO communities, the quality of program services must reach extremely low levels before there is a serious danger to agency reputation". Powerful local actors can affect the manner in which accountability is discharged, as well as programmes and outcomes (Jayasinghe & Wickramasinghe, 2011). This may alienate donors and reduce charities' legitimacy (Brown & Moore, 2001).

A further set of stakeholders to whom charities are potentially accountable are their 'partners' in charity delivery (including local NGOs) (Brown & Moore, 2001; Everett & Friesen, 2010; Offenheiser et al., 1999). In an uncritical self-assessment of Oxfam US, Offenheiser et al. (1999) discuss the moves to collaborate with other Oxfams and service delivery partners in order to "respond to the highly fluid situations with diverse needs". They argue that building a learning organisation should improve accountability discharge, but do not comment on the impact on a charity's reputation of failures in programme delivery or outcome achievement when 'learning' is a result of mistakes.

While it is argued that classic charities could be expected to communicate their strategic accountability (in particular the achievement of their mission) in order to attract donors, analysis of the filings with the charities regulator shows little evidence of this type of reporting. Combined with declining trust and confidence in charities (UMR Research, 2010, 2012), charities that depend on public donations may be experiencing a decline in legitimacy. Further research into the impact of overall decline in public trust and confidence (due to poor accountability practices) on the ability of individual or groups of charities to garner donations, would be useful. Accordingly, table 1 shows the key stakeholders expected, the 'what for' and how accountability is discharged.

2.3.3. INFRASTRUCTURE NGOS

Infrastructure NGOs comprise a further unique cluster. They provide facilities, structures and systems to support and coordinate front-line NGOs so that they in turn can deliver their missions more effectively (Cupitt & Mihailidou, 2009). In addition, these infrastructure NGOs can enhance democracy by providing spaces for people to meet and participate in civil

society (Macmillan, 2008). The majority of their income is sourced from rents and their expenditure on financing confirms their difference from other clusters. Infrastructure providers are the largest owners of Property, Plant and Equipment and are most likely to have loans from members and other sources (Cordery et al., 2013). Infrastructure NGOs differ from commercial service organisations by their social values and mission.

Brown and Kalegaonkar (2002) argue that the rise of these support organisations is necessary to mitigate NGO insufficiencies. One role of these infrastructure NGOs is to build support-based alliances (Brown & Kalegaonkar, 2002), for example, with local government and schools to build and operate facilities that can be used by local NGOs. In providing material resources (such as a rehabilitation centre) infrastructure NGOs can allow a service provider to focus on its specialism (the provision of care) while ensuring functionality of the premises. There is a paucity of academic literature on the accountability of this cluster, although grey literature provides some insights.

In the UK, the purchase and upgrade of buildings by charities for their own or social use, is often zero-rated for VAT (value-added tax), and in other countries, these NGOs may receive discounted local authority taxes, suggesting a need for them to be publicly accountable. Also in the UK, increased funding of infrastructure NGOs from lottery funds and local authorities has led to greater calls for accountability for that funding, both to the grant-maker and the general public. Nevertheless, the NGOs who are ‘clients’ of these infrastructure NGOs are also important stakeholders and there is a need for the ongoing availability of low-cost (or free) rental accommodations for service providers, as well as camps and other accommodation for member-based NGOs, charities and philanthropists. In a practitioner report, Macmillan (2008) calls for an ‘investment proposal’ and the need for infrastructure NGOs and the public sector to make long-term plans to develop capacity for the NGO sector at large. Macmillan (2008) further documents mission drift and ‘turf wars’ between infrastructure NGOs as being partly responsible for a decline in appropriate infrastructure in the UK’s County Durham. In this respect he suggests that infrastructure providers have not been fully accountable to the sector which they should be serving, as they have not addressed ‘who benefits’ and whether this is at the expense of others (and who makes those decisions). He also suggests that, by failing to plan long-term, infrastructure providers have not assisted sustainability of the NGO sector.

In addition to these NGOs’ functional accountability obligations to their funders/lenders and an obligation to their wider NGO sector to develop places where formal and informal aspects of civil society can meet and operate from, Macmillan (2008) also argues that infrastructure NGOs have a strategic accountability to plan for future growth in the sector and to provide adequate accommodation and support for that. As these NGOs are an important aspect of the sector, we could benefit from further case study work into the accountability of these providers. Accordingly, table 1 shows the key stakeholders expected, the ‘what for’ and how accountability is discharged.

2.3.4. MEMBER-BASED NGOS

Member-based NGOs exhibit different revenue and expenditure patterns to other NGOs – unsurprisingly their main forms of income are from membership and sponsorship (Cordery et al., 2013). Ebrahim (2003a, p. 204) notes that membership organisations are “largely oriented towards serving the interests of their members ... are primarily run by and for their members and might also be called self-interest or self-help groups.” As such, accountability is directed towards members. Knutsen and Brower (2010) confirmed this in the ethnic immigrant

organisations in their sample; the mechanisms these NGOs used provided ‘exit and ‘voice’ opportunities for members. Accordingly, these NGOs focused on evaluating their programmes that assisted them to achieve their organisational mission.

Anheier and Themudo (2002) concentrate on the ‘voice’ aspect and argue there is a need for member-based NGOs to develop democracy and also to be democratically held to account. Such lateral accountability is evident in Awio et al. (2011, p. 85), where the “strong community involvement in public services provision and management” brought group accountability and transparent reporting of funds received and spent. Oral and other informal reporting, including the Annual General Meeting are important accountability mechanisms, along with newsletters, informal statements from the (voluntary) chair/president about the member activities (Awio et al., 2011; Ospina et al., 2002). Ospina et al. (2002) found that leaders would check outcomes from member engagement against the organisations’ mission and renegotiate actions with other funders in order to maintain the financial sustainability of these member-based organisations. Such negotiation was visible (but failed) in the member-based organisation analysed by Loft et al. (2006), as it grew increasingly professionally organised. In that case, the organisation struggled to meet the aim of member-based NGOs to work democratically for the common good.

Nevertheless, member income does not form a majority of the member-based NGOs’ income. While this could be related to the undervaluation of volunteers’ donations (as much of the ‘work’ of member-based NGOs is undertaken by volunteers at no charge); sponsorship, donations, and grants from private foundations are also important revenue sources in these NGOs. This diverse base of funding increases the likelihood these NGOs will need to balance the needs of their multiple funders and discharge both upward and downward accountability. Indeed, Dixon et al. (2006) found that the impending financial failure of a donor-funded microfinance organization increased the upwards accountability and organizational controls so that formal reporting increased. Thus, member-based organizations face the risk of being diverted from their mission by the dependence on multiple providers of finance and meeting conflicting expectations. ‘Multiple accountability disorder’ (Lawry, 1995) may cause accountabilities to these other funders (sponsors and donors) to cancel each other out. Accordingly, table 1 shows the key stakeholders expected, the ‘what for’ and how accountability is discharged.

2.3.5. PHILANTHROPISTS (TRUSTS/GRANTORS)

A further cluster identified is that of philanthropic trusts and grant-makers (Cordery et al., 2013). These NGOs range from large Foundations to small private trusts that are considered essential to the ongoing sustainability of the NGO sector. Philanthropic trusts increasingly fund services that were previously funded by government and need to be strategic in their funding/giving choices (Delfin & Tang, 2006; Jung et al., 2013). This may require them to form networks with other funders and government (Jung et al., 2013), and as such, they are likely to be accountable to a number of stakeholders for their actions and inactions. For example in the United States, private foundations must report to the Inland Revenue Service that they have spent at least 5% on charitable purposes each year. A second focus of upward accountability is to their own board for achieving their mission. A third stakeholder group is the NGOs these philanthropists support. Due to ‘strategic giving’ and a desire to be effective, philanthropic trusts are accountable for their choice of NGO to fund and which NGO they believe to be legitimate and aligned with their agenda (Botetzagias & Koutiva, 2012; Delfin & Tang, 2006).

Benjamin (2007, 2010) discusses three case studies of grant recipients who were subject to changing accountability requirements from a philanthropic funder. While the philanthropist's argument for introducing outcome measurement was to ensure effective use of trust funds, the increased accountability demands generated a variety of changes within the case studies. The greatest change came when the conflict between the practices of the grant recipient and the philanthropist's/funder's performance framework expectations were the greatest (Benjamin, 2007, 2010). In particular, the funder appeared to believe that the best way to ensure long-term outcomes was to secure short-term results, whereas the NGOs that were funded stated that in order to achieve some long-term outcomes, they risk greater short-term result variability (Benjamin, 2007). A short-term focus on programmes, rather than the long term outcomes that were hoped for, led to the recipient NGOs becoming frustrated with the accountability imposed on them. As the very act of receiving funding from a philanthropist can be damaging to an NGO's culture and require new processes and policies to be developed, McKinney and Kahn (2004) note that philanthropists should be self-critical of their impact on NGOs that they fund and consider their own accountability to these, their clients.

Alternatively, Delfin and Tang (2008), who analysed philanthropic trusts funding environmental NGOs, argue that philanthropic trusts are "somewhat benign" and contest the view that they dominate NGOs' practices. Nevertheless, Delfin and Tang (2008) find that philanthropic trusts may constrain entrepreneurial leaders in NGOs and that longer term grants are more constraining on these NGOs than one-off or short term grants.

These philanthropists also hold a significant proportion of investments, which points to the need to consider ethical investing of those funds. Recent literature on ethical investing includes Kreander, McPhail and Molyneaux (2004) who note the rise of ethical investment funds in the UK's religious organizations, and the specific values underlying the Methodist and Church of England approaches to investing. Cowton (2004) analyzes a secular fund. Two important themes emerge from these studies: the ability of managers of ethical funds to challenge investees to improve society's infrastructure, and the accountability of these funds to their investing clients both for the return on their investment and for the impact of their investments. This cluster is unusual in that it appears to have no external upwards accountability, except perhaps to regulators (see table 1). Further research into the accountability arrangements in this sector (especially to tease out any upwards accountability arrangements) would be helpful.

2.3.6. SERVICE PROVIDERS

The predominant revenue source for service-provider NGOs is for delivering goods and services through their trained staff (Cordery et al., 2013). Service providers also receive sponsorship at a higher level than other NGOs (but not more than member-based NGOs) (Cordery et al., 2013). Government is the main funder of these service-providers and the percentage of government funds entering this sector is increasing (Bennett & Savani, 2011). Services include those in the health sector, legal sector, museums and theatres. As noted in prior literature (e.g. Cordery et al., 2010; Teegen et al., 2004), these service providers have at least a dual accountability responsibility – both to the main funder of the services and also to the beneficiaries. Indeed, Cordery et al. (2010) also found that the government funder increased its financial and operational controls when the social service NGOs in that study did not perform as the government funder expected. The dual accountability responsibility brings tensions between upwards and lateral/downward accountability and the appropriate mechanisms to be used to communicate with various groups. It could be suggested (see table 1) that the increasing competition between for-profit providers and service provider NGOs

confirms a focus on functional, rather than strategic accountability, with the need (noted by Ebrahim, 2003b) to report on funding and short-term impact.

Specifically, Knutsen and Brower (2010) found that the ethnic immigrant service providers in their study (as opposed to the advocacy groups) focused accountability discharge on their government and philanthropic funders by providing financial reports showing the funds received, as well as to comply with government regulation. This focus left little space for accountability to beneficiaries of the services provided. Indeed, Ebrahim (2003a, p. 205) confirms that service provider NGOs' accountability to clients and communities is commonly weak as they are "usually not involved in creating the NGO in the way that members are, they are external actors to the organisation and therefore have less voice in shaping its activities and direction."

While a focus on accountability upwards to government funders has been perceived as a shortcoming, Bennett and Savani (2011) assert that beneficiaries may benefit when a service provider diverts their program to meet funders' demands, if ancillary services can be provided that were not otherwise available. Christensen and Ebrahim (2006) suggest that empowering and informing staff through frequent meetings to discuss beneficiaries' needs could overcome tedious reporting to funders. In their case study, reporting included the number and types of services provided as well as detailed indicators of beneficiaries' neediness. Accordingly, engaging with beneficiaries' needs and seeking feedback were activities that extended services and broadened accountability (Christensen & Ebrahim, 2006). Nevertheless, the literature shows a lack of strategic accountability which is related to the short term nature of the funding received. Table 1 shows the key stakeholders expected, the 'what for' and how accountability is discharged.

3. METHOD

Table 1 summarises the literature review into accountability for six NGO sub-sectors. As noted, the case studies cited have tended to include single organisations, or groups of organisations in a single sub-sector. While these case studies suggest that accountability diverges across NGO clusters, an objective of this research was to 'test' the generalisability of the case studies' findings to the six NGO clusters. A survey was administered to relevant NGOs, along with follow up interviews for clarification.

A mailing list of advocacy organisations (described in section 2.3.1) was utilised for the survey of these organisations. To develop a mailing list for NGOs in the subsectors described in 2.3.2-2.3.5, a stratified random sample of 835 NGOs was selected from the New Zealand Charities Register. In addition, the confirmatory random sample of 300 NGOs utilised by Cordery et al (2013) creased the total to 1 135 NGOs in these five sub-sectors. All NGOs were invited to answer a survey which included questions as to who they believed they were accountable (lateral and upward), what they were accountable for (functional/strategic) and the key mechanisms they used.³

The findings were analysed against the sub-sector and the expectations of the case studies reviewed.

³ The survey instrument is available from the authors upon request.

4. DISCUSSION AND CONCLUSION

Gray et al. (2006) recommend a principles-based approach to accountability where organizations' communicate how they are funded and what they do with that funding. Nonetheless, principled schemas that are tailored to specific NGO revenue streams have not been forthcoming. In addition, the push to derive national statistics for policy-making as well as the calls for accountability, has funders, supporters and regulators expecting NGOs to report according to rules and templates that treat NGOs as homogeneous, rather than unique organizations. Such blindness towards diversity reduces options for users seeking to understand NGOs' impact. This may lead to an accountability expectation gap.

From an empirically-informed, parsimonious taxonomy based on NGOs' revenue streams (Cordery et al., 2013), and a targeted analysis of literature, we have shown how accountability differs according to NGO-type, specifically in terms of to whom, for what and the likely mechanisms to discharge accountability. One benefit of utilising a taxonomy derived from revenue streams is that it highlights the stakeholders responsible for funding NGOs. Further, we tested the findings of the case studies across a number of NGOs through a survey instrument. Figure 1 matches these pictorially against the NGO types, as identified in the targeted literature review.

To whom NGOs are accountable differs between cluster, not only in the types of individuals and organizations to whom NGOs are accountable, but also the number of parties to whom they are accountable. Member-based NGOs receive funds from more stakeholders and activities than other clusters, which brings the problem of multiple accountability disorder (Lawry, 1995). The prioritisation of upwards accountability to funders, sponsors and other donors will reduce the focus on members and service recipients (Anheier & Themudo, 2002; Awio et al., 2011; Dixon et al., 2006; Teegen et al., 2004). A further challenge to member-based NGOs is communicating the value that members add to their organizations when they undertake voluntary work for them and which is not monetised.

The 'classic charity' cluster is likely to experience more freedom from these challenges, given that the majority of their funds emanate from public donors and they are expected to provide services for beneficiaries, but declining public trust is an issue (UMR Research, 2010, 2012). Nevertheless, it is necessary for them to focus on discharging strategic accountability – the long term impact on beneficiaries, something that is not evident from the literature, nor the empirical research.

Infrastructure NGOs are also unusual in being the most likely to have loans and therefore being accountable to lenders. Philanthropists appear to have no upwards accountability stakeholders which make them unique in the NGO sector: this is an area for future research.

A number of the NGOs are predominantly accountable towards service recipients directly (Advocacy NGOs, Classic Charities, Member-based and Service Provider NGOs). Thus, the predominant 'for what' of accountability that was identified by the researchers in table 1 was 'functional' for services and goods provided. This recognises Krashinsky's (1986) observation that donors and consumers are strongly similar in that both are purchasers (albeit consumers purchase a private good, while donors 'purchase' a collective good). From the case studies reviewed, it could be inferred that strategic accountability is more common in NGOs that receive a high proportion of donor funds (for example, O'Dwyer & Unerman, 2008). The survey findings show this. In addition, NGOs with a primary focus on services may adopt a business-type approach with growing professionalization, which further reduces

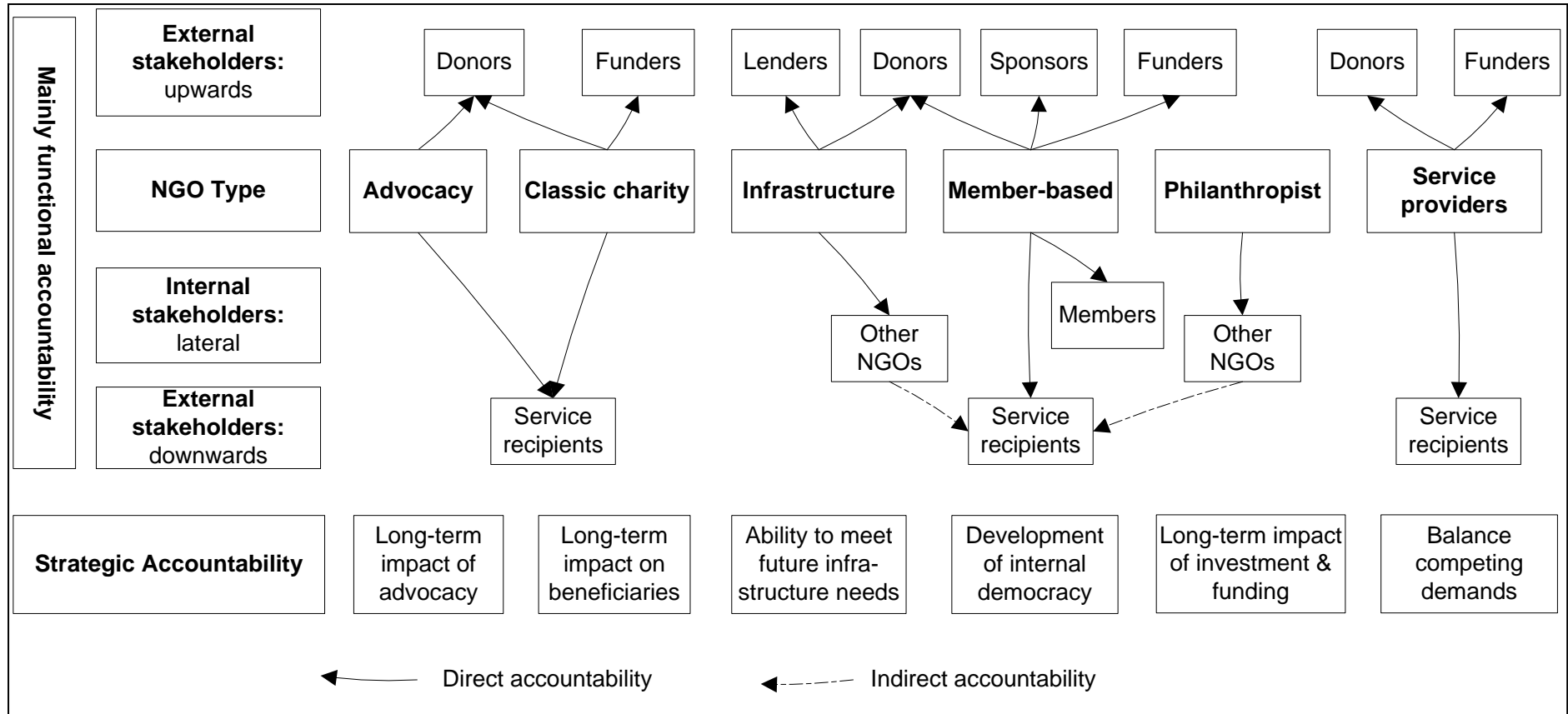
the focus on vulnerable services recipients and raises the likelihood of the NGO becoming a hybrid nonprofit/for-profit entity.

Philanthropists and infrastructure NGOs providers are again an unusual case. It can be seen from figure 1 that they have only a direct relationship with service recipients, but that their main downwards accountability is to other NGOs. As such, it is a matter for further research as to how they manage this indirect link to beneficiaries and how other NGOs hold them accountable for their strategic outcomes. Certainly, the literature suggests that philanthropists are in a powerful relationship with other NGOs and it is likely that infrastructure NGOs will also be more powerful than the NGOs they were formed to support. Nevertheless, the expectations of their stakeholders are not evident but practitioner research suggests that downwards strategic accountability for these NGOs' ability to meet the sector's future needs is an unfulfilled aspect of their accountability. This is an area for future research in order to deepen our understanding of the function and development of these NGOs.

While there are limitations in this research in that not all NGOs will fit neatly into one category or the other, nevertheless, the strength of the taxonomy utilised is that it categorises NGOs from their revenue streams and therefore, their resource providers. It is to these stakeholders in the widest sense, that NGOs are accountable. This clustering enables a more nuanced understanding of accountability across this diverse sector, and also enables the presentation of different functional and strategic accountabilities for these sub-sectors based on the stakeholders to whom NGOs are most likely to be accountable.

In addition, the identification of NGO groupings highlights similarities and differences from which NGOs can better understand themselves and their cluster. This research has highlighted the need for more research, especially into the accountability of infrastructure NGOs and philanthropic NGOs which are important organizations for financing and resourcing the NGO sector to build civil society in the future, but for which little current research exists.

Figure 1: Summary of main stakeholders and accountabilities



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