The Accountability of Voluntary Organisations

Implications for Government Funders

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Abstract

The mechanisms of accountability of government–voluntary sector contracting are problematic for both government agencies and voluntary organisations. If they are to be revised, new mechanisms need to be appropriate for both parties. While the public accountability system has been relatively well described and analysed, the accountability systems of voluntary organisations have not. This research aimed to explore accountability from the perspective of voluntary sector managers and board members asking to whom, for what and why they thought themselves accountable.

Four organisational case studies were undertaken involving 34 in-depth interviews with managers and board members. Interview data was triangulated with document analysis and supplemented with field observations.

The results showed that respondents thought themselves most accountable to their clients. Clients were prioritised because respondents were focused on maintaining their organisations' legitimacy. Being seen to provide quality services to clients meant that their organisations were viewed in a positive light by key stakeholders, including funders. A group of internal stakeholders (staff, members and the board) were considered second most important. Staff were seen as important because they delivered the organisations' services. The support of members also brought legitimacy. Government agencies were ranked third. Government funding was viewed as a 'means to an ends': an input needed to provide a quality service to clients.

An implication of the findings for the reform of the accountability mechanisms of contracting is that the assumptions that the current system is based on – influenced by agency theory – may not be valid. Respondents were found to have similar goals to government agencies: achieving positive outcomes for clients. The goal incongruence assumed by agency theory was not identified.

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Part One

Introduction and Context

T his section establishes the foundations of the research. Chapter One presents the rationale and aims of the research. Chapter Two describes the context within which the research was conducted. Chapter Three provides a discussion of the relevant literature and theory that informed the research, identification of the gaps in the literature and the specific research questions that this research seeks to address. The chapter concludes with a framework of predicted findings that will be used to guide the research design and analysis. Chapter Four discusses the methodology adopted to address the research questions.

Chapter 1

Problematic Accountability Relationships

Working as a government official in the area of voluntary organisation[1] funding, I was very aware how dependent we were on voluntary organisations for the achievement of the outputs and outcomes we were tasked with. Voluntary organisations were, in many ways, the operational arm of our departments. But the process of funding and contracting with voluntary organisations was fraught. Staff in the voluntary organisations had different ideas about what was important. Systems and processes within the organisations seemed, from an official's perspective, lax and haphazard. I lived in fear of what an organisation might do with its funding that could end up on the front page of the morning paper, or being called to the Minister's office late at night to account for a grant to a group that was going to be the subject of parliamentary scrutiny the next day.

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1 There is much debate in the voluntary sector literature about what these organisations should be called: non profits, not-for-profits, voluntary organisations and third sector organisations are terms most commonly used (Kendall and Knapp, 1995). The term 'voluntary organisation' will be used in this research as it focuses on the defining aspect of these organisations: that they are created and operated to undertake voluntary (not coerced) effort. This is a common definition and was adopted by the only major international comparative study undertaken to date (Salamon and Anheier, 1994). Further defining characteristics of voluntary organisations are that they are formally structured, independent of the state and cannot distribute any surplus accrued by their activities but instead re-invest it in actions, which align to their mission (Osborne, 1996).

I have also had the privilege of wearing another hat. As a volunteer, I was a member of a voluntary organisation that provided a social service and contracted with a number of government agencies. I was involved in several government audits of the organisation and was struck by what an artificial process it was. We filled in forms that were sent by the government departments and were fleetingly visited by an official who took no more than a glance over our files and premises. The exercise did not add any value to our work. Rather it absorbed volunteer hours that could have been better used. More frustratingly it did not provide us with any support for the real issues we faced as an organisation providing services to an increasingly large and diverse client base, with increasingly complex problems, and on a shoe string budget reliant on the good will of a decreasing pool of volunteers.

From my voluntary sector perspective, the contracting and funding accountability processes were little more than a paper-shuffling compliance exercise. They did not touch on any real issues, namely the organisation's capacity to actually cope with the demands of the service we were contracted to provide.

I concluded from my experiences as an official and volunteer that the processes of accountability for government contracting and funding with voluntary organisations were much less than effective.

But why are problems with accountability important issues? At its essence, accountability is an exercise in limiting discretion and wielding power. Mulgan (2003) argues that governments are under increasing pressure to be accountable. Such calls are said to be made by a populace increasingly dissatisfied with the performance of government agencies and mistrusting of Ministers' actions (OECD, 2000; OECD, 2001). Increasing demands for accountability can be seen as the public attempting to limit or redirect government activity, or flex its collective power.

Similarly, for the members of voluntary organisations, calls for tighter accountability are usually calls for increased control of their activities to prevent fraud or poor performance (Office of the Auditor General, 2003). The staff of voluntary organisations providing social services on contract to government are expending

millions of taxpayers' dollars and the recipients of the services are among the poorest and most vulnerable members of society (Ott and Dicke, 2000).

1.1 Accountability and Contracting: From a Government Perspective

Public administration researchers would not be surprised by my conclusion. The problems of accountability in contracting and funding relationships with voluntary organisations, from a government agency perspective, have been well documented.

1.1.1 Voluntary Organisation Providers are Less Accountable than Public Servants

There is consensus amongst Public Administration scholars that voluntary organisations providing services on contract are not as accountable as public servants employed by the agency (Behn and Kant, 1999; Schick, 2003).

Romzek and Dubnick (1987) provide an analysis of why this occurs. They argue that accountability has four dimensions: *legal* (fiduciary obligations); *political* (political processes and trade-offs between competing view points); *bureaucratic* (organisation hierarchies) and *professional* (professional standards and monitoring). Contracts only include the legal dimension. The members of voluntary organisations are not required to account for the three other dimensions. Public servants, in contrast, are accountable for at least one additional dimension. They are accountable to their superiors (bureaucratic accountability).

Wake Carroll's (1989) research showed that the bureaucratic dimension of accountability was most effective in ensuring high quality performance. This is not available in contractual arrangements. Indeed, she concluded that reliance on the legal dimension of accountability – as accountability which occurs after the services have been provided – is the weakest form. Mulgan (1997) and Gilmour and Jensen (1998) draw the same conclusion. In their view, voluntary organisation staff are subject to fewer controls than their public service counterparts. They are not part of the hierarchical chain of control that typifies public accountability systems and are not subject to the same constitutional, statutory and oversight restrictions as their public service colleagues.

1.1.2 The Quality of the Service Provided can be Jeopardised by Contracting

Being less accountable can lead to reduced service quality. For Schick (2003) non-government providers of public services are likely to work to the letter of the contract as they do not have the public service ethic. Contracts become a checklist of what the provider needs to deliver. Providers cannot be called to account for services or standards that are unspecified.

Voluntary organisations may receive funding from many government agencies. For Hill and Lynne (2003) this means that they have few incentives to be fully accountable to one agency as funding can be gained from others. They can 'cream', that is, provide services to the clients with the easiest problems to address, and pass over difficult – and costly – clients (Behn and Kant, 1999; Klingner et al., 2001). Indeed, few incentives are said to exist for the staff of voluntary organisations to actually achieve the public purpose underlying any contract (Behn and Kant, 1999).

Further, in some areas of social service provision, there may be few providers (Milward and Provan, 2003). Government agencies may be dependent on the voluntary organisations for the provision of services. Sanctioning voluntary organisations for under or non-performance in such circumstances becomes difficult (Schwartz, 2001).

1.1.3 Specifying what Constitutes Quality is Difficult

Not only do the researchers conclude that there are few incentives for voluntary organisations to exceed performance expectations but what constitutes quality and good performance is often unclear. Government agencies may not even be able to specify what products are required. This is particularly so in the area of social services. Many government agencies have had difficulty developing acceptable and realistic outcome measures and benchmarks for evaluating contractor performance (Klijn and Teisman, 2000; Klingner et al., 2001; van Slyke, 2002).

1.1.4 Reduced Transparency

The details of the contracts and funding arrangements are often considered commercially sensitive. As such, information is not made publicly available. This is

seen to reduce the transparency of government (Zifcak, 2001). At a time when the legitimacy of government is being questioned and the public trust in government is said to be at an all time low, reduced transparency is not desirable (Schick, 2003). Indeed, contracting makes it difficult for the public to attribute accountability for inadequate performance and seek satisfaction (Klingner et al., 2001; van Slyke and Roch, 2004).

1.1.5 Challenges to Ministerial Responsibility

The traditional Westminster public accountability system where Ministers are accountable for the appropriation to their departments is challenged when the service providers are voluntary organisations. Mulgan (1997), Wilkins (2002) and Ling (2002) question whether the principles of individual and collective ministerial responsibility to the taxpayer through Parliament are appropriate when the boundaries of the public and voluntary sectors are becoming so blurred. Martin (1995), contemplating the New Zealand context, draws the same conclusion.

1.1.6 Summary: From a Government Perspective

Unfortunately, these public administration researchers do not provide any solutions to the problems they identify. Peters and Pierre (1998) and Grubbs (2000) conclude that accountability research, particularly that considering contracting between government and non-government agencies, is a weak spot in the public administration literature. Van Slyke (2002: 500) goes as far as saying:

> Contracting creates serious public management and accountability problems for which public administration theory fails to prepare us.

From the New Zealand perspective, Martin (1995: 51) concludes:

> …contractualism is at the heart of public service reform [so] we need to devote some attention to these aspects of accountability for 'third party' government.

And Majumdar (2004) argues:

> New Zealand witnessed a more substantial growth than almost anywhere else in the application of contracting out as part of the public sector reforms carried out

> by the fourth Labour government between 1984 and 1990…However, in the very same country there are very few empirical analyses or case studies of the effects of contracting out. This is especially the case in the domain of social welfare where contracting out has formally been in use since the early 1990s. The relative dearth of raw data places limits on the conclusions in respect to the advantages and short comings of contracting out in social welfare (Majumdar, 2004: 89).

The research to date also defines the issues from the perspective of government agencies and, as such, 'misses a large part of the point' (Mulgan, 2000a: 87) as there are at least two parties to any contract.

1.2 Accountability and Contracting: From a Voluntary Sector Perspective

The problems of accountability are less well documented from the voluntary sector perspective. Kramer (1994: 46) concludes after his review of the available literature that there is a 'paucity of empirical research' and that:

> Many of the generalisations about the impact of … government funds on nonprofit organisations or the service delivery system are inferred from findings that are often equivocal, anecdotal, or impressionistic. There are few longitudinal or comparative studies; most research is based on very small samples, over short periods of time, and in selected fields of service and political settings (Kramer, 1994: 42).

Several themes can, however, be identified in the limited available research.

1.2.1 Loss of Organisational Autonomy

Nowland-Foreman (2000) speculates that 'mission drift' has occurred in New Zealand voluntary organisations as a result of managers prioritising contract requirements at the expense of other activities better aligned with the organisations' missions.

A loss of autonomy and independence is identified as a result of mission drift. Nowland-Foreman (2000) concludes that organisations undertake less advocacy and

research as a result of contracting. Taylor (1999) draws similar conclusions from her study of British voluntary organisations, though she does so with caution.

Contracting is also considered to encourage the standardisation of services and voluntary organisations are said to increasingly emulate government agency structures and processes, so reducing the distinctiveness of the sector (Nowland-Foreman, 1997; Nowland-Foreman, 2000).

This perspective is, however, debated. Kramer's (1994) literature review identified another perspective critical of the 'loss of autonomy' thesis. Contracting was seen to increase government and voluntary sector inter-dependence, and government funding had allowed voluntary organisations to provide more services than ever before.

Kramer concluded, however, that no one disagreed with the findings that voluntary organisations had become more institutionalised and bureaucratic as a result of contracting.

1.2.2 Inequitable Distribution of Resources

Small, locally based voluntary organisations, researchers concluded, are the losers in the contracting process. In New Zealand, a large proportion of public funding is appropriated by Parliament directly to large national voluntary organisations. Newer, smaller organisations can not access such funding (Ashton et al., 2004; Majumdar, 2004). The centralised nature of government decision-making also makes it difficult for locally-based organisations to access funding. Maori organisations find accessing mainstream funding difficult, as do organisations serving ethnic communities (Nowland-Foreman, 1997).

American research has also found that the financial systems, performance management and reporting processes needed to manage contracting are only viable in large organisations (Alexander, 1999).

1.2.3 High Overhead and Compliance Costs

The computer-based systems needed for information gathering and reporting are costly for voluntary organisations to develop (Ashton et al., 2004). The type of

information required by government agencies often changes every year with increasing amounts of detail required. Restructurings and frequent changes in government agency staff drive such changes in New Zealand (Ashton et al., 2004). Different funders require different information. Deadlines and processes also often conflict (Kramer, 1994; Munford and Sanders, 2001).

1.2.4 Reduced Ability to Provide Quality Services

In New Zealand, the increased specification of services has resulted in government agencies purchasing pieces of services. Voluntary organisations report that they struggle to provide a holistic service (Munford and Sanders, 2001). Furthermore, the structure of some funding arrangements, such as capitation grants, encourage an emphasis on numbers of clients at the expense of the quality of care provided (Nowland-Foreman, 1997). Strathdee (2004) argues that such arrangements create pressures for new forms of 'Taylorism'[2] amongst social service providers.

American voluntary organisations report that in order to achieve contract service levels, staff have been required to take on more clients. Maintaining what they consider acceptable professional and ethical standards of care has become difficult (Kettner and Martin, 1996). Organisations are also financially discouraged from serving client populations with deep-seated and chronic needs (Alexander, 1999).

1.2.5 Summary: From a Voluntary Sector Perspective

The problems of contracting and accountability have been identified by the United Kingdom's National Council of Voluntary Organisations (NCVO) – the advocacy body for the United Kingdom sector – as one of its prime concerns (NCVO, 2003).

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[2] In 1911, Frederick Taylor's work 'The Principles of Scientific Management' was published (Taylor, 1911 / 1998). The Principles aimed to scientifically transform work by introducing production lines with rules for workers and standardised tasks. Approaches to work based on breaking jobs into components and standardising production are often labelled 'Taylorism'.

In New Zealand, the Community and Voluntary Sector Working Party[3] reported:

> at all levels and across a wide range of organisations, a frustration with government funding and accountability arrangements, summed up by many as opposition to the 'contracting model' (Community and Voluntary Sector Working Party, 2001: 27).

Accountability for contracting is of concern for voluntary sector leaders, here and abroad. This review shows that the accountability mechanisms of contracting are not proving appropriate for voluntary organisations. As Klingner et al (2001: 139) succinctly states 'further research should explore the nonprofit perspective.'

1.3   Voluntary Organisations as an Operational Arm of Government

It has been estimated that in 1998 the New Zealand government purchased over $650 million of social services from voluntary organisations. This is a modest estimate as the analysis included data from only 14 government departments (Community and Voluntary Sector Working Party, 2001). The actual extent of government contracting with voluntary organisations is unknown. Conversations with officials and attempts at requesting data via official information legislation revealed that generating such data would be too difficult given the decentralised nature of the New Zealand public management system. It would also be too politically sensitive, as officials predict that government departments are more dependent on voluntary organisations than they would care to admit.

Many of the publicly-funded services New Zealanders consume are provided exclusively by voluntary organisations contracted to government departments. To escape a violent partner, take a disabled child swimming, get information about

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[3] The Working Party was established in August 2000 by the Labour Government to provide recommendations for how the Government–Voluntary sector relationship could be improved. It consisted of government officials and voluntary sector representatives and reported in April 2001.

government services, or extinguish a rural house fire means interacting with a voluntary organisation.

Voluntary organisations are an important feature of the landscape of government. Ensuring the mechanisms of accountability for contracting are effective for both parties is, therefore, important.

1.4 Increasing Interaction between Governments and Voluntary Organisations

And if the predictions and trends proposed in the recent public administration literature eventuate, voluntary organisations will play an even more important role in the delivery of publicly-funded services in the future.

Public administration researchers and theorists have largely moved their focus from the study of the structures and processes of *government* to those of *governance* (Rhodes, 1996). Governance, though developing into a 'promiscuous' concept (Newman, 2001), is broadly defined as the methods and instruments of governing (OECD, 2001). It is much broader than the study of government. The move to the broader notion has been driven by the increasing realisation of the importance of non-government actors in the processes of government and the need to develop frameworks to study this (Kooimen, 1993).

A number of reasons for the increasing importance of non-government actors are proposed. The impact of globalisation is challenging the authority of governments' sovereignty over the nation state. Welfare and administrative reforms of the 1980s have also altered the relationship between the governed and governors with government now reliant on other agents (usually voluntary organisations) for the delivery of public services. Increasing societal fragmentation means no single agency can manage the complex problems this generates (Newman 2001, Rhodes 1996). Whether this equates to a diminished role for government or just a different one is subject to debate (OECD, 2000; Pierre and Peters, 2000; Daly, 2003). Whatever the outcome of this debate, the general consensus is that voluntary organisations will be an increasingly important part of the landscape of government in the future.

Networks are proposed as the instrument of policy-making for the new governance arrangements. Networks of public and private sector actors, removed from the influence and control of governments, are predicted to become powerful policy makers (Rhodes, 1996; Kickert et al., 1997). Actors with specialist knowledge, competence and resources will form stable networks to solve complex policy problems (Borzel, 1998). Voluntary organisations will become important actors in such networks (Klijn and Koppenjan, 2000).

'*Partnership*' or '*collaboration*' is also considered in the literature as an emerging feature of the new governance arrangements (Lowndes and Skelcher, 1998; Newman, 2001; Brinkerhoff, 2002). Partnerships between voluntary organisations and government have been a popular feature of recent policy making and delivery initiatives in both the United Kingdom and New Zealand (Osborne and Murray, 2000; Yarword, 2002). Whether such partnerships involve real collaboration is subject to debate. Billis (1993), for example, questions whether the widespread adoption of 'partnership' as a policy concept to describe voluntary sector interaction with government is just political rhetoric. Taylor (2001) argues that the language of partnership is used by governments to signal that voluntary organisations are no longer 'outsiders' in the policy process. The reality for voluntary organisations is, however, that they are often excluded from any meaningful participation. Deakin (2002) also questions whether voluntary organisations can partner, if partnership implicitly means they act as the sole representatives of their clients. He outlines the risks - sectarianism among civil society bodies, especially those that are faith based, and the potential for individual or minority rights to be eroded - of such. Whatever configuration they take, whatever the potential risks, the increasing involvement of voluntary organisations in partnership arrangements is, however, not in dispute (Billis, 1993; Osborne and Murray, 2000; Taylor, 2001; Deakin, 2002; Teisman and Klijn, 2002).

Voluntary organisations' involvement in the design and delivery of publicly-funded services is set to increase so getting the accountability mechanisms which govern the delivery of services right is even more important.

1.5   The Aims of this Research

Voluntary organisations are important providers of public services to New Zealanders. Their importance will increase. The research reviewed in this chapter has shown, from both the government and voluntary sector perspectives, that the accountability mechanisms governing the relationship are less than adequate. Moutlon and Anheier (2001: 14) conclude that:

> Developments make it necessary for local governments in particular not only to improve governance and accountability requirements but to put in place new ones that may be more in line with the complex partnerships of the future. Standard public administration programmes and tools will most certainly not measure up to the new contract regimes.

If the complex social problems that face society are to be addressed, the accountability mechanisms governing the relationship between voluntary organisations as service providers, and government agencies as funders, needs to be improved.

Public management systems have recently been reformed in a number of countries, including New Zealand. Academic critique of the reforms has resulted in the detail and limitations of current public accountability systems being relatively well documented. Examples of scholarly critique of reformed public accountability systems include Gilmour and Jensen (1998), Gregory and Hicks (1999) and Parker and Gould (1999).

In contrast, little is known about accountability from a voluntary sector perspective in any jurisdiction. The key piece of research, *Accountability and Voluntary Organisations,* by British researcher Diana Leat, is by her admission small-scale and dated (Leat, 1988; Leat, 1996). The consensus is that voluntary sector accountability is under-researched and concepts under-developed:

> Only recently has the non profit literature begun to address the topic of accountability, and the field is groping toward standard definitions … the literature is normative [and] not empirical (Ospina et al., 2002: 7).

There is considerable confusion about the concept of accountability [from a voluntary sector perspective (Kramer, 1994: 51).

While the specifications for any reform of accountability mechanisms can be identified from the perspective of governments' public accountability systems, the same cannot be said for voluntary organisations. Little is known about voluntary sector accountability relationships and processes. If systems appropriate for both parties are to be implemented, more needs to be known about accountability from a voluntary sector perspective.

Generating knowledge about what accountability means to the members of voluntary organisations is, therefore, the primary aim of this research. The research focuses on voluntary sector perspectives of accountability so does not attempt to represent government officials' or Ministers' perspectives.

The secondary aim of this research is to contribute to improving the government–voluntary sector relationship. It will consider the implications for the voluntary sector–government relationship of the knowledge generated about accountability from the perspective of members of voluntary organisations.

1.6   Thesis Outline

The thesis is divided into three parts. The parts are divided into chapters.

1.6.1   Part One: Introduction

Part One lays the foundations for the research. This chapter, Chapter One, has presented the rationale for the research. The following chapter outlines the research context. Chapter Three reviews the available literature and theory; and the fourth chapter outlines the methodology adopted.

1.6.2   Part Two: Results

In Part Two the research results are presented. The results are organised thematically with three themes discussed in three chapters. The full results are presented as Appendix D.

1.6.3   Part Three: Discussion, Implications and Conclusions

The final part presents the analysis, discussion and implications of the findings. This part comprises three chapters: discussion, implications and conclusions.

Chapter 2

Voluntary Organisations in New Zealand

Voluntary organisations have existed in New Zealand since the beginning of colonisation. Scholars conclude that they have been dependent on government funding from the earliest Parliaments (Suggate, 1995; Munford and Sanders, 2001; Tennant, 2001). Prior to the 1990s, the most common method of state funding for voluntary organisations was a system of grants and subsidies not usually attached to specific services (Smith, 1996; Munford and Sanders, 2001).

2.1 Contracting and Voluntary Organisations

The early 1990s, driven by rising fiscal debt, saw a rethink of what was the appropriate size and function of the state. New Zealand's public management system, drawing on economic and administrative theories, was consequently radically restructured (Boston et al., 1996). Several aspects of the restructuring altered how government agencies approached their relationship to voluntary organisations. In particular, based on insights from agency theory, the assumptions government agencies made about voluntary organisations were changed.

2.1.1 Agency Theory

For agency theorists, social and political life can be understood as a series of contracts. Principals delegate tasks, using contracts, to agents. Agents undertake work on the principals' behalf in return for rewards. The focus of the theory is the contract governing the relationship between principal and agent and determining how the contract can be made as efficient as possible (Eisenhardt, 1989a). What constitutes a contract is broadly interpreted by agency theorists. Contracts may be

'classical': arms length, formal and explicit. They may also be 'relational': implicit, open-ended, incomplete and based on obligations (Boston et al., 1996).

Two problems can arise from contractual relationships because agents need a degree of discretion to complete their tasks (Davis et al., 1997). First, problems arise when the goals of the principals and agents are different (the problem of *goal conflict*) (Eisenhardt, 1989a). Second, problems arise because the agent is assumed to have more information than the principal about the task at hand. Their performance, especially when it is difficult and expensive for the principal to verify what the agent is actually doing, creates the problem of *information asymmetry* (Waterman and Meier, 1998). The focus of agency theorists is how to minimise the impact of these problems for the principal (Moschandreas, 1994; Boston et al., 1996; Shaw, 1999).

The theory, drawing on its neo-classical economic roots, assumes that individuals are 'rational, self-interested, utility-maximisers'. As such, the interests of principals and their agents are bound to conflict because each party will be trying to maximise personal benefits (Eisenhardt, 1989a). Even if principals and agents have similar goals, the assumptions about the nature of individuals leads to the suggestion that agents will still shirk by producing outputs at a higher cost than required or produce outputs of a lower quality than required (Waterman and Meier, 1998). This is termed *moral hazard*: a lack of effort on the part of the agent (Eisenhardt, 1989a). Agents may also claim that they have skills and expertise and capacity to deliver that they actually do not. *Adverse selection* may occur as principals contract with agents who have misrepresented their abilities (Eisenhardt, 1989a).

Principals have a number of options available to them to minimise the risk of their agents shirking, cheating, or operating with guile. They can provide incentives for the agent to operate according to the principal's wishes, monitor the agent's actions to ensure they are doing so and sanction the agent if their performance is not satisfactory (Eisenhardt, 1989a; Boston et al., 1996).

2.1.2 Agency Theory and Contracting

Influenced by agency theory, a number of relationships within the New Zealand Public Service were restructured to model contracts. Purchase agreements between

ministers and chief executives for the purchase of services from departments were introduced, as were performance agreements between chief executives and the State Services Commissioner.

The contract model was also applied to the relationship between government agencies and voluntary organisations. Grant-based funding ceased for many voluntary organisations in the early 1990s and instead they signed contracts for the delivery of services (Martin, 1995; Smith, 1996). As voluntary organisations were expected to shirk and use information asymmetries to their advantage, government agencies as principals attempted to specify what services they required, introduce monitoring regimes and sanction poorly performing organisations by not renewing their contracts. Clear objectives in the contracts would ensure the voluntary organisation providers focused on results. Reporting on the objectives would provide good information to government agencies about the provider and the quality of the service (Boston et al., 1996).

Overlaying the introduction of contracting was pressure to reduce government spending. Competition between providers was encouraged. Voluntary organisations were often required to tender. Market pressures were sought to ensure efficiency in service delivery (Shaw, 1999).

A drive to increase transparency and accountability was also an important aspect of the restructuring. Accountability, as it was used in the restructuring process, was interpreted as answerability and took the form of formal reporting against specified measures (Mulgan, 2003). As Martin concludes:

> Officials have received a message: this is your allocated task, you are being given resources and authority to achieve it; go to it; report at intervals; and your remuneration and often continued employment will be related to your performance of the given task (Martin, 1997: 5).

Enhanced accountability was seen as a way of developing more efficient and effective organisations and service delivery.

… the argument runs, improved performance in the public sector will follow if there are clear and transparent systems of managerial accountability within agencies, those providing policy advice as well as those delivering services (Martin, 1997: 4).

Accountability was to be increased at the department level by carving them up into entities with specific functions: policy or the delivery of services. This was based on another influential body of theory: Public Choice. Public Choice theorists contend that all public servants will seek to advance their personal interests in terms of their own pay, size of their department, status or ambition. This is called 'rent seeking' behaviour. Departments with monopolies are assumed ripe for public servant or 'provider capture'; public servants will be able to extract the most personal benefit in such situations. Similarly, departments with many functions are prone to provider capture; any policy advice given will ensure the department grows and benefits in terms of its service delivery (Shaw, 1999).

The performance of public servants in the decoupled organisations could be closely specified and monitored and any inefficiencies generated by 'provider capture' removed. Any tensions caused by multiple accountabilities or conflicts of interest would also be removed in the new organisations as they had only one function (Boston et al., 1996). At the personal level, increased accountability was to be ensured by making managers more accountable for measurable outputs. Managers were given more discretion but more emphasis was placed on them reporting against specified measures of their performance (Mulgan, 2003).

By the mid 1990s, the result of these changes for voluntary organisations with a funding relationship with government was that they were now service-providers. Many had a formal contract, usually a 'classical' contract, with government. What they were required to provide, at what quantity, quality and price was specified in the contract. Detailed reporting on service delivery was required. They often interacted with officials from operational departments who had little input into policy processes, including programme design. Officials also had specific performance measures to achieve, often with tight budgets and timelines. Driving down the price of service delivery was also at the forefront of officials' agendas.

As mentioned in the previous chapter, the extent of public service delivery via contract is unknown. Indeed, Boston et al (1996) consider the question of the extent of contracting being undertaken as one of the key areas of the New Zealand public management system needing research. However, it is widely considered an important part of the delivery mechanisms of the New Zealand government so much so that Von Tunzelman and Murphy (1998) conclude that the contract has become the predominant means for the government to procure services.

2.2   Current Policy Environment

On entering power in 1999, the Labour-Alliance government sought to acknowledge the widespread disquiet amongst voluntary sector leaders about government contracting, funding and the perceived mistreatment of the voluntary sector. Improving the government–voluntary sector relationship was part of their social policy agenda. This was based on a belief that they would need to work with voluntary organisations to address difficult social problems (Maharey, 2003).

One of the Government's first acts was the creation of a new portfolio - Community and Voluntary Sector - and the appointment of a Minister Responsible for the Community and Voluntary Sector. The Hon. Steve Maharey, the first such Minister, led a number of policy initiatives.

2.2.1   Community and Voluntary Sector Relationship Working Party and Steering Group

One of the flagship initiatives was the establishment of the Community and Voluntary Sector Working Party in August 2000. It comprised voluntary sector and government representatives and was tasked with reporting on how the government–voluntary sector relationship could be improved. The Working Party report, *Potential for Partnership: Whakatopu Whakaaro,* was published in April 2001 (Community and Voluntary Sector Working Party, 2001). The government agreed to the Working Party's recommendations and established a Community–Government Steering Group in September 2001, to oversee implementation.

Improving resourcing and accountability was one of the two major work areas. Good practice guidelines and on-line resources were developed in order to help government agencies recognise the diversity of the voluntary sector, and interact appropriately with voluntary organisations.

2.2.2 Statement of Good Intentions for an Improved Community–Government Relationship

In November 2001, the Prime Minister signed a Statement of Intentions on behalf of the Government to signal its commitment to build strong and respectful relationships with the voluntary sector.   It made six commitments:

> *Culture of Government*. Government expects public servants to treat all New Zealanders with dignity and respect. This requires leadership from public service chief executives and senior managers to ensure that all staff have a good understanding of the values, governance arrangements and working realities of the community, voluntary and iwi/Maori organisations with whom they interact.

> *Whole of government approach*. Government recognises that community, voluntary and iwi/Maori organisations interact across a range of government ministries and departments. Government agencies will give priority to working together, breaking down 'silos' and establishing co-ordinated, inter-sectoral policies and programmes.

> *Treaty of Waitangi*. Government expects its departments and ministries to recognise and apply the principles of the Treaty of Waitangi.'

> *Participation in decision making*. Government values the contribution of community, voluntary and iwi/Maori organisations to good policy making and delivery of effective services. Government agencies and the community sector will work together to develop and improve consultation processes through sharing good practice, guidelines, workshops and training.

> *Government funding to community organisations*. Government acknowledges the valuable contribution made by community, voluntary and iwi/Maori organisations to the achievement of shared social, cultural, environmental and economic goals. Government agencies will, together with the community

sector, undertake a programme of work to address concerns about funding arrangements, effectiveness, compliance costs and related matters.

Strengthening the community sector.   New Zealand's social, cultural, environmental and economic well-being requires a healthy and strong community sector. Government will work alongside community, voluntary and iwi/Maori organisations to support and strengthen the community sector (Ministry of Social Development, 2001: 2-3).

The degree to which the Statement of Intentions is adhered is not known. As it does not specifically bind any government agency, and there does not seem to be any formal evaluation or monitoring of its implementation, it is not known how important it is in guiding departments' interactions with voluntary organisations.

2.2.3   Office of the Community and Voluntary Sector

The Office of the Community and Voluntary Sector was established in September 2003.   Its role is to develop policy specific to the voluntary sector and work alongside government departments to facilitate a positive working relationship with voluntary organisations. Since its inception it has prepared a series of good practice guidelines. With a small staff and a wide brief, the Office has been set a challenging role.

2.2.4   Establishment of the Charities Commission

Policy and legislation to introduce the Charities Commission is currently being developed.   The Commission will register and monitor charities. Its aim is to improve the sector's accountability to the community by ensuring they operate for the purposes for which they were established, and by increasing the level of transparency and public disclosure of information (Ministry of Economic Development, 2004b). The role of the Commission will be to approve and register charities; receive annual returns and monitor the activities of charities; to educate, advise and support charities to ensure that they comply with their core regulatory obligations; and to provide advice on New Zealand's charities to the government (Ministry of Economic Development, 2004a).

2.2.5   Contracting Guidelines

In 2001, the Treasury issued its *Guidelines for Contracting with Non Governmental Organisations for Services Sought by the Crown*, in recognition of the widespread and unregulated practice of government agencies contracting with voluntary organisations (The Treasury, 2001). The guidelines were revised in 2003 after consultation with the voluntary sector and government departments. Their aim is to encourage better contracting practices, from both voluntary sector and government perspectives, by encouraging government agencies to improve their relationships with voluntary organisations. However, as they are only guidelines, government agencies are not compelled to adopt the recommendations.

The Community–Government Relationship Steering Group surveyed government agencies to investigate responses to the guidelines. They found only a few agencies had developed substantial changes to practice in line with the guidelines (Community-Government Relationship Steering Group, 2002). Respondents interviewed by Treasury officials during the process of revising the Guidelines also questioned the ability of officials to implement them (The Treasury, 2003).

2.2.6   Improving Service Delivery

Concern over the performance of the state sector led to the appointment of a Ministerial Advisory Group in 2001. The Group's report in late 2001, *Report of the Advisory Group on the Review of the Centre,* highlighted the need to achieve better integrated service delivery. Co-ordination of service delivery, both from government and non-government agencies, was identified as a weakness of the public management system (Advisory Group on the Review of the Centre, 2001).

The *Integrated Service Delivery* work programme was established. Officials undertook a review of New Zealand and international literature on collaboration, undertook field work and drew on previous government reports. The findings were used to develop the good practice guidelines issued in 2003, *Mosaics: Whakaahua Papariki: Key Findings and Good Practice Guide for Regional Co-ordination and Integrated Service Delivery* (Ministry of Social Development, 2003). The Guidelines present ideas about how collaborations can be best managed, with

specific sections for how to manage government–voluntary organisation collaborations.

A number of subsequent projects stemmed from the Integrated Service Delivery work stream – *Funding for Outcomes* being a major one (Ministry of Social Development, 2004). The aim of the project is to accelerate the process of implementing an integrated approach to government contracting with voluntary organisations. Funding advisors have been contracted to work on behalf of voluntary organisations to 'join-up' their contracts with government. Having one contract, with one set of reporting requirements, it is hoped will reduce the organisations' compliance costs of contracting with government and allow voluntary organisations to provide 'wrap-around', or holistic services, to their clients. As of April 2004, the advisors had been appointed, organisations involved in the trial identified, and the evaluation plan developed.

2.2.7 Summary: Policy Context

A wide range of projects are underway to try to improve the Government's relationship with the voluntary sector. As in other jurisdictions, the policy documents talk about collaboration and partnership. Commentators in other jurisdictions (refer section 1.4 for summary of the debate) have questioned the actual ability of governments to have 'partners'. Most of the initiatives outlined here are either still being implemented or have recently been established, so have not yet evaluated. Their contribution to improving the government–voluntary sector relationship remains uncertain.

2.3   Voluntary Organisations in New Zealand

Given the importance of voluntary organisations in service delivery and current policy initiatives, it is surprising that there is little information on the nature and activities of voluntary organisations in New Zealand (Ministry of Economic Development, 2004b). Few researchers work in this area and few relevant official statistics have been collected (Community and Voluntary Sector Working Party, 2001). Most of the information that is available has resulted from ad-hoc reports on

specific issues (Robinson and Hanley, 2002).   After reviewing the available
information, Suggate (1995: 1) concluded:

> There is much information which is not known, including: the economic
> contribution of the sector, the number of organisations of different types; how
> many paid/unpaid people are involved; how many people benefit from services;
> the infrastructural capacity of the sector; what training needs are unfulfilled; and
> what ratio of funding comes from government, philanthropic and corporate
> services.

Nearly ten years on, the information gaps she identified are generally still empty and
the Community and Voluntary Sector Working Party (2001: 55) extended the list of
gaps to include:

> the informal components of iwi and community organisations; 'in kind'
> contributions; the full range of iwi/Maori organisations; the full range of Pacific
> peoples' organisations; the community organisations of other minority ethnic
> groups.

2.3.1   The Number and Type of Voluntary Organisations

The only source of estimating the number of voluntary organisations in New Zealand
is the Registry of Incorporated Societies and Charitable Trusts.   To claim tax
benefits, organisations must be registered with the Ministry of Economic
Development.

As of the end of 2000, there were 21,444 registered incorporated societies and
11,582 registered charitable trusts. Every year around 3,000 organisations are newly
incorporated.

However, these figures only cover voluntary organisations that have registered as
charities or incorporated societies. Many organisations that fulfil the definition of
voluntary organisation outlined in the first chapter do not seek to be tax-exempt so
will not seek registration. Others will not maintain their registered status. Some
iwi/Maori organisations that could be classified as voluntary organisations are also

not included in the figures as they are registered under specific legislation (Community and Voluntary Sector Working Party, 2001).

Nor is information recorded concerning the size, structure and functions of the organisations. They vary in size, composition and function from small, volunteer run community groups to large national organisations with corporate structures and thousands of staff (Community and Voluntary Sector Working Party, 2001).

2.3.2 Funding of Voluntary Organisations

Voluntary organisations are generally reliant on government funding. Based on estimates of the sources of funds available to the voluntary sector, Robinson and Hanley (2002) conclude that 56 percent ($920,595,000) of funds available to voluntary organisations came from central government, 17 percent from personal donations, 9 percent from philanthropic trusts, and 8 percent from the proceeds of gambling machines. Compared with the results of a similar exercise in 1996 (refer Robinson, 1996), the percentage and amount of central government funding of voluntary organisations has increased. Robinson and Hanley conclude that this is because voluntary organisations, especially in the area of health, are delivering more services on contract. They also conclude that there is insufficient data available relating to the funding of voluntary organisations. In particular, they argue that the information available from central government is of limited use, as government figures did not differentiate between for-profit and voluntary organisation providers.

2.3.3 Economic Contribution

An important gap in knowledge of the sector is understanding the role of voluntary organisations in New Zealand's economy (Suggate, 1995; Community and Voluntary Sector Working Party, 2001). The New Zealand Federation of Voluntary Welfare Organisations (NZFVWO), an umbrella group of social service providers, has attempted to fill this gap and make visible the importance of the voluntary sector. They commissioned an analysis of the estimated value of ten voluntary organisations to the New Zealand economy (NZFVWO, 2004).

They found that if the ten organisations they studied operated as businesses or government agencies, and if they paid their staff, they would be in the top five percent of New Zealand enterprises.

Quantifying the value of volunteer hours showed that the time spent by volunteers in the ten organisations is comparable to the total time worked by paid employees in the dairy industry - 7.63 million volunteer hours each year or the equivalent of 4,063 full-time workers (NZFVWO, 2004).

Other sources of data confirm the volume of volunteering that occurs in New Zealand. Questions in national censuses regarding unpaid work, and a Time Use Survey in 1998–9, provide a picture of the volunteer component of voluntary organisations (Wilson, 2001). The 2001 Census reported that 16.2 percent of the working-age population undertook voluntary work in the four weeks preceding census night and that volunteering is an important part of many peoples' daily lives. Maori and Pacific peoples, in particular, do much volunteer work (Statistics New Zealand, 2001).

Methodologies to measure the contribution of the voluntary sector to New Zealand's economy are still being developed. Statistics New Zealand, the Government body charged with collecting official statistics, has concluded that the amount of unpaid work (which includes volunteering) needs to be measured because, in its words:

> New Zealanders aged 15 years and over spend, on average, more time in unpaid work than they do in paid employment. Yet, despite its potential contribution to the productive activity of the New Zealand economy, unpaid work is excluded from conventional economic statistics, such as the national accounts and employment measures (Statistics New Zealand, 1999: 1).

The Department is currently developing mechanisms to facilitate such measurement.

2.4   Summary

Voluntary organisations play an important role in New Zealand. However, little is known about voluntary organisations. This review has brought together what

information is available, which provides only a rough sketch. More systematic and robust information about the New Zealand voluntary sector is needed (Robinson and Hanley, 2002).

Chapter 3

Literature Review and Theoretical Framework

As mentioned in the previous chapter, little is known about voluntary organisations in New Zealand. How accountability is perceived from a New Zealand voluntary sector perspective is consequently unrecorded.

A similar lack of knowledge about accountability from a voluntary sector perspective exists in other jurisdictions. As discussed in section 1.2, key American and British voluntary sector researchers and commentators have lamented the paucity of empirical research about voluntary organisations' accountability relationships (Leat, 1988; Kramer, 1994; Ospina et al., 2002; NCVO, 2003).

This chapter reviews empirical research and theoretical knowledge relevant to the aims of this research. The review has two purposes: to identify specific research questions based on gaps in the current body of knowledge, to ensure this research makes a contribution to what is known about accountability from a voluntary organisation perspective; and to develop a framework to guide the research design and analysis.

The research reviewed was generally located within three bodies of literature: on the voluntary sector, public administration and social policy. Research conducted in the United Kingdom, Australia and Canada (fellow Westminster-based systems) is prioritised in the review. Though each country represents a different expression of the Westminster system, the systems are similar (through shared histories, similar government structures and approaches to the voluntary sector). Thus, research conducted in these contexts will provide the most relevant insights for the New Zealand context (Mulgan, 2003).

Notwithstanding this, much of the small pool of research is generated by American researchers. Philanthropy, be it personal or corporate, is an important part of American culture. Voluntary organisations can be seen in the American context as a part of a tradition of minimal reliance on government intervention (McIlnay, 1995; Aksartova, 2003). Many American hospitals and schools are voluntary organisations (Herzlinger and Krasker, 1987; Gamm, 1996). In contrast, New Zealand does not have a strong history of personal or corporate philanthropy. Instead, state provision of services has been the norm (Nowland-Foreman, 1997). Differences between the American and New Zealand context must be noted.

3.1   Structure of the Literature and Theory Review

When considering the concept of accountability, Leat argues that there are four key questions that need to be addressed (Leat, 1988). She identified them undertaking research for her much cited work *Voluntary Organisations and Accountability*[4]. Leat's four dimensions of accountability are:

• What is accountability?

• Who are voluntary organisations accountable to?

• What do they give account for?

• Why do they give account?

A number of other accountability researchers take a similar approach. For Aldons (2001), these dimensions represent 'all familiar' questions needing to be addressed when considering accountability. Mosher (1968), Romzek and Ingraham (2000) and

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[4] The book is, to date, the key piece of research looking at voluntary organisations and accountability. But by the author's admission it is 'small scale and exploratory' and 'not representative of … the voluntary sector' (Leat, 1988: 17). It is also nearly 15 years old and was undertaken in the United Kingdom, focusing on voluntary organisations and their funding by local authorities. Despite its age, difference in context, and the small sample size, it provides a much needed starting point.

Mulgan (2003) adopt similar approaches to studying accountability in the public sector. Munro and Mouritsen (1996) even use the question 'who is accountable to who over what' to structure their book on accountability. Given the general consensus about the way to explore accountability, these four dimensions will be used to structure this review.

3.2   What is Accountability?

Theorists have labelled accountability an 'elusive' concept that is being used to describe an increasingly wide range of relationships (Sinclair, 1995; Martin, 1997; Behn, 2001). As such there is no agreed definition of what constitutes accountability (Willmott, 1996; Mulgan, 2003). Bovens (1998) even argues that a universally acceptable definition may never be identified. Mulgan provides an analysis as to why the meaning of accountability is unclear:

> Analytical confusion over the meaning of accountability is partly due to the fact that 'accountability' has only recently become popular as a generic term for scrutinising and controlling authority… Twenty years ago or more, the term was much more limited in scope, being largely confined to the areas of financial accounting and audit… Since the 1980s, the widespread adoption of accounting and audit not only as techniques of financial oversight but also as general models for management processes, public as well as private… has helped to project 'accountability' as the preferred name for processes of general scrutiny and rectification (Mulgan, 2003: 6).

For Leat (1988), an accountability relationship occurs when one party is called to account or report on their actions undertaken without immediate supervision. This definition contains elements of what will be termed 'hard' accountability in this research. Hard accountability is how most accountability researchers and theorists (be they studying the voluntary sector or otherwise) implicitly or explicitly define accountability. This definition is based on the linguistic roots of the word: to give an account, as Gregory (2003: 558) explains:

> ... the etymology of accountability in government is traceable to the requirement that the expenditure of public money be verifiable and controllable. Literally, expenditure of taxpayers' money should be rigorously accounted for.

3.2.1 'Hard' Accountability

Hard accountability describes a relationship between two parties which is structured as such (Stewart, 1984; Laughlin, 1990; Mulgan, 2003):

- One party delegates to another the power to act on their behalf. This is usually because the 'Delegator' does not have the time or skill to perform all the tasks they need completed;

- The Delegator provides some sort of reward for the party undertaking the task, usually a financial payment;

- The Delegator requires a report on what activities have occurred to ensure that their instructions have been followed. Usually the party undertaking the work will provide the Delegator with a written report of what they have done. The report is retrospective based on completed work;

- The Delegator then scrutinises and judges how well the party undertaking the work has done in completing what was required of them; and

- Sanctions, punishment or some form of redress will be applied if the Delegator is not satisfied that the work was completed as requested. Sanctions are often financial, such as the withholding of payment.

Mulgan provides a summary of the elements of hard accountability in terms of the rights and obligations of the two parties:

> [Hard] accountability thus includes the right of the account-holder to investigate and scrutinise the actions of the agent by seeking information and explanations and the right to impose remedies and sanctions. Conversely, for the accountor, the agent, accountability implies the duty to inform and explain to the account-holder and to accept remedies and sanctions. Within this process, we may

> identify an inner core consisting of the prior rights of investigation and scrutiny, and the parallel obligations to inform and explain (Mulgan, 2003: 10).

Hard accountability is the process of the Delegator seeking to *control* the actions of those to whom they have delegated tasks, and those delegated tasks *answering* for their actions (Gregory, 2003).

While acknowledging the core elements of control and answerability, theorists working in different areas describe this relationship slightly differently. Bovens (1998), from an organisation behaviour perspective, labels it *passive responsibility*. He attempts to further define the relationship and in doing so adds several elements to the definition:

- *Transgression of a norm.* The potential must exist for some action or inaction to contravene a norm or do some damage.

- *Causal connection.* There needs to be a connection between the conduct of the person held to account and the damage done. Contravention of the norm or damage done must be directly attributable to the underperformance of the person contracted to do the work.

- *Blameworthiness.* The party undertaking the work must have had the ability to act in ways other than they did. Any persons who could not help being in the causal chain should not be held accountable (Bovens, 1998).

Mosher (1968), from a public administration perspective, labels the relationship *objective responsibility*. For him the relationship is based on the responsibility of a person or organisation to someone else, outside of themselves, for something or some kind of performance. If one fails to carry out legitimate directives they are irresponsible and should be subjected to penalties. Objective responsibility is a relationship based on someone answering to someone else for carrying out specified tasks. Within Mosher's conceptualisation are notions of predictability (doing what one is expected to do) and hierarchy (the definition and delegation of duties to subordinates), measurement (evaluation of accomplishments) and authority (to sanction).

Laughlin (1990), studying religious organisations, talks about *contractual accountability* as a relationship where expectations are formally recorded and for Roberts (1991) the relationship is called *hierarchical accountability* based on subordinates accounting to their superiors. Leat (1988) identifies two variations of hard accountability: *explanatory accountability* where the relationship is based on those demanding accountability having the right to require an account but no power to enforce sanctions other than expressing disapproval or criticism; and *full accountability* where the right to require an account and impose sanctions exists. She identifies a difference in the degree to which formal and direct sanctions can be applied.

Different theorists also place importance on different aspects of hard accountability. Information is highlighted by some as the key aspect, with access to it as a proxy for power and as a mechanism of control (Stewart, 1984; Swift, 2001). Contracts - be they formal or informal - are the focus for another group of theorists. Some argue that without a contract there can be no accountability (Laughlin, 1990; Swift, 2001), while the presence or threat of sanctions is considered the most important aspect for others (Mulgan, 2003).

Hard Accountability and Agency Theory

Often those adopting the hard accountability definition are influenced by agency theory (as described in section 2.1). The party delegating are conceptualised as 'principals' and the party undertaking the tasks as 'agents' (Laughlin, 1990; Tornqvist, 1999; Mulgan, 2000a; Whitaker et al., 2002). Principals have the right to call and hold agents to account because they transfer resources to the agent with expectations of how these resources are to be used (Laughlin, 1996; Chew and Greer, 1997; Gray et al., 1997).

Agency theory assumes that agents cannot be trusted. They cannot be trusted to complete their work and complete it to the required standard. They also cannot be trusted to give an accurate report of their actions. Making them account for how they have used the principal's resources is, therefore, a serious exercise. Agents must be *called to account* - that is, give an account of their work; and also *held to account -*

that is, sanctions must be inflicted if needed. Agents will act opportunistically and with guile if there is no threat of punishment. Mulgan (2003: 9) summarises:

> Agents must not only be 'called' to account; they must also be 'held' to account. Accountability is incomplete without effective rectification. Where institutions or officials are found to have been at fault, there must be some means of imposing remedies, by penalising the offenders and compensating the victims…The principal must be able to have remedies or sanctions imposed on the agent as part of the right of authoritative direction that lies at the heart of the accountability relationship.

Whether or not principals do call their agents to account is a moot point for Mulgan (2003: 10); the potential or existence of the right to do so makes the relationship.

> ...the concept of accountability implies potentiality (account*ability*), the *possibility* of being called and held to account. Someone can therefore be account*able* without actually be held to account. All that is necessary is that some account-holder has a right to call the agent to account, not that this right is actually exercised. Thus professionals in a position of trust, such as elected leaders or public officials, can say that they are accountable for everything they do and that there is no area of their behaviour that is free form public scrutiny. They do not mean that every action actually is questioned, only that every action might be.

The principal–agent relationship is fundamentally unequal. Ultimate authority lies with the principal who has the right to call and hold the agent to account. As agency theorists have well documented, this does not necessarily translate into actual power. Information asymmetries and incomplete information (as described in section 2.1) disadvantage the principal. Resolving this position of weakness is the basis of the accountability relationship (Mulgan, 2003).

Hard accountability can be presented diagrammatically as in Figure 3.1 below.

Sanctions for not meeting
performance expectations

Offer of
delegation

Principal

Agent

Acceptance of
delegation

Reporting on delegated tasks
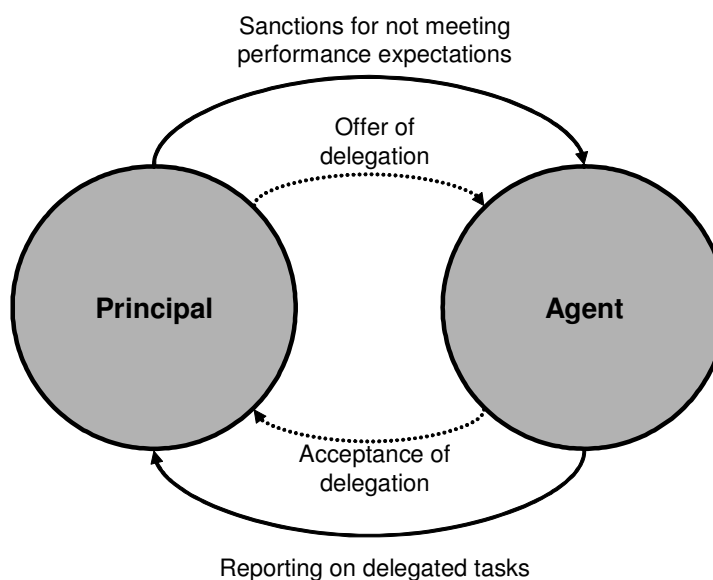
Figure 3.1: Hard Accountability

Hard Accountability and Voluntary Sector Research

The concepts of principals and agents have been widely adopted in voluntary sector research. American researchers have been particularly vigorous in their application of agency theory. This can be linked to a preoccupation in the American literature with fraud prevention. Several recent high profile fraud cases involving prominent voluntary organisations have driven this (Young et al., 1996; Hoefer, 2000; Holland, 2002). Agency theory, with its inherent distrust of agents, provides a useful framework for studying organisations in this context.

Hard accountability is the most widely adopted way of thinking about voluntary sector accountability. In the United Kingdom, the key voluntary sector researchers adopt a hard conceptualisation (Leat, 1988; Rochester, 1995; Kumar, 1996; Leat, 1996). Similarly, Cutt and Murray (2000) (prominent Canadian voluntary sector researchers) adopt what they call a 'core' definition of accountability which also aligns with the hard definition.

Agency theory has been particularly influential in thinking about accountability and public service contracting with voluntary organisations. Kearns (2003: 582) summarises:

Current approaches to maintaining accountability in a diffused system of public service delivery are based primarily on principal–agent theory, which brings with it accountability measures like competitive bidding, performance contracting, mandated quality controls, outcome measurement, program evaluation and independent financial audits… These accountability instruments focus exclusively on *compliance* and address the most narrow definition of accountability – requiring service providers to literally 'account' for expenditures and activities to ensure that they are in accordance with legal, regulatory and contractual agreements.'

Indeed, Ott and Dicke (2000: 294) conclude that accountability and control are used interchangeably:

The operational definition of accountability in today's human service contracts is mostly limited to control.

3.2.2   Limitations of Hard Accountability

While widely adopted as a way of thinking about accountability, hard accountability (with the principal–agent relationship at its core) is not without its limitations.

Reporting occurs after the agent has completed their work. While the possibility of sanctions may deter the agent from shirking, sanctions after the fact are a weak form of control (Mulgan, 2003). Agents also cannot be trusted to give principals the best information in their reports. It is not in the agent's interest to let the principal know that they have performed poorly (Swift, 2001). Indeed, Miller's (2002a) Canadian research showed that even if the staff of voluntary organisations wanted to provide good information on their performance it was difficult to do so as performance was difficult to quantify and measure.

Agency theory suggests that one solution for principals seeking better assurance is to tighten control over their agents by increasing the level of specification in contracts. Laughlin (1996) found, however, in his study of religious organisations, that as contracts became more specified, and agents lost autonomy, the level of conflict increased. Agents were also increasingly motivated to work to their own agenda and misreport their activities.

Principals are assumed to have the right to control the behaviour of agents. Any departure from the principal's wishes is worthy of sanction (Laughlin, 1996). Principals may require agents to do things that may be considered inappropriate[5]. The managers of voluntary organisations (agents) may be expected to prioritise the needs of their funders (the principal) at the expense of focusing on their organisation mission (Tandon, 1995; Kearns, 1996). The economic frame that agency theory operates within also means the focus is on individual gain and survival, and not the wider societal impacts of any behaviour (Shearer, 2002).

Thinking about accountability as a relationship between principals and agents enforces hierarchical thinking. In reality, however, principals often play multiple roles in relation to their agents[6], and agents may have relationships with many principals (Ebrahim, 2003). Indeed Llewellyn and Lindkvist (2003: 252) concluded that communality is discouraged and issues of morality, tradition, culture and ethics are ignored when accountability is narrowly defined in hierarchical terms:

> When such procedural rationality reigns, action is a matter of each individual following the impersonal rules of the system … Roberts (1991) is concerned about the propensities of accounting and hierarchical accountabilities to produce "…a sense of the self as essentially solitary and singular, nervously preoccupied with how one is seen." (p 355). More generally, the dominance of these forms of accountability also implies the suppression of moral values.

Hard accountability cannot cater for relationships based on trust. Agents are assumed untrustworthy, and to that extent may even become untrustworthy: the self-fulfilling prophecy effect. Formal agreements and reporting are needed as proxies for trust. These are costly and ineffective methods of accountability (de Leon, 2003).

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[5] Gregory (2003) uses the example of Nazi officers to make this point. While they may have been completely accountable to their superiors, their actions were unacceptable.

[6] A government agency, for example, may fund an organisation and monitor it accordingly, as well as work to build the organisation's capacity to deliver services.

Many relationships are based on trust and their accountability mechanisms need to be designed accordingly.

> ... in situations where trust is present the trusted tend to disclose more accurate, relevant and complete information, whereas the trusting feel less need to impose social controls in order to gain access to or influence over information (Swift, 2001: 20).

Hard accountability is based on the assumption that principals have the ability to sanction agents. Kearns (1996) and Miller (2002a) argue that this is not always the case and hard definitions of accountability cannot explain relationships when the principal is not the higher authority. Kearns found that the American voluntary organisations he studied answered to a wide range of stakeholders, some with a limited ability to sanction them.

> Accountability includes much more than just the formal processes and channels for reporting to a higher authority. Instead, the term accountability generally refers to a wide spectrum of public expectations dealing with organisational performance, responsiveness, and even morality of government and nonprofit organisations … the range of people and institutions to whom public and nonprofit organisations must account includes not only higher authorities in the institutional chain but also the general public, the news media, peer agencies, donors and other stakeholders (Kearns, 1996: 9).

Miller (2002a) came to similar conclusions in the Canadian context. Voluntary organisation staff provided accounts to stakeholders who had little power over them because, among other things, they felt they had a sense of responsibility to do so.

> The accountability trail also extends beyond those with a direct claim on the organisation to others with no immediate contact or knowledge about it. What they do have is a view on how all such non-profits should behave and the expectation that each non-profit has a responsibility to uphold standards for the credibility of that part of the sector. The degree of felt accountability to each of the diverse stakeholders will vary significantly. Moving from those with direct claims to the more tenuous or diffuse relationships, such as 'constituency' or 'sectoral', depends on the degree of organisational consciousness about their

value, the sense of responsibility toward sometimes 'imagined' stakeholders, the capacity to fulfil this and the pressure exerted by the stakeholders themselves (Miller, 2002a: 555).

The everyday use of the term accountability is much broader than the hard accountability definition. The public does not see accountability in strictly legal or organisational terms. It usually includes professional, ethical and moral dimensions. In practice, being accountable can mean being responsive to the needs of clients or community members, upholding professional and societal values, and being open and transparent (Thomas, 2003). Indeed, Kearns (1996) argues that defining accountability in 'hard' terms is not meaningful to the professionals, elected officials, trustees and others who have to manage being accountable every day. He states in a more recent article that:

> Citizens, watch-dog agencies and the news media simply do not adhere to strict, academically precise definitions of accountability. To them, accountability means much more than reporting one's compliance through an established chain of command. These stakeholders believe that accountability extends to broader goals such as serving the public interest and preserving the public trust. In their view, compliance with technical contractual obligations is only part of the equation. They want to ensure that *their* standards of appropriate behaviour, as well as the standards of the enforcing agency, are adhered to (Kearns, 2003: 583).

Hard accountability, with a focus on controlling agents, is a punitive model of accountability. It retrospectively scrutinises the actions of agents. This can lead to a 'gotcha' mentality focused on attributing blame (Romzek and Ingraham, 2000). Gregory (2003) argues that this can be counterproductive. Opportunities to learn from mistakes are lost when accountability becomes a witch hunt. Collaboration between government and voluntary sector is currently encouraged and policy issues are increasingly complex. In such an environment, a more collective, remedial approach may be more appropriate than solely relying on individualised, punitive mechanisms.

Indeed, hard accountability assumes that agents act independently and have complete control over their work. In an increasingly inter-dependent world, this assumption must be challenged as:

> The traditional, vertical, straight line and individualistic interpretation of accountability does not fit with the emerging reality of a horizontal, interconnected and collective approach to problem solving (Thomas, 2003: 550).

Summary

Hard accountability involves a principal delegating work to an agent and ensuring the work is completed as required. Agents are required to report on their progress, principals will monitor them and apply sanctions if necessary. A number of limitations of thinking about accountability in these terms have been identified. Hard accountability cannot explain relationships that do not fit the principal-agent model. As this discussion has shown, one or more of the agency theory assumptions may not be present and, while the hard accountability definition is widely adopted in the literature, the everyday use of the word is broader.

3.2.3   'Soft' Accountability

An inability to explain relationships that do not conform to the model of hard accountability has lead to alternative, broad conceptualisations. These definitions relax the agency theory assumptions. In particular, these conceptualisations encompass relationships where the agent has voluntarily chosen to undertake work. No formal delegation occurs.

Theorists describe alternative definitions of accountability in slightly different ways. Bovens (1998: 26), in his study of behaviour in complex organisations, identified what he called *active responsibility*. This is a relationship between parties based on acting responsibly, taking responsibility and behaving responsibly towards the other.

A party is said to be behaving appropriately towards the other when they:

- Base their actions on or show signs of acknowledging potential dangers to the other party;

- Consider the consequences of their actions;

- Operate independently. Both parties need to be autonomous and not under any coercion; and

- Operate on a verifiable and consistent code and not impulse or sudden reactions. Conduct should be comprehensible and verifiable by outsiders.

Bovens (1998: 148-9) identifies five types of active responsibilities:

- *Hierarchical*. The relationship is based on loyalty to one's organisation and, in particular, to one's superior;

- *Personal*. Personal ethics and loyalty to one's conscience are at the fore;

- *Social*. The relationship is driven by loyalty to peers and social norms, such as decency;

- *Professional*. The emphasis lies on professional ethics and loyalty to one's professional group; and

- *Civic.* The relationship is based on adhering to civic values, such as democratic control, loyalty to parliament and public (Bovens, 1998).

Mosher (1968), writing about public service, identified what he called *subjective responsibility*.

> Its [subjective responsibility] focus is not upon whom and for what one is responsible for but to whom and for what one *feels* responsible and behaves responsibly. This meaning is more nearly synonymous with identification, loyalty, and conscience than it is with accountability and answerability. And it hinges more heavily upon the background, the processes of socialisation, and current associations in and outside the organisation than does objective responsibility [akin to hard accountability] (Mosher, 1968: 8).

Communal accountability is identified by Laughlin's (1990) study of religious organisations. The relationship is informal, morally defined and based on high levels of trust.   Agents have more discretion to carry out the wishes of the principal. Roberts' (1991) *socialising accountability* occurs in social settings where roles are unclear or uncertain, less structured, and there is a reliance on talk between parties. Stewart (1984) identified the presence of *links of accountability* where parties are linked together but there is not a clear bond of accountability such as a formal contract. Instead, one party is responsive to the needs of the other. Leat (1988) also identifies *responsive accountability* where those accountable 'take into account' the demands of those to whom they are accountable. She views this as a weak form of accountability, as there are no formal sanctions.

Kearns (1996) identifies the characteristics of 'a broader approach to accountability'. Performance measures may be formally codified in laws and regulations but they are also defined by the subjective standards and expectations of those engaged in the accountability relationship.   Anticipating emerging standards and taking proactive steps to meet them is an important aspect of an accountability relationship.

Ebrahim (2003) also considers that accountability is socially constructed. What are accepted levels of performance will depend on the nature of the relationship between parties, and the cultural and historical contexts of the relationship. To illustrate his point, he concludes that

> The changing context and increasing size of nonprofits [in America] in the late twentieth century render traditional accountability mechanisms, which relied on shared religious beliefs and compact communities, largely unworkable (Ebrahim, 2003: 194).

Definitions of alternative forms of accountability seem more aspirational than analytic - some are just vague - but the key elements of a broad conceptualisation of accountability can be identified:

- One party, free to act, chooses to do so on behalf of another party or for a certain purpose;

- Their actions are guided by values, morals or the achievement of organisation missions. A duty or obligation to another party may drive the relationship;

- Performance measures will be negotiated between parties and may be informal, fluid and dynamic. Measures will be influenced by the social, cultural and historical contexts, as well as the nature of the relationship between parties;

- Parties will be in constant dialogue. Reporting will be proactive (anticipating issues) as well as retrospective (on actions completed);

- External scrutiny of tasks completed will be coupled with self-regulation by the party doing the work. Within reason, the party doing the work is trusted to get on with it; and

- Sanctions for poor performance may be direct (such as withdrawal of funding) or indirect (such as loss of reputation, less trust).

For the purposes of this research, this definition of accountability will be called 'soft accountability'.

Like hard accountability, answerability is a component of soft accountability. Actors will answer to themselves (self-regulation of performance), may give accounts to stakeholders they view as important or have agreed to report to (so to maintain their trust or reputation) or, like hard accountability, be required to report on their actions. Soft accountability is, however, characterised by actors feeling *responsible* for their actions. Responding (as an act of free will) to a need or desire is core to these relationships. Soft accountability encompasses the internal or moral dimensions of a relationship.

Some voluntary sector researchers have adopted the soft definition. For Brown and Moore (2001) an actor is accountable when they recognise that they have made a promise to do something and accepted a moral or legal responsibility to fulfil that promise. It could be a promise between two actors, or an actor could feel and act as though it was accountable to an abstract purpose.

Fry (1995) argues that while voluntary organisations may be judged on formal measures of accountability (hard accountability), these do not govern their actions. Voluntary organisations base their actions on a deeper acceptance of responsibility and as such they are guided by their self-monitored soft accountability relationships.

Soft accountability can be seen as an emerging concept. As such, unlike hard accountability, it has been less subject to critique. Some assertions must be challenged even at this early stage.

It has been widely documented that organisations and indeed individuals find it difficult to assess their own performance in any meaningful way (Brett, 1993; Buckmaster, 1999). Self-regulation is a difficult task. Further, the fluidity of performance expectations is both a strength and weakness. Negotiation can involve a vast amount of time and resource and negotiated agreements, if left informal, may be recalled differently in time by parties. The risk is that negotiated relationships unravel over time if not renewed.

Differences between Hard and Soft Conceptualisations of Accountability

Soft accountability encompasses a broader range of relationships than hard accountability. As such, a number of differences can be identified.

Hard accountability assumes that one party has formal authority over the other. The relationship between principals and agents is unequal. Principals are assumed to have the right to sanction agents. The soft accountability definition does not make this assumption. Parties to the relationship may be inter-dependent. Sanctions may be both direct (such as the withdrawal of funding by one party) or indirect (such as a reduction in trust or damage to an organisations' reputation).

For both hard and soft definitions, accountability involves *answerability*. For hard definitions, accountability is also about *control.* For soft definitions, accountability is about being *responsive*. Hard accountability relationships are focused on controlling agents by external scrutiny and monitoring. Agents are required to formally report on their actions. The principal's expectations of agents will be clearly specified. Soft accountability does not have the same focus on control.

Agents may still answer for their actions but they will be assumed trustworthy and committed to achieving similar goals to the principal. Soft accountability includes an 'internal' dimension. Actors may be guided by a sense of duty, their ethics, morals and values. While subject to external scrutiny, actors will also self-regulate their behaviour.

Legal contracts usually structure hard accountability relationships. Dialogue and negotiation based on values and goals structure soft accountability relationships. Agents in a soft accountability relationship will have more discretion to act. Those in hard accountability relationships will be more focused on discharging assigned duties.

The focus of a hard accountability relationship is when the work is completed. This is when the principal judges whether the agent has met the principal's expectations, and whether sanctions are required. In contrast, constant self-monitoring, dialogue between parties, and readjustment occurs in a soft accountability relationship.

The two concepts can be summarised as such:

Hard Accountability: Answerability	Soft Accountability: Responsivess
A legal contract as the basis of the relationship	Moral, ethics and a sense of duty as the basis of the relationship
Accountability for pre-specified outputs	Accountability for a desired outcome, mission or goal
Those who hold the organisation to account have the authority to do so	Those who hold the organisation to account may have power to shape events but no formal authority over the organisation
Sanctions for poor performance are usually direct and tangible (such as withdrawal of funding)	Sanctions will be both direct and indirect (such as loss of reputation)
Clear, objective and explicit performance standards	Negotiated and dynamic expectations
External monitoring and control	Internal self regulation, as well as external scrutiny
Assumption that relationship is based on the need to control the agent who will act opportunistically if not controlled	Assumption that all parties will work together towards the agreed outcomes, missions or goals
Assumption that agent can not be trusted	Assumption that agent can be trusted
Retrospective reporting and punishment after deviance has occurred	Individuals choose not to deviate from expectations, do not shirk and self regulate their behaviour

Table 3.1: Hard and Soft Accountability

3.2.4   Critique of the Broadening of the Definition of Accountability

The adoption of soft accountability by researchers is not without problems. A number of scholars are critical of the broadening of the definition of accountability.

> … these developments are making accountability a very elastic term, which is
> being applied more and more loosely to a wide variety of situations (Thomas,
> 2003: 555).

In particular, critics wish to keep the definition of accountability narrow in order to avoid it being confused with what they argue is the different, but related, concept of responsibility. Accountability should be used to describe relationships based on external scrutiny of actions. In contrast, responsibility should refer to 'internalised' relationships based on morals and ethics.

> In popular parlance the two words accountability and responsibility are
> frequently used as if they were synonymous. They are not. By comparison
> accountability is a matter of political and organisational housekeeping, whereas

responsibility is about moral conflicts and issues of life and death (Gregory 2003: 558).

For Mulgan (2003) accountability is a relationship between two parties – a principal and an agent – where the agent is subject to external scrutiny. Accountability, he argues, does not apply in situations where the agent acts solely on the basis of their personal judgement. When someone acts on their own values and out of free choice this should be called *responsibility*. Responsibility involves an internal choice while accountability implies external monitoring. While he acknowledges that the two concepts are linked – holding someone to account usually implies that they are responsible for their actions – he argues that the linguistic roots of responsibility are 'to respond', and someone who chooses to do so can be praised or blamed for their actions but are not necessarily required to give an account of them.

In an organisational context, Gregory agrees. For him, accountability is answerability. It is a necessary component of responsibility. Accountability results in a demand for an account, responsibility is about the moral obligation to answer, and answer honestly. Accountability is silent on the responsible exercise of discretion. This is the job of the concept of responsibility (Gregory, 1995; Gregory, 2003).

But critics acknowledge the difficulty of maintaining a narrow definition of accountability, distinct from responsibility. They recognise that developing appropriate accountability mechanisms for the current inter-dependent, devolved, and deregulated context may lead to the adoption of broad multi-dimensional definitions and alternative ways of thinking about accountability (Behn, 2001; Gregory, 2003; Thomas, 2003). As Gregory (2003: 566) summarises:

> One size does not fit all, and there can be no last word written on these complex issues. The last decades of the twentieth century saw a widespread shift to the contractual 'out-sourcing' of public goods and services; the adoption of market and quasi-market approaches to service delivery;…the general emergence of what has been referred to as the 'shadow state' or the 'hollow state' … The growth of discretionary authority has demanded increasingly higher levels of

responsible action in the exercise of public power. But reliance on formal accountability procedures, essential as they are, is unlikely to guarantee these levels. Reliance on them alone will diminish rather than enhance them. New, more positive arrangements and expectations need to be established.

3.2.5 Summary: Definitions of Accountability

Two conceptualisations of accountability have been identified. Hard accountability, the most widely adopted concept, draws on agency theory. Soft accountability, an emerging concept, takes a broader view of what constitutes accountability. The question now is: to what extent, if at all, do these concepts help explain the staff of voluntary organisations' perceptions of accountability?

3.3   To Whom Do Voluntary Organisations Account To?

A wide range of stakeholders to whom voluntary organisations may account are identified in the literature. This section reviews the stakeholders identified in an attempt to determine which accountability relationships are important and why.

3.3.1 Government Agencies

Governments are the major funders of voluntary sectors in many jurisdictions, including New Zealand (Miller, 1998; Kendall and Knapp, 2000; Robinson and Hanley, 2002). Compared with relationships with other stakeholders, much has been written about the voluntary organisation–government funding relationships and the accountability mechanisms that control them. However, little is known about the voluntary perspective of accountability to government.

It is generally concluded that accounting to government funding agencies is given the highest priority (Kramer, 1994). Indeed, accounting to government is thought to take precedence over the needs of service users (Miller, 1998; Harris, 2001b; Campbell, 2002) and local communities (Hardina, 1993). Focusing on contract level goals may be at the expense of the organisations' mission (Nowland-Foreman, 1997; Campbell, 2002).

> Tightly drawn contracts and close regulation and monitoring can restrict the
> ability of voluntary organisations to develop their own responses to social needs

> … Participation in government programmes and new projects can deflect
> voluntary agencies from their core missions and receipt of government funding
> can inhibit voluntary agencies from expressing viewpoints different to those of
> their funders. Voluntary agencies can find it increasingly difficult to make
> choices about whose needs get priority and how those needs are met. (Harris,
> 2001b: 218).

Because voluntary organisations may need to compete with other organisations for contracts, relationships between voluntary organisations are said to diminish (Miller, 1998). Resources may also be focused on reporting to government at the expense of the professional development of the organisations' staff (Cordes et al., 2001).

Bernstein's (1991) voluntary sector interviewees concluded that accountability was a mechanism government agencies used to exert control over them. Government agencies exercised their perceived superior power by increasing their demands for information without increasing funding, using homogenous grading systems for performance monitoring not suited to the organisation or the contract and demanding that an increasing number of services be delivered within a specific timeframe, thus reducing the ability of the professionals delivering the service to exercise their judgement.

The focus of the accountability relationship is usually financial information (Poertner and Rapp, 1985). As mechanisms for monitoring the performance of the delivery of complex social services are not well developed, financial information is perceived as a means for government agencies to control and restrict. Middleton Stone (1996) found that organisations changed their board composition on entering contracting relationships with government agencies to include members with financial skills to address this dimension. Focusing too strongly on financial elements detracts from consideration of important questions about the quality of services provided (Blasi, 2002).

3.3.2 Volunteers

Volunteers, or unpaid workers, are one of the main 'internal[7]' stakeholders identified in the literature. Voluntary organisations in New Zealand and elsewhere are reliant on volunteers to deliver services (Clary et al., 1992; Wilson, 2001).

Volunteers are not easily controlled, as the contractual accountabilities between employer and paid employees do not exist. Monitoring the performance of volunteers is considered fraught (Leat, 1996; Vigoda, 2001). The sheer number of volunteers working for many organisations makes it difficult to design accountability procedures for them, as do issues of retention, recruitment (Clary et al., 1992) and competition over them (Bruce, 1995).

Volunteers often have simultaneous roles within an organisation. As board members, they are subject to the ultimate accountability for the organisation's performance. As volunteers, they may be accountable for their personal performance. As clients of the organisation, they may also be dependent on the quality of service provided (Brophy, 1994). As such, they will be subject to multiple and conflicting accountability expectations. Complicated accountability relationships result (Leat, 1996).

3.3.3 Large Donors

The relationship voluntary organisations have with non-government funders, such as philanthropic trusts, foundations and large individual donors, has not been well documented. The consensus is that voluntary organisations invest much energy into the accountability relationships with organisations and people that donate large amounts of money (Bruce, 1995). Indeed, Hardina's (1993) study found that organisations abandoned programmes that were not consistent with the foundations' policies that funded them.

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[7] 'Internal,' in that they work for the organisation and as such may be considered subject to internal processes of control and monitoring.

3.3.4 Peer Organisations

Accountability to peer organisations – voluntary organisations working in similar areas – was identified in the literature as an important relationship. Ospina et al (2002) concluded that 'sideways' accountability was considered important to the organisations she studied. Kumar (1997) drew similar conclusions from her work. Markham et al (1999) found that resource allocation was guided by the networks the organisation belonged to. Programme funding was allocated by the organisations they studied based on formal and informal contacts with other organisations. Barrett's (2001) New Zealand study, although limited in its focus on one organisation, drew similar conclusions: the organisation placed much emphasis on attending inter-agency committees of peer organisations and engaging peer organisations in decision making.

3.3.5 Members

The majority of voluntary organisations have members whose membership involves expressing financial support for the organisation. Formally, such members have the power to call the board and management to account and impose sanctions but few take part in democratic processes (6 and Taylor, 1994; Rochester, 1995; Lansley, 1996). 6 and Taylor (1994) reported on empirical evidence that showed environmental group members were content to pay their dues. Few elections were contested. Indeed, many organisations surveyed were unclear about who their members were and what membership actually entailed. Members are often geographically dispersed, which makes accounting to them more difficult (Leat, 1996). Posting a periodical newsletter is the usual form of accountability (Rochester, 1995).

3.3.6 Clients

A number of UK studies have explored voluntary sector managers' attitudes towards the clients of their organisations. Emphasis by policy-makers in the 1980s and early 1990s on individual consumerism, as well as increased activism amongst disabled people and people with mental health problems in the face of service cuts, saw an

increased awareness of the importance of clients (Robson et al., 1997; Locke et al., 2001).

However, the degree to which voluntary organisations are actually committed to accounting to the users of their services is debated. Taylor (1996b) and Rochester (1995) observe that being close to their clients is part of the rhetoric of the voluntary sector. Taylor doubts that voluntary organisations account to their clients and research supports her doubts. Robson et al (1997) found 75 percent of UK voluntary organisations surveyed attempted to increase their accountability to users by getting them more involved in organisation decision-making. When probed further, most organisations meant that they had begun consulting with users. This was considered a weak response given the potential forms the accountability relationship could take. The researchers concluded that while the organisations' intentions were noble, they were not accountable to their clients in any real sense. Barrett's (2001) New Zealand study drew similar conclusions.

Hoyes et al (1993) identified the difficulties involved in accounting to service users. Getting an accurate measure of what clients think of the service is difficult. Some groups of clients may be incapable of judging service quality. Often the most vocal clients are middle class and represent only a small proportion of the client base. Rochester (1995) argues that if the needs of current users were to solely determine the nature of services provided, the wider constituency of potential beneficiaries could be neglected. Also client demands can conflict with professional judgement, and practical issues arise in listening to clients and reconciling responses with demands from funders. Bruce (1995) also argues that many UK voluntary organisations are in a monopoly provider position and users can be easily neglected, particularly when demand for the service usually always far exceeds supply.

3.3.7   Communities

The literature concludes that accounting to the communities they serve is difficult, and often given a lower priority than accounting to funders. Markham et al (1999) concluded from their study that voluntary organisations were more responsive to the interests of donors than to groups in their community. That they studied only one

type of organisation (chapters within an American women's service club) would reduce the generalisability of their findings had their results not been backed by other studies. The NGO literature documents numerous studies where accounting to government funders is at the expense of relationships with local communities (van der Heijden, 1987; Biggs and Neane, 1995; Najam, 1996). Leat's (1988) study found a similar pattern amongst voluntary organisations working with ethnic communities in Britain, as did Chaskin (2003) in American voluntary organisations established to represent local communities in political processes. Chaskin concluded of the organisations he studied:

> reporting requirements lead community organisations to expend the bulk of their energy and organisational resources on the completion of discrete requirements for which they receive targeted funding (Chaskin, 2003: 184).

Barrett's (2001) small scale New Zealand study drew similar conclusions. While those involved in the organisation thought themselves accountable to their community and the public, they had failed to file the documents required for their incorporation. These documents outline their financial information and can be seen as a key mechanism of being transparent and accountable to the public. The focus instead for this organisation was on addressing the expectations of their government funders.

Miller's (2002a) study of Canadian voluntary organisations committed to remaining accountable to their communities illustrates the difficulties in doing so. He found that to be accountable to communities, who have no real power over the organisations, was a complex process, fraught with conflict, and requiring a high level of resource investment.

The main reason given for the weak relationships with communities was the organisations' tendencies to become bureaucratised. That organisations over time tend away from participatory engagement with constituencies is well documented (Milofsky, 1987; Powell and Friedkin, 1987; Cnaan, 1991). As organisations become more formalised, dependent on government funding and appoint governing bodies, they de-emphasis their links with local communities (Cnaan, 1991).

3.3.8   Small donors

Individuals are acknowledged as an important source of funding for voluntary organisations in both New Zealand and the UK (Bruce, 1995; Robinson and Hanley, 2002). However, Bruce (1995) found that voluntary organisations do not invest much energy into the accountability relationships with individual donors or organisations that do not donate large amounts of money.

3.3.9   Professional Bodies

Accounting to professional bodies and compliance with professional codes of conduct were identified by Kearns (1994) as one of the four main types of accountability relationships voluntary organisations will be engaged in. However, few other studies identify professional bodies and their codes as important.

3.3.10 Paid Staff

Limited attention is given to accountability and the organisations' staff (Keating and Frumkin, 2003) other than the widespread observation that the nature of the accountability of staff to their governing bodies is often unclear (Rochester, 1995).

Staff may become a more important body of stakeholders as the voluntary sector 'professionalises' (Fink, 1989; Berman, 1999). To win government contracts, the management of voluntary organisations are becoming increasingly reliant on paid, professional staff, at the expense of the traditional volunteer base (Taylor, 1996b; Locke et al., 2001; Middleton Stone et al., 2001).

> The processes of contracting with public sector agencies required enhanced professional managerial skills within voluntary organisations, both in bidding for contracts and managing the delivery of services. Tighter management seemed necessary because the consequences of defaulting on a contract were more serious than defaulting on a grant … In some voluntary organisations users and non-expert stakeholders were marginalized (Locke et al., 2001: 202-3).

Vigoda (2001) views the lack of attention to the systems of accountability for paid staff as problematic. Management and organisation theory considering employee

performance is not appropriate for the staff of voluntary organisations.   The motivation of voluntary sector employees may be different to their private and public sector counterparts, and the voluntary sector is a unique environment requiring independent scholarly attention.

3.3.11 The Governing Board

The literature is divided on the issues of who the governing board think they are accountable to and for what.   Several studies report that board members did not acknowledge their legal or fiduciary accountabilities (Green and Griesinger, 1996; Gibleman et al., 1997).   Other studies report that board members felt accountable to a wide range of stakeholders including being actively involved in the relationship with government funding agencies (Saidel, 1993; Harlen and Saidel, 1994; Miller et al., 1994; Saidel and Harlen, 1998; Harris, 2001a).

The literature is similarly divided on perceptions of accountability to the board. Some studies found CEOs thought themselves accountable to the board while others found that CEOs saw the board in terms of 'rubber stamping' their activities (Kramer, 1965; Kramer, 1985; Bradshaw et al., 1992; Fletcher, 1992; Golensky, 1993).   Indeed, Fink (1989) identifies the concept of 'paper boards'.   Kumar (1997) found that the senior managers she interviewed did not think they were accountable to the board as members were out-of-touch with the organisation.   A number of studies identify tension between staff and board members based on a lack of understanding of their respective roles (Harris, 1993b; Bradshaw, 2002).

3.3.12 Important and Unimportant Accountability Relationships

Table 3.2 summaries the status of accountability relationships based on the relevant literature.

Important accountability relationships	Acknowledged but Less Important Accountabilities	Potential or unclear status
Government agencies	Members	Professional bodies
Volunteers	Clients	Paid Staff
Large donors	Local Communities	Governing Board
Peer organisations	Small donors	

Table 3.2: Important and Less Important Stakeholders

3.3.13 Multiple Accountabilities

The table above shows that voluntary organisations are potentially accountable to a large number of stakeholders. This is also widely recognised in the literature by a number of researchers (refer Leat, 1988; Rochester, 1995; Kumar, 1996; Leat, 1996; Kumar, 1997; Brown and Moore, 2001).

The tension between the demands of different stakeholders is well documented: in particular, the tension between the accountability demands of funders (upwards) and accounting to users and communities (downwards) (refer Leat, 1988; Rochester, 1995; Kumar, 1996; Kumar, 1997; Brown and Moore, 2001). Edwards (1996: 87) succinctly illustrates this dilemma:

> All NGOs have multiple accountabilities … accountability is overwhelmingly 'upwards' to trustees and regulators. But since their mission and values emphasise 'empowerment', they also want to involve stakeholders in decision making or at least consultation.

FitzGibbon (1997), taking an historical perspective, shows that managing multiple stakeholders and their vested interests has long been a problem for voluntary organisations.

> Non profits occupy a unique position in terms of the variety of constituencies to which they are accountable: the public at large, the government, donors, clients, and their own employees. In part, this often places nonprofits at the centre of a complex of conflicting, often irreconcilable demands and vested interests. In the 1870s [in Cleveland, USA], the personal, ad hoc, and independent voluntary associations exhibited a rather straightforward and uncomplicated set of relationships. After the turn of the century, however, as organisations grew

> more elaborate, interdependent, and reliant on an ever-broadening pool of public and private funding, the set of relationships into which they were drawn became more intricate and burdensome. A conflict arose over the need of a benevolent organisation to satisfy its many constituencies while trying to retain the traditional flexibility and voluntary impulse of charitable organisations (FitzGibbon, 1997: 34-5).

Walking the fine line between keeping powerful stakeholders happy and resources flowing as well as staying true to the organisations' purpose of serving clients and communities is considered the key voluntary sector management challenge (Leat, 1988; Kendall and Knapp, 1996; Brown and Moore, 2001).

Given that managing the conflicting demands of multiple stakeholders is a key management challenge, it is surprising that few studies consider the relative importance given to accounting to stakeholders and how tensions are managed.

Kumars' (1997) UK research attempted to map stakeholder relationships. She found voluntary sector managers she interviewed acknowledged five accountability relationships:

- Ultimate accountability to users;

- A strong sense of two way accountability with the government official in the purchasing organisation with whom they interacted. The relationship was on a personal level, though they were aware of consequences of not being seen to be accountable and potential removal of funding;

- They personally thought they were directly accountable to their line manager within the organisation;

- They rarely observed their line management accountability as extending to the trustees, about whom they spoke in fairly disparaging terms and who were not seen to be in touch with the organisation;

- They also felt they were accountable to their local network of voluntary and statutory organisations; and

- They believed they were accountable to 'people who put the money in the collecting boxes' (Kumar, 1997).

Her research studied two large organisations that were selected because they were established social services providers with a long history of contracting to government. She interviewed the managers involved in the service delivery. Given these factors, her findings of the importance of users are not surprising. Had she interviewed the governors she may have found a very different 'map', perhaps with more emphasis on the local community. While couching her research in terms of the contractual relationship with government provides useful information about this type of accountability relationship, it is only the perspective of one type of organisation (large, established social service providers) in one type of relationship (long-term contractual relationship with government).

Ospina et al (2002) also attempts to map stakeholder relationships. Their exploratory research with managers in American voluntary organisations looked at how they managed the relationship between their funders and communities. They found that managers create a variety of formal and informal mechanisms to sustain their relationships with the community in the midst of ongoing accountability demands. Their sample consisted of voluntary organisations selected for their determination to maintain their relationships with the community. So while her research shows that it is possible to balance the relationship between the community and funders, it is very much skewed to 'successful examples'.

Woodward and Marshall (2002) is the only study found to date that considers what priority voluntary organisations place on stakeholders. Their large scale national survey of over 2000 Australian not-for-profit companies (a specific legal type of voluntary organisation) asked the companies to nominate the top three most important stakeholders.

Members were considered the most important, followed by the organisation's clients, followed by government. The general public was ranked in the top three by only 11 per cent of organisations. The results did not differ by organisation type. The researchers concluded that the survey technique used, while providing an overview,

could not detect what dynamics and processes were at play, nor suggest explanations, and their open-ended questions yielded limited results. They urged follow-up research, using qualitative techniques (Woodward and Marshall, 2002).

Some authors have theorised about how voluntary organisations should prioritise between stakeholders. Smith (1993) argues decisions on managing multiple stakeholders should be made on a *moral* basis; Lawry (1995) on an *ethical* basis; and Bogart (1995) for *economic* considerations to guide the decisions. Brown and Moore (2001) argue that all three bases as well as *legal* requirements need to be considered. Lansley (1996) suggests that many organisations only cope because some stakeholders do not assert their rights for an account, or managers decide who to give account to based on a calculation of the support the organisation can least do without, or base their decisions on ideological positions.

There has been limited theoretical or empirical work to date on the relative priorities assigned to accountability relationships. Given that there is a potentially wide range of stakeholders to account to, and the problems that multiple accountabilities generate, this is an important omission in the literature. Indeed, Leat's (1996: 62) conclusion still stands:

> There is little data on how voluntary organisations define accountability, what priority they attach to it, and what systems and procedures they have in place. Studies raising the issue of accountability tend to be concerned primarily with accountability to statutory funders.

3.3.14 Stakeholder Theory: Predicting Important Accountability Relationships

The question must be asked why some accountability relationships are prioritised and others are not. Stakeholder theory provides an explanation for this and attempts to predict who managers will see as important stakeholders to account to (Gray et al., 1997). The essence of stakeholder theory is an attempt to answer the fundamental question – which groups are stakeholders deserving an organisation's attention and which are not (Mitchell et al., 1997)?

What is a Stakeholder?

What constitutes a stakeholder? Mitchell et al (1997) identify two responses to this question – those who propose a narrow definition and those who propose a broad one.

A *narrow* definition focuses on stakeholders in terms of their direct relevance to an organisation's economic interests. It focuses limited managerial time on the most important external constraints. Stakeholders are usually mandated by regulations or laws or contracts, or pose financial risk, or a risk to the achievement of the organisation's goals (Cornell and Shapiro, 1987; Freeman and Evan, 1990). In contrast, a *broad* conceptualisation of stakeholders includes all individuals or groups who can affect or are affected by the organisation. The basis of the relationship is stakeholder power over the organisation derived from their stake in the organisation's successful achievement of its goals (Freeman, 1984).

Whatever definition is adopted, theorists recognise that managers only have so much energy and that priority must be attached to stakeholders. Important stakeholders will be given an account; managers will not be able to account to all stakeholders (Mulgan, 2003). A number of categorisation schemas of stakeholders are presented to guide managers in their stakeholder sorting decisions:

- Generic vs specific stakeholders: the difference depending on the issues the stakeholders are interested in (Frooman, 1999);

- Primary vs secondary: the difference depending on the strength of the stakeholder (Frooman, 1999; Rowley and Moldoveanu, 2003);

- Claimant and influencer: stakeholders rights based on either a direct claim or the ability to influence the organisation (Kaler, 2002a);

- Compatible and incompatible: with organisation objectives (Friedman and Miles, 2002); and

- Voluntary and involuntary: whether the organisation chose to give account to the stakeholders or had no choice but to (Rowley and Moldoveanu, 2003).

However, Kanter and Brinkerhoff (1981), D'Aunno (1992) and Harrison and Freeman (1999) conclude that most of the schemas are not well developed and offer limited guidance on which stakeholders managers should give most attention to.

Two widely cited studies take up the challenge of showing, conceptually and empirically, who organisations respond to and why (Mitchell et al., 1997; Agle et al., 1999). They develop the idea that stakeholders become salient to managers to the extent that those managers perceive stakeholders as possessing three attributes – power, legitimacy and urgency. Power is defined as the extent to which managers perceive that stakeholders can impose their will on the organisation. Legitimate stakeholders are those that are perceived to have an acceptable claim on the organisation and the power to enforce their claim. Urgent claims are those that are time sensitive and a manager will need to respond to the claim quickly (Mitchell et al., 1997)

These ideas, and stakeholder theory in general, are widely accepted. Critics have challenged its 'uni-directional' assumptions as limited recognition is given to the ability of the stakeholder to influence the organisation. Stakeholder theorists have, in the past, focused on how stakeholders should be managed by the organisation. Current research is addressing this by exploring stakeholder perspectives as Frooman (1999: 192) explains:

> Missing from the theory, then, has been an account of how stakeholders manage a firm to enable them to achieve their interests, possibly at the expense of the firms' … And, if what a firm should do is partly determined by what its stakeholders will do, we need an account of what its stakeholders will do. Therefore, to be really useful to a firm trying to manage its stakeholders, stakeholder theory must provide an account of how stakeholders try to manage a firm.

Others have also cautioned that a generalised theory of stakeholders must not assume that stakeholders will behave consistently. Their significance may change depending on the issue at hand:

> Stakeholders' significance depends upon the situation and the issues and managers must have appropriate methods to deal with different stakeholders. Of all the possible stakeholders, the ones who will be relevant to the organisation's executives depend on the particular issue. Both the stakeholder's willingness and opportunity to act are particularly sensitive to specific issues … Executives can not assume a supportive stakeholder on the first issue will be so on the second, nor that a non-supportive stakeholder on the second issue will always be non-supportive. Issue specificity suggest that stakeholder diagnosis is an ongoing activity (Savage, 1991: 62-3).

Stakeholder Theory and Voluntary Organisations

Stakeholder theory was developed by theorists considering private sector businesses, and has not been widely applied to voluntary organisations, so how applicable is it to the study of voluntary organisations? Bryson et al (2002), proponents of using stakeholder theory in public policy development, recently applied stakeholder theory to the voluntary sector. Their conclusion was that the importance of managing stakeholders is as important, if not more so, for voluntary sector organisations. According to Bryson:

> The notion of paying attention to stakeholders is very, very old. Niccolo Macchiavelli, for example, really was operating out of a kind of stakeholder theory. And most social science literatures have an idea of who stakeholders are and how they relate to one another, although each literature uses different names for stakeholders. So business management has no exclusive claim to 'stakeholder theory' – indeed, I would argue that business management theorists are latecomers to the field. Of course stakeholder theory applies to nonprofit organizations (Bryson, 2003).

3.3.15 Summary: To Whom do Voluntary Organisations Account?

Government funding agencies, large donors, volunteers and peer organisations were found by the literature review to be the important stakeholders of voluntary organisations. Other stakeholders (their members, clients, communities, and small donors) were identified but given a lower priority. A number of other stakeholders (professional bodies, the organisations' staff and governing bodies) may be potentially important stakeholders in the future.

Stakeholder theory, though relatively untested in the voluntary sector context, suggests that these stakeholders are considered important because they are perceived as powerful, with urgent and legitimate demands on the organisation.

3.4 For What are they Accountable?

Mulgan (2003) argues that accountability is typically focused on the performance of some task or duty which the agent is required to perform. A number of typologies of accountability have been advanced by voluntary sector theorists, most of which considered what voluntary organisations are accountable for.

Leat (1988) showed that voluntary organisations are accountable for the proper use of money (*fiscal* accountability); following correct procedures (*process* accountability), the quality of their work (*programme* accountability), and the appropriateness or relevance of their work (accountability for *priorities*). Cutt's (1982) taxonomy of accountabilities can be seen as a simpler version of Leat's. He argues that voluntary organisations are accountable for two things: their procedures and the consequence of their actions. Voluntary organisations must account for their processes because those providing the resources need assurance that they are being used properly, and for the consequences of their actions because they have used scarce resources to produce them.

Typologies developed in public sector contexts can be seen to have been influential. Stewart's (1984) much cited 'ladder' of accountability considers that agents are accountable for:

- Probity and legality;

- The adequacy of internal controls;

- Performance in relation to established standards;

- Outcomes according to set objectives; and

- The acceptability of outcomes (Stewart, 1984).

Day and Klein (1987) and Behn (2001) have also produced typologies along similar lines from public service contexts. The similarities should be noted between the public-service based typologies and those proposed by Leat and Cutt.

Kearns' (1994) voluntary sector taxonomy takes a different tack and has voluntary organisations accountable for compliance with external regulations (*compliance* accountability), maintaining the expectations found in social values or beliefs (*negotiated* accountability), professional standards (*professional / discretionary* accountability) and for changing and influencing the expectations of them (*anticipatory / positioning* accountability). He criticises the 'Leat-like' typologies because they trap thinking about accountability relationships into a narrow management frame. Kearns (1994) and Young (2002) argue that voluntary organisations are ultimately accountable for fulfilling their missions. While donors and volunteers and funding have to be accounted for along the way, these accountabilities are secondary to accountability for holding the organisation in trust for the benefit of society.

Two different responses to what voluntary organisations are accountable for can be found in the literature. One places emphasis on accounting for the achievement of the organisation's purpose. This could be seen as an outcome approach. The other, more widely adopted, places emphasis on what the first would consider secondary or process accountabilities: accounting for the use of resources, processes, quality of work and doing the 'right work'. As most of the taxonomies are dated, contemporary exploration of what voluntary organisations think themselves accountable for is timely.

3.5   Why are they Accountable?

The question of why voluntary organisations think they are accountable is given little attention in the voluntary sector literature. Leat (1988) makes a gallant attempt at a taxonomy of why voluntary organisations account:

- Higher authorities in structures or hierarchies (social or organisational structures) demand an account (*structural* accountability);

- The organisation has accepted a delegation and must report on progress (*delegate* accountability); and

- The organisation feels that it is accountable and gives an account (*felt* accountability) (Leat, 1988).

Several organisation theories provide a more comprehensive analysis of why voluntary organisations account. These theories consider the relationships organisations have with their environment. The environment for voluntary organisations, as already argued, consists of many stakeholders.

Resource dependency theory attempts to understand organisation behaviour by considering the impact of the flow of resources into the organisation (Pfeffer and Salancik, 1978). Resource dependency theorists argue that if the organisation is reliant on one stakeholder for funds, they will be beholden to that stakeholder. The stakeholder is assumed to have much power over the organisation. Organisations will seek multiple funding streams to avoid dependency on one funder. Organisations survive and flourish based on how effective they are in managing the demands of the stakeholders that provide funds. The stakeholders that will be most important to the organisation are those who hold the resources the organisation needs (Scott, 1987).

While resources are important to an organisation, resource dependency alone provides a narrow view of the nature of an organisation's relationship with its stakeholders. *Neo-institutional theory* complements resource dependency. It considers the impact on organisational behaviour of a broader range of stakeholders.

These theorists are interested in the impact of institutions on the behaviours of organisations and the processes of institutionalising: the process organisations go through as they respond to the values, cultures, rules and regulations of the environment they operate in (Scott, 1998). Institutions are defined by Scott as

> … multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources. Institutions exhibit distinctive properties: they are relatively resistant to change … They tend to transmit across generations, to be maintained and reproduced (Scott, 1995: 49).

The study of the processes of institutionalisation was first brought to prominence by Philip Selznick in the 1950s. Reinvigorated interest in the 1980s by Richard Scott, Paul Dimaggio and Walter Powell has seen neo-institutionalism flourish. The importance of organisational adaptation to institutional templates and myths present in the organisation's environment is a well accepted feature of the study of organisations (Lowndes, 1996).

Scott describes the relationship between an organisation and its environment as such: how an organisation relates to its environment is influenced by its structure and strategy, while its structure and strategy are, conversely, shaped by external forces:

> … organisations are not fortresses, impervious to the buffeting or the blessing of their environments. On the other hand … organisations are not wind tunnels, completely open and responsive to every perturbation of their contexts. Organisations construct and reconstruct boundaries across which they relate to the outside world (Scott, 1998: 123).

For neo-institutionalists, organisations need legitimacy to survive (Baum and Oliver, 1991; Oliver, 1991; Suchman, 1995). Survival, they argue, is based not only on material imperatives but on conformity to cultural norms and symbols. According to Suchman (1995: 574):

> Legitimacy leads to persistence because audiences are most likely to supply resources to organisations that appear desirable, proper and appropriate.

Organisations obtain legitimacy by conforming to the requirements of their environment. These requirements may be regulative (based on laws, rules and contracts), normative (based on social obligations and norms) and cognitive (taken for granted assumptions) (Scott, 1995).

Stakeholders also supply organisations with legitimacy. They impose constraints and requirements and create myths about the organisation (Scott, 1987). Stakeholders make judgements about organisational effectiveness that can result in the withdrawal of funding (Herman and Renz, 1997). Organisations need to conform to the pressures of stakeholders in order to maintain their legitimacy. The most important stakeholders will be those whose confidence in the firm is most needed (Wood, 1991).

Neo-institutionalism has been criticised for over-emphasising environmental influences and for focusing on isomorphic pressures. It cannot account for the diversity of organisations, nor the fact that organisations may not be so passive and may actually influence their stakeholders. Its focus on compliance with stakeholder demands leaves little scope for collaboration (Hirsch, 1997). For these reasons, neo-institutionalism is well tempered by resource dependency theory with its focus on the strategic behaviour of organisations in securing resources from multiple sources and actively avoiding stakeholder control.

Both resource dependency (Gronbjerg, 1991; Saidel, 1991) and neo-institutionalism (Feeney, 1997; Wernet, 1997; Abzug and Galaskiewicz, 2001) have been widely applied to the voluntary sector. Indeed, Hermovics et al (1993) were bold enough to say that resource dependency explains how voluntary organisations work. Galaskiewicz and Bielefeld (1998) sought to test various organisation theories for their applicability to voluntary organisations, and concluded neo-institutionalism was an appropriate and useful framework to explain change in voluntary organisations.

3.6   Summary: Research Gaps

Leat (1988) and other accountability theorists conclude that after defining what is meant by accountability, to whom, for what and why are the key questions needed to be asked and answered.

3.6.1   What is Accountability?

This review has proposed two different concepts of accountability. But how accountability is actually defined by voluntary organisations is a largely unexplored question.

3.6.2   To Whom are they Accountable?

A long list of potential stakeholders has been identified. Some indication is given as to how the various stakeholders may be viewed. However, there has been little work done on the relative importance of stakeholders. Stakeholder theory provides some suggestions as to who will be given the most priority, but it is relatively untested in voluntary sector research.

3.6.3   What are they Accountable For?

What voluntary organisations are accountable for has been given limited attention. Two opposing camps can be identified. Many of the studies are dated. This is an area needing investigation.

3.6.4   Why are they Accountable?

Again, this has been given minimal attention. Two organisation theories appropriate to the voluntary sector context provide suggestions about why organisations will account: to secure funding and legitimacy. These assertions need empirical investigation.

3.6.5   Research Questions

In sum, the questions 'what is accountability' and 'to whom, for what and why' posed by Leat (1988) and other accountability theorists have not been well addressed by the literature to date. These questions are said to capture the key dimensions of accountability. Adopting them as the key questions for this research will contribute

to the current body of knowledge by providing a systematic analysis of the dimensions considered important.

The specific research questions are therefore:

• To whom do they perceive themselves accountable?

• For what do they think they are accountable?

• Why do they think they are accountable?

How the staff of voluntary organisations define or conceptualise accountability – implicitly or explicitly – will also be considered.

3.7   Anticipated Perceptions

The synthesised insights from the literature review can be presented as a framework, as in Figure 3.2.
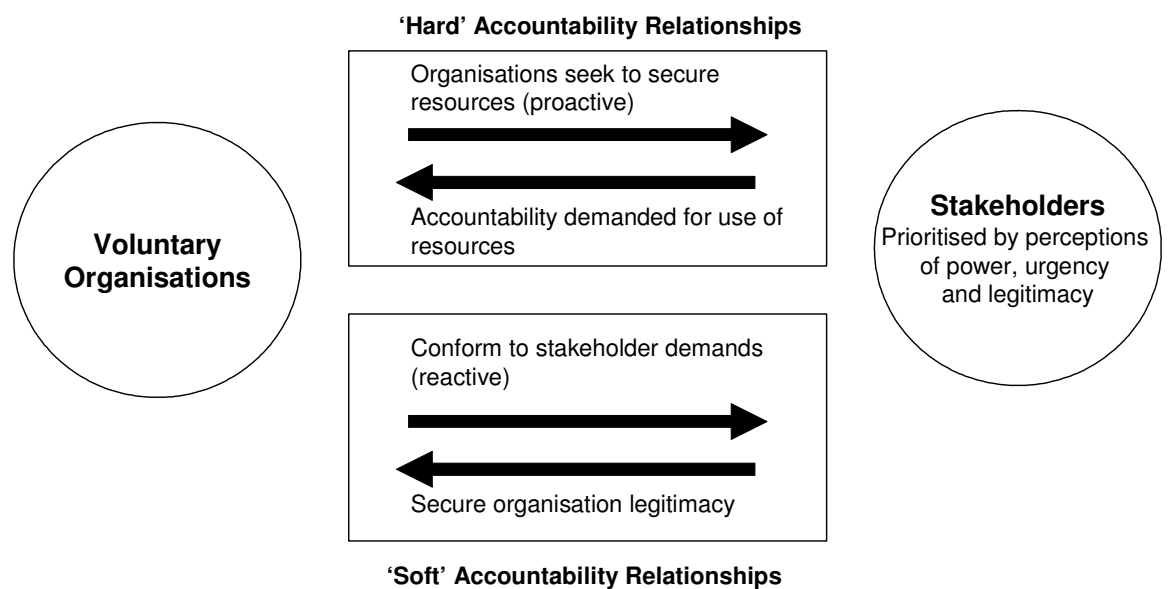
Figure 3.2: Theoretical Framework

It is anticipated that the staff of voluntary organisations will seek to give an account (proactive behaviour), and that accounts will be demanded of them (reactive behaviour). They will seek to *answer* to stakeholders to secure resources for the organisation and will attempt to ensure that they are not dependent on one or a few sources of funding. They will also *respond* to the perceived demands of stakeholders to ensure the legitimacy of the organisation is maintained. Both 'hard' and 'soft' conceptualisations will, therefore, be identified.

It is expected that the majority of accountability relationships will be perceived as 'hard'; involving coercion and contracts. These relationships will support a perception of the voluntary organisation as an *agent*. Monitoring and reporting will be a strong feature, to ensure the agent does not shirk.

The staff of the voluntary organisations may also recognise 'soft' accountability relationships; those that do not involve formal sanctions or coercion. They will be entered into voluntarily, and may be concerned with ensuring that the organisation is seen as legitimate in the eyes of a broad range of stakeholders.

The most important stakeholders will be seen to be those that have the most power over the organisation and whose demands for accountability are perceived to be both urgent and legitimate.

Chapter 4

Methodology

This chapter outlines the methodology used to address the research questions. The methodological paradigm, research strategy (approach to data collection and analysis) and mechanisms to evaluate validity, reliability and generalisability are presented.

4.1 Adopting an Appropriate Research Design

Bryman (2001) identifies a number of factors that need to be addressed when designing a research method:

- *The relationship between theory and research*, in particular whether the approach is deductive (theory guides the research) or inductive (theory is an outcome of the research);

- *Epistemological issues*, or views of what is acceptable knowledge about the social world;

- *Ontological issues*, addressing the issue as to whether the world is regarded as something external to the social actors or not;

- *The research strategy* to be adopted, whether qualitative or quantitative data is sought;

- The impact of *values and ethical issues* on the social research process (Bryman, 2001).

Each of these aspects of the research design will now be considered.

4.1.1 Relationship between Theory and Research

Research can either aim to test an existing theory (a deductive approach) or develop new theories (an inductive approach). A deductive approach would involve developing hypotheses from the findings of the literature review. The research would test the hypotheses and draw conclusions as to their validity.

Given the relatively limited available knowledge about voluntary sector perspectives of accountability, a deductive approach was not used. Also, a number of the key areas (for example, the definition of accountability) are contested. Developing useful hypotheses would be difficult. As this research aims to explore the staff of voluntary organisations' perceptions of accountability, a more inductive approach is appropriate.

However, the distinction between inductive and deductive approaches must be categorised as one of degree and iteration (Bryman, 2001; Locke, 2001). While the research does not focus on testing hypotheses, it was conducted with knowledge of what previous research has found; the insights of such were presented in the previous chapter. The research questions to be explored in the research are based on knowledge of what has been previously discovered.

4.1.2 Epistemological Considerations

An epistemological issue concerns the question of what is regarded as acceptable knowledge. The central issue in social science is whether the social world can be studied according to the same principles and procedures used in studying the natural world. A *positivist* epistemology[8] affirms the importance of studying the social

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[8] Bryman (2001) defines positivism as:

> ….an epistemological position that advocates the applications of the methods of the natural sciences to the study of social reality and beyond. But the term stretches beyond this principle, though the constituent elements may vary between authors. However positivism is also taken to entail the following: 1) Only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge (the principle of *phenomenalism*); 2) The purpose of the theory is to generate hypotheses that can be tested and that will thereby allow explanations of

world as if it were the natural world. An *interpretive* paradigm[9] suggests that social actors are different to natural phenomena and research needs to interpret or understand their behaviour from their perspective (Burrell and Morgan, 1979; Bryman, 2001; Silverman, 2001).

This research will take an interpretive perspective. As the perceptions of staff, board members and managers of voluntary organisations are the focus of this research, access to their thinking is needed to interpret their subjective perceptions. This stance is backed by a number of other voluntary sector researchers. Herman and Renz's (1999) research on voluntary organisations concluded that accountability relationships involved two parties who, on the basis of limited objective performance data, based their judgements of each other on subjective perceptions. For this reason, they argue that an interpretive approach is the most appropriate for the study of voluntary sector accountability relationships and performance.

4.1.3 Ontological Considerations

Ontology is concerned with the issue of whether social entities should be considered objective entities that exist external to social actors (an *objectivist* ontology) or

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laws to be assessed (the principle of *deductivism*); 3) Knowledge is arrived at through the gathering of facts that provide the basis for the laws (the principles of *inductivism*); 4) Science must (and presumably can) be conducted in a way that is value free (that is, *objective*) 5) There is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist. This last principle is implied by the first because the truth or otherwise of normative statements cannot be confirmed by the senses (Bryman, 2001: 12).

[9] In contrast, Bryman (2001: 13) defines interpretivism as:

... an alternative to the positivist orthodoxy that has held sway for decades. It is predicated upon the view that a strategy is required that respects the differences between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action.

whether they are socially constructed from the perceptions and actions of social actors (a *constructivist* position) (Bryman 2001).

The entities considered by this research are voluntary organisations. While they are assumed to have structural realities (such as physical locations), they are also the product of social interaction and in a constant state of revision. Their reputation and images are, for example, created and recreated by stakeholders' perceptions of their performance and the worthiness of their mission. Such perceptions are constantly changing.

Research on voluntary organisations has identified their dynamic nature. For example, Golden-Biddle and Rao's (1997) research concluded that individual board members constructed different realities of their organisation's identity. A constructivist ontology is, therefore, most appropriate.

4.1.4 Qualitative or Quantitative Research

Quantitative research emphasises quantification in the collection and analysis of data and generally entails a deductive approach, incorporates the norms and practices of the natural scientific model and is linked to an objectivist ontology. Qualitative research usually emphasises words, takes an inductive approach and constructivist ontology (Bryman 2001). Denzin and Lincoln (1994: 2) also consider an interpretive epistemology central to the qualitative approach as:

> … qualitative researchers study things in their natural settings, attempting to make sense of, or interpret phenomena in terms of the meanings people bring to them … hoping always to get a better fix on the subject matter at hand.

Qualitative data was sought in this research for a number of reasons. As well as being compatible with the epistemological and ontological positions taken by this research (interpretive and constructivist) as demonstrated by Denzin and Lincoln and Bryman above, it is suitable for research questions, such as the ones posed by this research, that stress how social experience is created and given meaning. Denzin and Lincoln (1994) conclude that qualitative data is, at its essence, descriptions of routine and problematic moments and meaning in people's lives. Studying what those

working for voluntary organisations say provides insights into how they interpret the world and the meaning they give to things. This will allow for an in-depth picture of how respondents view their stakeholders and accountability relationships.

Qualitative data is also considered 'rich.' As Miles and Huberman (1994: 1) argue, qualitative data is

> … a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts. With qualitative data one can preserve chronological flow, see precisely what events led to which consequences and derive fruitful explanations.

Given the exploratory orientation of this research, rich data is needed to identify such consequences and explanations. Indeed Woodward and Marshall (2004) conclude that their large scale quantitative survey of the perceptions of the importance of the stakeholders of one type of voluntary organisations (not-for-profit companies) was hampered by its lack of qualitative data. Their quantitative data could not reveal any of the contextual and process dynamics that occurred. Adopting a qualitative approach, they stated, would provide a much needed understanding of the complexities of accountability relationships and stakeholders.

4.1.5   Values and Ethical Issues

Thinking about the process of research and the researcher's role in it is termed *reflexivity* (Hammersley and Atkinson, 1995). My gender, ethnicity, previous career as a government official, and experience of volunteering, may affect the research process. To acknowledge and minimise the effects of my values, reflexive steps have been built into the research design. They are discussed later in this section.

Ethical considerations were also taken into consideration. Those interviewed may speak negatively about organisations on which their organisation relies for funding. Ensuring those interviewed have given informed consent and are aware of the uses of their information is important (Hammersley and Atkinson, 1995). Confidentially will be guaranteed by ensuring the case study organisations and those interviewed are not identified by using code names and not divulging information that could identify

them. The research design has been given ethical approval by the appropriate research body[10].

4.2 Research Strategy: Case Studies

The term 'case study' has been used in a number of different ways in the methodological literature. It is used to describe a research method akin to direct observation or unstructured interviews (Turner, 1983; Hammersley, 1992), and the object of the research (Stake, 1994; Stake, 1995). For Yin (1981; 1994), the case study represents a way of defining the boundaries of the research within which data from different sources are gathered.

The case study approach is appropriate for this research for a number of reasons:

- The research questions seek explanations (how and why and what) and so need a research design that facilitates understanding of linkages. Case studies, as data collection with a focus on relationships with and between cases, are well suited to this research need;

- It is predicted that the context will be important in determining who the stakeholders are that voluntary organisations think they are accountable to. Case studies, as investigations of contemporary phenomenon within the real life context, will facilitate the exploration of the links between the context and perceptions of leaders of voluntary organisations;

- The research questions are exploratory, in that they will need clarification and development as the research unfolds. Again, case studies are suitable for this because the data collection is concentrated in a bounded area and on a manageable number of incidents; and

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[10] The Victoria University of Wellington Human Ethics Committee granted this research approval on 1st October 2003. The process was a useful exercise as potential ethical issues were identified and proactive strategies to manage them developed before field work commenced.

- The perceptions of the actors cannot be controlled in this research. Case study research is suited to such conditions (unlike experimental research) because control or manipulation of behaviours is neither required nor possible.

4.2.1   Multiple Case Studies

A multiple case study approach, as opposed to undertaking a single case, was adopted because it increases the ability to generalise and develop theory from the findings. Adopting a single case study approach, and the need to identify only one intrinsic case, would limit the ability of the research to do this.

In order to develop theory, four to nine case studies need to be undertaken (Eisenhardt, 1989b). As a lone researcher within the confines of a PhD programme, the minimum number required will be undertaken.

4.2.2   Study Population

The four case studies focus on one type of organisation: voluntary organisations that provide social services. Focusing on one organisation type increases the ability to undertake analytical generalisations between the organisations (Yin, 1981; Yin, 1994).

Salamon and Anheier's (1994) definition of 'social service provider' was adopted. In order to undertake their comparative study of voluntary sectors, Salamon and Anheier developed an internationally recognised classification scheme. The International Classification of Non Profit Organisations, or ICNPO, has been widely adopted and identifies 12 major groups of voluntary organisations. One group is 'social services' which they define as welfare services provided to children, youth, family, handicapped and the elderly (Salamon and Anheier, 1994).

These organisations are the focus of this research because in Salamon and Anheier's (1994) study this group was the third largest behind education and health service providers. In New Zealand, unlike in many of the nations studied, education and health services are generally state-provided, so social services provision can be considered a very important function of voluntary organisations.

Further, Governments in Westminster Parliamentary systems from the mid 1980s have increasingly contracted with voluntary organisations for the provision of many public services (Deakin and Walsh, 1996; Smith and Smyth, 1996; Milward and Provan, 2000). Social services, driven by the escalating costs of welfare provision in the face of declining government revenues, were particularly selected for provision by voluntary organisations (Taylor and Lansley, 1992). Voluntary organisations providing social services are at the forefront of contractual relationships with government. They are therefore at the forefront of the issues of contracting and accountability (Schwartz, 2001; O'Regan and Oster, 2002). By studying the organisations at the 'cutting edge' of the issues of government–voluntary sector accountability problems, the potential for generating insights to improve this relationship is greatly increased.

Social service providers are also likely to have a full range of potential stakeholders (such as users, multiple funders, communities and staff), and their activities are subject to much regulation. Studying these organisations allows for exploration of the full range of accountability relationships and the priorities given to different stakeholders can be observed.

Practically, there are a relatively large number of social service providers and, generally, they have a high profile. Several umbrella bodies (such as New Zealand Federation of Voluntary Welfare Organisations) represent their interests. These factors made it possible to access the four selected case study organisations.

4.2.3   Case Study Selection Criteria

It was not possible to use sampling as a mechanism for selecting case studies. Four case studies is too small a number to represent a complex population and, as outlined in Chapter 2, little is known about the voluntary sector in New Zealand. Yin (1994) instead proposes the *logic of replication* to select case studies. Each case is selected so that it either produces similar results (literal replication) or produces contrasting results but for predictable reasons (theoretical replication).

The replication selections are based on the research's theoretical framework. The framework should state the conditions under which a particular phenomenon is likely

to be found or not. Yin (1994) states that even in exploratory and inductive research, some initial propositions are needed to guide the case study selection.

The theoretical framework developed for this research is presented in section 3.7. An initial proposition, as recommended by Yin (1994), can be identified from the framework. Stakeholders perceived by the staff of voluntary organisations to have power over them will be given the most attention. Those that provide resources and legitimacy will be considered to be the most powerful.

Government agencies are considered the most important stakeholder when the organisation depends on them for resources (refer section 3.3.1). Volunteers are considered the next most important stakeholder (refer section 3.3.2). The framework would suggest that this is because they bring the organisation legitimacy.

The most concrete proposition available from the framework is that voluntary organisations which are dependent on government funding will see government as a key stakeholder. Extrapolating from this we can suggest that those that are not dependent on government may not see government as such an important stakeholder. This is proposed as a replication variable.

Using Yin's (1994) theoretical replication logic, two case studies of voluntary organisations dependent on government funding (that is, receiving the large majority of their funding from government – for example over 80 percent) should show that government was considered the key stakeholder. Two further case studies of voluntary organisations that are not predominantly dependent on government funding (receiving less than 50 per cent) should show that government was not perceived as the key stakeholder.

This, however, leaves a large population of possible case study organisations, and the need to introduce a second replication variable. Volunteers, the literature review found, are another powerful stakeholder. Research suggests that a high degree of reliance on volunteers means it is more difficult to manage internal accountability mechanisms (such as performance management) and external accountability relationships (such as the reporting required for government contracts). This is

because volunteers are not as easily managed and held to account as paid staff. A large number of volunteers engaged in the delivery of social services may make the organisation's accountability relationships more difficult and complex (Clary et al., 1992; Vigoda, 2001).

The performance of volunteers engaged in service delivery is crucial in shaping how the overall performance of the organisation is perceived by stakeholders. Committed volunteers delivering a constant, quality service will enhance the reputation and the perceived legitimacy of the organisation. The degree to which the organisation is reliant on volunteers in the delivery of services to clients is therefore adopted as the second replication variable. This variable can be arbitrarily quantified for the purposes of the research: low involvement of volunteers in service delivery was defined as less than 40 per cent; high involvement was defined as more than 60 per cent.

The following matrix outlines the variables used to select the four case studies.

Voluntary organisation not dependent on government funding and low number of volunteers involved in service delivery. Prediction: Stakeholders other than government seen as important (perhaps because they generate legitimacy for the organisation). Accountability relationships seen as relatively simple.	*Voluntary organisation dependent on government funding and high number of volunteers involved in service delivery* Prediction: Government as key stakeholder because of resource dependencies. Accountability relationships seen as relatively complex
Voluntary organisation not dependent on government funding and high number of volunteers involved in service delivery. Prediction: Stakeholders other than government seen as important (perhaps because they generate legitimacy for the organisation). Accountability relationships seen as relatively complex.	*Voluntary organisation dependent on government funding and low number of volunteers involved in service delivery.* Prediction: Government as key stakeholder because of resource dependencies. Accountability relationships seen as relatively simple.

Table 4.1: Case Study Selection Matrix

The four case studies selected conform to the matrix as such:

Variable	Case 1: Low Government Funding / Low Dependence on Volunteers	Case 2: High Government Funding / High Use of Volunteers
Services	Support services for families, youth and seniors	Community support and counselling services for seniors
Paid Staff	150 Full Time Equivalents (FTES)	Head Office: 4 FTES National Organisation: 120 (approx. 50 FTES)
Volunteers	Less than 5, an hour per week	4000 (approx 83 FTES)
Funding: (2001/02)	Public donations 39%	Public donations 2%
	Grants from Lotteries/ Charitable Trusts 19%	Grants from Lotteries / Charitable Trusts 6.5%
	Investments, rent, interest, dividends 13%	Interest 1.5%
	Government contracts 11%	Government Contracts 90% (more than $1 million)
	Sponsorship 6%	Fees for Services 0.01%
	Fundraising 4%	Sale of goods 0.1%
	ACC rebate 4%	
	Sale of goods 4%	
Operating area	Large region	National
Organisation type	Head office with branch offices; hierarchical management structure	National office of federated organisation; federates autonomous and independent. National office role: co-ordination and policy developed. Federates role: service delivery.

Variable	Case 3: Low Government Funding / High Dependence on Volunteers	Case 4: High Government Funding / Low Reliance on Volunteers
Services	A service for children and their families	Family and youth counselling, residential care
Paid staff	1 part time	Paid Staff: 930 FTEs
Volunteers	150	Nominal
Funding: (2001/02)	Grants from philanthropic trusts 1%	Donations / Lotteries / Grants from Philanthropic Trusts 35%
	Government agencies 10% ($1000)	Government Contracts 60%
	Fees for services 89%	Investments, Rent 4%
Area of Operation	City suburb	Large region
Organisation type	Volunteer committee with membership called upon to undertake work	Board with elected members, management team in head office and regional and institution managers.

Table 4.2: Details of Case Studies

4.3   Data Collection: Triangulation[11]

Using different 'lenses' or research methods to collect data on the same phenomenon reduces the likelihood of misinterpretation of data, thus increasing the reliability and validity of the research (Morse, 1994). This is called *methodological triangulation* (Flick, 1992). Because repetition is difficult to build into qualitative, inductive research, methodological triangulation serves to clarify meaning by identifying different ways the phenomenon is being seen (Stake, 1994). Within the case studies, three data collection methods were adopted (semi-structured interviews, document analysis, and observation).

Data source triangulation – using different data sources to see if the same meaning is found under different circumstances – was also adopted (Flick, 1992). Three versions of the actors' narratives were collected – their spoken accounts (semi-structured interviews), their written accounts (documents), and their actions (observations of interactions with stakeholders).

4.3.1   Semi-Structured Interviews with Organisation 'Leaders'

In the methodological literature, three types of interviews are identified[12] (Berg, 1998; Bryman, 2001). Formal (structured, focused) interviews involve the administration of an interview schedule by an interviewer. Because the questions and range of responses are standardised, the replies can be aggregated and a degree of accuracy obtained (Bryman 2001). Unstructured interviews allow the respondent

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[11] Two other types of triangulation exist: theory triangulation (approaching the data from various theoretical perspectives) and investigator triangulation (using different interviewers to correct the subjective bias of the individual) (Flick, 1992). A degree of theoretical triangulation is adopted in this research with insights from neo-institutionalism, stakeholder and resource dependency theory to be considered in light of the data collection. Investigator triangulation is not, however, possible within the confines of the PhD programme.

[12] Some authors only acknowledge two – formal (structured) or informal (semi-structured) (Fontana and Frey, 1994)

to talk about what is important to them with only limited prompting from the interviewer. Semi-structured interviews sit between the two extremes. The researcher has a list of questions but the interviewee has a degree of leeway in how to reply (Berg 1998).

Semi-structured interviews were undertaken because the research is exploratory. Using this approach the interviewees often digressed to discuss what they thought was important, but a pre-determined interview schedule ensured that set topics were covered. New ideas were captured, and themes from the literature were explored.

The 'leaders' of the voluntary organisation were interviewed. Leaders are defined as those who influence decisions about accountability relationships. Theory[13], law[14] and research evidence[15] point to the boards of voluntary organisations as being where accountability relationships begin and end. Boards are ultimately accountable for external accountability relationships (such as to funders) and, internally, staff are ultimately accountable to the board.

However, the assumption that board members make decisions alone has been challenged. Chief executives are also influential in decision-making and board members often work in partnership with chief executives (Harris, 1993a; Green and Griesinger, 1996; Saidel and Harlen, 1998). Some chief executives also seek a degree of control over the board (Senor, 1963). Senior management may also influence board members (Ott, 2001; Bradshaw, 2002).

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[13] For examples of voluntary organisation governance theory that situates accountability relationships within the roles of board members refer (Middleton, 1987; Leat, 1988; Ott, 2001).

[14] While Siciliano and Spiro (1992) outline the personal liability of board members and conclude that it is unclear in the American setting, Dunn and Legge (2000) present an outline of the legal responsibilities of British board members (Siciliano and Spiro, 1992; Dunn and Legge, 2000).

[15] Young et al (1996) and Inglis et al (1999) are examples of research into the roles of boards in voluntary organisations that show the role of boards in accountability relationships (Young et al., 1996; Inglis et al., 1999).

Those who are most likely to influence who the organisation answers or responds to, for what, why and how are board members, the chief executive and senior management. These people constitute the sample from which the interviewees were selected. The Chief Executive and Chair of the Board, or equivalents, were interviewed in all four case studies. The remaining interviewees were selected from senior managers (up to 5) and board members (up to 5). Seven to ten interviews per case were undertaken to ensure a good cross-section of the leaders and an adequate volume of data was generated. A total of 34 interviews were conducted between October and December 2003. A detailed record of those interviewed can be found in Appendix A.

4.3.2 Document Analysis

Documents are defined by Bryman (2001) as: material that can be read, has not been produced for the purposes of social research, is preserved so that it can be analysed, and is relevant to the concerns of the social researcher.

Written communications from the staff of voluntary organisations to stakeholders fulfil these criteria. Such documents include annual reports, newsletters and advertisements. The text employed in such documents can be interpreted as interview transcripts, and presents another version of how the leaders of voluntary organisations construct their reality, in terms of perceptions of stakeholders (Miller, 1997; Flick, 2002).

Following from the interviews, the stakeholders perceived important to the organisation were identified and any documents prepared for them were requested. Documents included annual reports, newsletters, letters requesting donations, strategic plans, advertising pamphlets, websites and documents prepared for government agencies. The full list of documents analysed can be found in Appendix B.

Bryman's (2001: 370) criteria for assessing the quality of documents are:

- *Authenticity*: is the evidence genuine and of unquestionable origin?

- *Credibility*: is the evidence free from error or distortion?

- *Representativeness*: is the evidence typical of its kind, and if not, is the extent of its uniqueness known?

- *Meaning*: is the evidence clear and comprehensible?

These criteria were adopted to consider whether each document received was to be included in the analysis.

4.3.3 Direct Observation

Direct observations of leaders talking about and interacting with stakeholders provide another type of insight into their perceptions of the importance of the stakeholders and the nature of the perceived accountability relationship. How interviewees talk about their relationships with stakeholders – tone of voice, body language and use of language – tells much about how they perceive this relationship (Adler and Adler, 1994). Detailed notes were taken during and immediately after the interviews recording the non-verbal information relayed.

While the data from observation proved not to be a large or important source of insights, it supplemented the other two sources. Recording observations after an interview or meeting brought a useful discipline to the data collection and helped the process of analysis and reflection.

4.3.4 Comparing the Techniques

Table 4.3 below compares each approach, and Table 4.4 (cont.) illustrates their strengths and weaknesses. Each method has been selected to collect a specific aspect of the interviewees' perceptions about accountability. When taken together the three methods compensate for the weaknesses in each individual method.

Research Method	Why selected? Why appropriate?	Data Collected
Semi-structured Interviews	Semi-structured interviews allow for open ended questions and relatively free flow of ideas (as opposed to structured interviews that require a response to pre-established questions and codes (Fontana and Frey, 1994). When such questions and codes are not immediately obvious, such as in research on values, beliefs and perceptions Morse (1994 p224) states that unstructured interviews should be used (Morse, 1994).	Interview data represents one form of 'speech event' (Spradley, 1979) which is an organised sequence of ideas of the world (McCracken, 1988) prompted by the researcher's questions.
Document Analysis	Documents and text represent another source of information (beyond the spoken word) about the construction of reality (Hodder, 1994). While such documents require the researcher to interpret them, they remove some of the bias potential in the interview situation. Interpretation will be guided by the themes and issues identified in the interview stage.	Documents, the official sanctioned texts of organisations that are not produced for the purposes of the research and that relate to accountability, will be coded with the interview transcripts.
Direct Observation	Non participant observations provide a third alternative source about how reality is being constructed – the discussion between members, and between members and their stakeholders. It presents the most naturalistic of the data collection methods, so removing as much as possible observer effects from the data collection (this is why participant observation has been rejected). This will allow further understanding of the themes and issues identified in the previous two stages.	Detailed field notes and memos will be taken while observing interactions between members of the voluntary organisation when discussing stakeholders and accountability, and in meetings between members and their stakeholders.

Table 4.3: Types of Data Collection Techniques

Research Method	Strengths	Weaknesses
Semi-structured Interviews	Provides in-depth rich data; Gives some idea about how respondent views the world through the responses they chose to give; Transcripts are relatively easy to analyse and compare; The interviewer can seek responses to questions that are of interest to the research; Privileges the spoken word and expression, and acknowledges the importance of speech as a means of constructing realities.	Prompts during interviews can control the information given by respondents (leading questions); Respondents give the information they think is required; and Interviewers tailor questions based on their preconceived notions of the respondent (McCracken 1988; Kvale 1996); Few standard techniques so reliance on the experience and judgements of the interviewer (Kvale, 1996); Focuses on thoughts and experiences at the expense of action (Kvale, 1996); Is an unnatural form of communication as respondents required to demonstrate competence in the role the interviewer casts them in. Interview data represents a particular representation of the respondents' construction of reality (Dingwall, 1997). Success based on intangibles such as rapport, level of respondent apprehension (Spradley, 1979);
Document Analysis	One form of constructed reality captured in time and space; Are formal snapshots of an organisation's reality (Miller, 1997); They are enduring and can give historical insight (Hodder 1994)	Need to contextualise the document (its history, audience, author) in order to interpret it sensibly; Documents' meanings are not stable and will be interpreted differently by different people (Hodder, 1994; Miller, 1997);

Table 4.4: Strengths and Weaknesses of Data Collection Techniques

Research Method	Strengths	Weaknesses
Direct Observation	Able to view the subjects interacting with each other; Subjects do not have to appear as rational to the researcher as in an interview (Dingwall 1997); Non-interventionalist so removes as much as possible observer effects; Allows insight as much as possible into private settings; Unstructured so subjects are free to reveal what is important to them (Adler and Adler, 1994);	Validity of technique questioned because observers rely on their perceptions of what is happening (in this research strategy the observations will be guided by themes and issues from the interview data and document analysis); Reliability in question because can not verify that the events observed are not random (Adler and Adler 1994); Potential bias as only view instances that support researchers ideas (Lofland, 1971); As a non participant, the researcher is an 'outsider' so not so privileged with access to private thoughts (Spradley, 1980).

Table 4.4 (cont.)

4.3.5   Piloting

Once the interview schedule was formulated, it was tested with experienced researchers to identify poorly worded questions and bias. It was then tested with four leaders in two voluntary organisations that fulfilled the case study selection criteria. This was to determine whether the information sought by the research would actually be obtained by the research schedule. The pilot voluntary organisation leaders were also asked to identify documents that may be of use to the research. Observations of non-verbal cues were also completed for the pilot interviews. This provided a useful starting point for gathering the three sources of data needed for triangulations.

Berg (1998) suggests that this two-step process, involving experienced researchers and those familiar with the study's subject, should ensure the interview schedule is as well designed as possible.

The interview transcripts, documents and observation sheets were coded in order to develop a standardised process before the proper data gathering began.

The final interview schedule, and post-interview coding sheet, can be viewed in Appendix C.

4.3.6 Grounded Theory Approach to Data Analysis

Grounded theory is a data analysis technique appropriate for case study research strategies, such as this one, that are inductive and based on qualitative data. Developed in the late 1960s by two academics in reaction to the prevalence of quantitative science, it is a systematic process for analysing data and developing theory. Data is coded, categories identified and defined from the codes, and relationships between categories are discovered which form the theory. Coding occurs during the research process and the researcher is able to modify the data collection to learn more about categories and their inter-relationships. Cases are selected in order to enhance theory development (Strauss and Corbin, 1994; Locke, 1996; Bryman, 2001; Locke, 2001).

Grounded theory is not without its critics. Alvesson and Skoldberg (2000) have outlined their concerns. Grounded theory assumes that by adopting a seemingly objective analytical process, the subjectivity of the researcher will be mitigated. In effect, however, the researcher will influence the selection of codes and categories. They also think that too much weight is given to theory development, as opposed to describing the case at hand, and that researchers will 'reinvent the wheel' by developing their own theory without awareness of what is already available. As such, there is a risk of creating trivial knowledge (and investing a lot of time and energy in doing so) and discovering the obvious (Alvesson and Skoldberg, 2000).

In light of these cautions and the practical limitations of the PhD process, the main tenets of grounded theory were adopted: theoretical sampling, in-depth memoing as the research progresses, coding after each case is completed, and the identification of categories.

4.4 Evaluative Criteria for Qualitative Research

Though the nomenclature differs between authors, three main criteria for assessing the quality of social research can be identified: reliability, replication and validity (Bryman 2001). Reliability is the extent to which a measurement procedure yields the same answer, however and wherever it is carried out. Validity is the extent to

which the research gives the correct answer, and replicability the extent to which the study can be repeated (Kirk and Miller, 1986).

However, there is debate about these criteria. Two camps exist[16]. One camp argues that qualitative methods can be objective and should adopt the criteria applied to quantitative methods (namely reliability, replication and validity as defined by quantitative texts). They outline strategies to ensure such criteria are met (LeCompte and Goetz, 1982; Kirk and Miller, 1986; Silverman, 2000; Bryman, 2001; Silverman, 2001).

For Kirk and Miller (1986) reliability can be achieved in qualitative methods by making detailed field notes that eliminate the idiosyncrasies of the researcher. Validity can be achieved by adopting a variety of different data collection methods. If each method points to similar results, it is likely that the results are valid. If one method involves face-to-face interaction over a period of time, validity claims are strengthened.

LeCompte and Goetz (1982) suggest that external reliability can be achieved by identifying the role and status of the researcher within the group studied (acknowledging the impact they have on the research findings); giving reasons why the informants were selected and how atypical informants were avoided; and acknowledging the social setting and its effect on research findings. External validity can also be achieved via multi-site research and theoretical sampling.

Internal reliability can be achieved by good field notes; using multiple researchers if possible; checking the results with participants; and the examination of the study by peers. Qualitative methods are considered to have high internal validity because the researcher is constantly checking with field (LeCompte and Goetz, 1982).

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[16] Hammersley (1992) identifies a third camp that rejects the need to judge the quality of social research. Proponents of this position argue that the existence of multiple realities denies that any one account is better than another. I, however, accept the need to prove the quality of my research in order to have the results viewed as credible (Hammersley, 1992).

Others argue that qualitative methods stem from a paradigm quite different to quantitative ones. Qualitative research, therefore, needs to be judged by standards that are appropriate to what it is attempting to achieve. Alternative criteria are presented in the literature, indeed Altheide and Johnson (1994) identify 14 definitions for a validity criteria.

The most referenced set of criteria are by Guba and Lincoln (1994). Lincoln and Guba pose *trustworthiness* to replace reliability and validity and *transferability* to replace replicability. Trustworthiness is defined as:

- *Credibility* (a replacement for validity): the extent to which the findings are believable and accepted by the people studied;

- *Dependability* (a replacement for reliability): the extent to which the findings are likely to apply at other times; and

- *Confirmability* (a replacement for the condition of objectivity implicit in quantitative methods): the extent to which the inferences are based on the data and are logical and of high utility.

I acknowledge the paradigmatic differences inherent in qualitative and quantitative research and the need to judge them by different standards. In conducting and writing up my research I aim to fulfil the criteria outlined by Guba and Lincoln (1994) in the following ways:

- *Credibility.* Two common techniques for meeting the credibility criterion are data triangulation and respondent validation (Guba and Lincoln, 1994). Both are employed in this research. Data triangulation has been mentioned previously. Respondent validation is a process whereby the researcher provides the people who were interviewed in the research with an account of the findings. I drafted a preliminary research findings report on completion of the case studies and invited comments from key respondents. Several took the time to provide comment and confirmed that the findings were appropriate.

- *Dependability*. Guba and Lincoln propose that researchers seek an audit of their work to ensure they are making sensible coding decisions. Complete records should be kept of all phases of the research process and peers audit the work. Given the large data sets involved in qualitative research, this is not a widely adopted practice. Instead, in the presentation of the research findings direct quotes are used as outlined by Miles and Huberman (1994), to allow the reader to confirm my categorisations and conclusions.

- *Confirmability* is the criterion that shows that the conclusions drawn are based on the data gathered. Important in this is recognition of the personal values the researcher brings to the research and the potential affect of these on the research. As discussed previously, it is important to be self-reflexive during the research process (Bryman 2001). Through making detailed field notes describing not only the actions taken but also the responses to them and my critical thoughts about my impact on the research process, I attempted to be as reflexive as possible.

- *Transferability* is possible when there is a 'thick description' of both the sending and receiving contexts so a reasoned judgement about the degree of transferability is possible (Hammersely, 1992; Bryman, 2001). Undertaking in-depth case studies using multiple methods of data collection allows for thick description.

4.5   Summary

A multi-case study research strategy has been used. Four cases were undertaken of voluntary organisations that provide social services. The specific cases were selected using Yin's theoretical replication. Three data collection methods were employed: in-depth interviews, document analysis and direct observation. Qualitative data was sought. A number of steps were also taken to ensure the results are reliable, including data triangulation, seeking comment on the findings by respondents and taking detailed field notes.

Part Two

Results

I dentifying those to whom the management, board members and chief executives of voluntary organisations think they are accountable, for what, and why, is the primary aim of this research. The research revealed the following key findings (for the full results refer Appendix D):

To Whom They Think They are Accountable

The respondents thought they were most accountable to their clients. Twenty seven out of 34 respondents considered themselves primarily accountable to their organisations' clients. Staff were the second most important stakeholder to whom accountability was perceived (18 out of 34 respondents), followed by the government (16 respondents), the organisation's governing body (14 respondents), and members and churches (seven respondents for each). Other minor stakeholders to whom accountability was perceived included future clients (five respondents); voluntary organisations with whom they worked closely (five respondents); and the local community (four respondents).

What They Think They are Accountable For

Overwhelmingly the respondents perceived themselves to be accountable for the quality of care of their clients (25 out of 34 respondents). They also thought that they were accountable for ensuring clients remained safe while in their care (seven respondents). Attracting enough resources to run the organisation was also mentioned (seven respondents), as was financial prudence (five respondents), and being a good employer (four respondents).

Why They Think They are Accountable

Respondents thought themselves accountable to the organisation's clients because clients are the reason the organisation exists; they are the purpose for the organisation and for their jobs (17 respondents). Respondents also thought themselves accountable to the organisation's staff to ensure that they were happy and thus provided good care for clients. Retaining good staff was the driver behind this accountability relationship. Accountability to government for the funds they received (seven respondents), delivering on the outputs in their government contracts for service provision (six respondents), and for complying with regulations (six respondents) were also mentioned.

Board members felt accountable to their fellow board members for their performance (six respondents) and staff felt accountable to the board for performance of the organisation (five respondents). Board members also felt accountable to members because they are elected by them (five respondents), and are a source of funds (two respondents). In two cases membership was linked to church hierarchies.

Key Themes

Three key themes emerged from the results:

- *Client Accountability*. Respondents thought themselves most accountable for the quality of care provided to the organisation's clients, in particular for achieving positive outcomes for their clients. Making a positive difference in their clients' lives was seen as the reason the organisation, and their jobs, existed.

- *Internal Accountabilities*. Accountability to a group of 'internal stakeholders' – staff, members, churches, the organisation's governing body – was considered very important.

- *Accountability to Government*. Respondents considered accountability to government as their third most important accountability relationship. The relationship was based on accounting for funding, contracted outputs, and compliance with regulation.

Each theme is discussed in the following chapters.

Chapter 5

Client Accountability

"I wouldn't rank anybody else as more important than the kids. It's all about the kids" (3:2)

Accountability to clients was, across the board, perceived as the most important accountability relationship. Accountability for providing quality care for clients and making a difference in their lives was what respondents thought they were most accountable for. However, when exploring what is considered quality care and how respondents gauged whether they were making a difference, it became clear that thinking and action in this area was not well advanced.

5.1 Clients as the Most Important Accountability Relationship

Twenty-seven out of 34 respondents mentioned clients as an important accountability relationship. Clients were perceived as those that received the organisation's services. Sixteen of the 27 respondents perceived their organisation's clients as the stakeholder they were most accountable to. A further eight respondents considered clients as one of their top three accountability relationships.

The perception that clients were their most important accountability relationship was common to all case studies and to board members, chief executives and management alike. Three out the four chief executives interviewed mentioned accountability to clients, as did all respondents from Case 1.

Perceptions of accountability to clients were particularly strong amongst those working most closely with clients. Eleven out of the thirteen managers interviewed mentioned their accountability to clients. Managers generally had the most client interface of those interviewed. Analysis of the seven respondents who did not

mention accountability to clients also illustrates the link between working closely with clients and perceptions of accountability. Three worked for Case 2 and four for Case 4. The respondents from Case 2 - a head office of a federated voluntary organisation - confirmed that they had limited contact with clients. Service delivery was undertaken by the local federates. While some in the head office view the clients as most important, three saw their role as supporting the local federates. They defined the client not as the end recipient of services, but as the local federate. Those interviewed for Case 4 were managers and board members who work in the head office of a large regional social service provider. They too have limited client contact as services are provided by staff in regional offices.

Interestingly, all committee members from Case 3 mentioned accountability to clients. These committee members were not only in volunteer governance and management roles, but also used the organisation's services. That Case 3 respondents were the most client focussed is not surprising given their personal interest in the service.

Five respondents also thought they were accountable to their organisation's future clients. One CEO and four board members, one from Case 2 and four from Case 4, mentioned accountability to future clients. Respondents considered this accountability as part of their leadership and governance roles. Ensuring their organisations continued to remain viable and capable of fulfilling their missions of serving clients was considered important. To one respondent, it was the most important accountability. Three respondents placed this accountability among their top three accountabilities.

5.2   What they are Accountable for

> Our role is to try to enhance the well-being and quality of life for [the organisation's clients], that is why we are here (2.5).

Most respondents thought they were primarily accountable to clients for the quality of care they received and the resulting positive outcomes (20 respondents). For 15 respondents ensuring quality of care for their clients was what they thought they

were most accountable for. Twenty-three respondents classified accountability for quality of care as one of their top three accountabilities. All CEOs interviewed, five out of eight board members, seven out of eight committee members and nine out of 14 managers considered they were accountable for the quality of the service provided to clients. Needing to make a difference for their clients or achieving positive outcomes drove their perceptions of accountability. This was expressed most frequently by those working most closely with clients.

Because the issue of providing quality care was often mentioned in interviews, deeper probing was undertaken into what the respondents meant by quality care.

Overwhelmingly, for the three cases (1, 2, and 4) that contracted with government agencies, quality care was defined by the minimum standards outlined in the government contracts the organisation was engaged in.

> We don't have the time or resources to do proper research and base our strategies on evidence. [Our performance measures] are contract driven, we are reactive to what comes across our desk … I would like to be more proactive based on what are the priorities for [the organisation's clients] (2.2).

Case 3 received limited government funding. What funding it did receive was in the form of small grants that generated minimal compliance requirements. They did not contract with any government agency. For respondents from Case 3, government standards still defined what they considered quality care. Regulations and laws (particularly health and safety) were used as proxies.

While all respondents respected the need for government to impose standards and regulation, they were not positive about the actual nature of these constraints. A number of the specific issues raised illustrate their concerns.

Government contracts provided standardised measures of service quality. Respondents from Case 4, in particular, wanted to individualise their services to deliver what they perceived as better quality of care but felt unable to do so within the bounds of the contract specifications.

> I have five people and I need to get them all into their pyjamas so I will start with Mrs Jones and then go to Mr Smith and they will get into their pyjamas whether they want to or not because it is my time and I have to get through all those sorts of things. The issue is that they are all completely different and they all have different needs and they all have different wants and the issue is how do you cater for that after the system that says that you should deliver this by contract, you deliver this service and you will provide this and provide their medical care and provide that (4.4).

There were differences of opinion as to what constituted quality care, but respondents felt they had no option but to adopt the standards for which they were receiving payment. One respondent talked about being 'hypnotised' by government definitions of service quality so that the organisation could see no other way and focussed solely on contract delivery. The result of this, for this respondent, was that some clients received a poor quality service:

> He [an elderly client] broke his wrist and went to hospital and they fixed his wrist and they discharged him at 4 o'clock in the morning and had no money in his pocket and no way of getting home so he walked up the hills in Brooklyn from the hospital. We say that we are leaders in elderly care and he is an elderly man and we should be caring for him. What do we do? Give him taxi chits. [The voluntary organisation] just gets so hypnotised by the state's definition that we can't see beyond it and that's not the real world (4.9).

Government definitions of service quality were also perceived to take them away from their client focus. All the organisations sought to deal with their clients in a holistic way. Government contracts, however, only provided for 'bite-sized bits' of care or one stage in the process of care.

> We come from a philosophy that we will give people want they need and worry about the funding afterwards (4.4).

Complying with government standards and regulations was perceived to generate a great cost for the organisations. By spending their resources to achieve compliance, and securing government funding in the short term, respondents thought they were binding their organisations into dependence on government. This was particularly so

when an organisation hired professional staff to meet a government standard or purchased new equipment or buildings.

Given the unease with government's standards of care, it is interesting to note that the organisations had done very little to develop their own definitions of quality care. Most determined what they thought clients needed by what they were contracted to deliver, and by relying on the judgement, discretion, and experience of the professionals delivering the services.

Clients were not asked about what their needs were. One organisation identified this as a core weakness of the organisation and intended to develop mechanisms to gauge client needs. Another undertook client satisfaction surveys as a condition of their contract with government. The other two organisations did not seek any information from the recipients of their services. High membership numbers and a queue of clients were used as indicators that they must be doing a good job. Also, the fact that government was willing to contract with them showed that they must be providing a quality service.

Barrett (2001) found similar results in his investigation of the attitudes of one New Zealand social service provider to their clients. Apart from questionnaires completed by clients, as required by a government department funder, the views of the organisation's clients were not sought. Most employees of the organisation thought this was an issue but more urgent priorities meant that systematic information about clients' needs and the impact of the services provided to them was not collected (Barrett, 2001). The author concluded that the organisation expended more effort considering its funders' needs than its clients. Funders, in fact, appeared to be the primary clients.

Research in the UK suggests that this reliance on professionals and government to determine the quality of the services the organisation delivers, and lack of engagement with clients about their needs, should have been expected. A raft of research in the 1990s clearly showed that while the managers of voluntary organisations saw themselves as 'champions for their clients' they made most decisions without consulting them (Taylor, 1996b; Robson et al., 1997).

> Being 'close to the consumer' is one of the characteristics often associated with the voluntary sector. Many see themselves as a 'champion for the user'... But service users are challenging this assumption and funders are beginning to demand evidence that the organisations they support are involving service users (Taylor, 1996b: 56).

'User empowerment', 'client choice' and 'client responsiveness' were terms managers used to describe their approach to service delivery (Taylor, 1996b). In reality, user involvement in making important decisions about their care was rare. The staff delivering the services, especially those directly providing the care, made most decisions (Lindow and Morris, 1995; Locke et al., 2003).

> While there has been a growing crescendo of government and professional rhetoric in recent years on 'user involvement' in the planning and development of services, in practice such involvement has tended to be dominated by carers (Lindow and Morris, 1995: 48).

Decisions about care were also often based on the demands of government funding agencies (Kumar, 1997). Indeed, Lindow and Morris (1995) conclude that the organisations they studied were acting according to powerful agendas that prevented meaningful user involvement: the pressures of government funders being the most prominent.

Lindow and Morris (1995) also concluded that incorporating client perspectives into discussions about care is difficult. Carers, usually middle-aged and educated professionals, often expect to speak on behalf of clients. Clients also have diverse needs and may have little in common with each other. Incorporating the diverse range of needs into planning and service provision and adequately representing clients is difficult.

Inviting participation in decision-making about care can also engender unrealistic expectations amongst client groups. Clients may also be physically unable to participate fully in such discussions due to ill health or disability. Medical models of service delivery are influential in social service delivery and give prominence to the

views of professionals above those of clients. Other researchers document similar problems (Hoyes et al., 1993; Robson et al., 1997).

It is interesting to note that the accountability relationship to clients can be considered 'soft'. The organisations chose to serve the clients; as such, there is no formal delegation of work from clients to the organisation. Apart from annual reports made available to the interested public, there is also no reporting to clients.

Mulgan (2000b; 2003) argues that this makes voluntary organisations, as compared with public sector and private organisations, unaccountable because there is little reporting back to clients (unlike the rigours of parliamentary accountability or shareholders) and limited potential for retribution from them. Indeed, most of the clients of the organisations considered in this study are those least likely to demand an account. They have little choice in the provider of services to them, the services they receive are free, and they are generally the least-resourced people in the community.

Ironically, client responsiveness is one of the reasons given by governments for contracting with voluntary organisations (Jordan and Jones, 1995; Billis and Glennerster, 1998; Ospina et al., 2002). Voluntary organisations are said to be more responsive to clients needs (Hirst, 1994) and more innovative than government agencies (Kramer, 1979; Osborne, 1998). The very nature of the contracting relationship which drives voluntary organisations to focus and report on the specifications of the contract actually seems to ensure that they are not so[17]. Government regulation and specifications in contracts may be seen by government as minimum standards, but this research has shown that they become the norm.

Given that what constitutes a quality service is largely determined in terms of government regulation and contracts, it is not surprising that the staff and board members of the case study organisations had little knowledge of what impact they

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[17] As predicted by Nowland-Foreman (2000), this can be considered a form of voluntary organisation 'goal displacement' resulting from the pressures of contracting with government agencies.

had on clients. One organisation had begun to develop a system to try to track the outcomes for its clients. It was based on developing behavioural Key Performance Indicators (KPIs) for its services. Expected improvements in clients will be mapped by the system. The KPIs will gather information over and above what was required by the organisation's government contracts.   As the KPIs have yet not been implemented, how successful they will be in generating useful information is unknown.

> We have key performance indicators for each programme which we are still refining and developing. They started out as basic numbers of people taken in and moving through the programme and we are refining them now. Okay we know a lot of good things are happening on our programmes and we need to quantify them and we are now saying there are milestones which are progressive things and there is the ultimate outcome that you are trying to achieve which may be different for each person. But how do we summarise that and tell that the programme is doing well? So we are in the throes of trying to quantify all sorts of behavioural outcomes and get a lot more reporting in place of what we are achieving (1.4).

The other three organisations gathered only the information required for reporting on their government contract, or to show compliance with regulations.

Some respondents demonstrated a degree of paternalism. Clients were lucky to get their services and positive outcomes for clients happened because they were experts who provided a good service.   Demonstrating outcomes for clients was not, therefore, considered important.

One organisation relied on unsolicited feedback to measure its performance:

> As much as we would like to run surveys all the time we don't have the ability to do that. We actually pride ourselves on the feedback we get and we do get feedback from different areas. The mana in which the community hold us - if we weren't doing a good job we would lose that (2.3).

It is widely recognised that measuring the performance of voluntary organisations is difficult for a number of reasons. Voluntary organisations' missions are focussed on

non-financial goals. The financial bottom-lines used to measure performance in private sector organisations and financial prudence measures for public organisations are not appropriate (Cutt, 1982; Buckmaster, 1999; Vigoda, 2001). For Kanter (1987: 155) this means:

> Issues of performance measurement for nonprofit organisations are complicated by the absence of an overarching measure like financial performance and by the mission-directedness of the organisation. The nonprofit organisation, then, faces these dilemmas: (1) knowing when it is doing well, and (2) being able to make changes, or to redirect resources, when members of the organisation suspect it is not doing well with respect to its 'market', but can still attract resources by nonmarket means from nostalgic or believing donors.

Voluntary organisation goals are also usually ambiguous, value-laden and non-quantitative (Kendall and Knapp, 2000; Kaplan, 2001; Sawhill and Williamson, 2001). They are also often long-term and intangible. This makes developing sensible measures of organisation performance complex (Buckmaster, 1999). Organisations often have multiple goals. Goals may be inconsistent and contradictory and differences of opinion may exist within the organisation as to the relative importance of the various goals (Kanter, 1987). This is further complicated by ambiguity around the issue of who owns and controls the organisation:

> Although directors of a corporate board are ultimately accountable to the owners or shareholders, there is little consensus as to who 'owns' the nonprofit. Simply put, the board of directors for a private sector firm is accountable to the shareholders and therefore monitors managerial action to assure that corporate behaviour produces efficient and profitable outcomes. Nonprofit boards are answerable to multiple constituencies with differing expectations, which means that unless the board has gone through the process of determining ownership, accountability is ambiguous and objectives for monitoring lack specificity (Miller, 2002b: 438).

A lack of management expertise and staff resisting measurement and reporting mechanisms was recorded in Macdonald's (1999) research as barriers to effective performance measurement. Organisation staff and supporters may assume that the

worthiness of the organisation's activities means there is no need to measure its results (Kanter 1987).

Differences in judgements between clients, donors and professionals about what constitutes good performance further complicate performance measurement as can the tension between organisation goals and professional standards (such as social worker codes and medical standards) (Kanter, 1987; Macdonald, 1999).

Traditional and emerging mechanisms of measurement (such as the balanced scorecard) have proven inappropriate for the voluntary sector. Developed in the private and public sectors, they make assumptions which are not valid for voluntary organisations (Jergers and Lapsley, 2001). Some assume, for example, that organisations exist to generate quantifiable profit. Voluntary organisations exist to render a public or social service, of which financial performance is a small component. Other management tools are focussed on customer satisfaction. Customer-based models are inappropriate because the 'customers' of voluntary organisations may have little choice of service provider, do not pay the full cost of the service, and may not be in a position to judge the quality of service provided (Green and Griesinger, 1996). Others assume that abstract goals can be easily converted into specific, objective measures and that data can be collected to measure them (Herman and Renz, 1999). The assumption that what constitutes effective performance is agreed and overt is also present in most measurement schemes. Kendall and Knapp (2000) and Herman and Renz (1999) challenge this assumption and argue there will not be a single criterion of performance because voluntary organisations have a wide range of stakeholders with differing perspectives.

Effective measures for human or social services are also notoriously difficult to design (Kanter, 1987). For example, the results of the services may take many years to eventuate and the service provided may be only one of a number of services a client receives so determining causal impacts is difficult. Government agencies, as outlined in section 1.1.3, are similarly struggling to develop quality measures for social services and are doing so with more resources and expertise than voluntary organisations.

5.2.1 Accountability for Client Safety

Ensuring client safety was another thing that respondents felt accountable for. All seven respondents that raised this issue worked within Case 4. That Case 4 provides services to a vulnerable clientele (very young children) and most of the workers are also members and users of the service (that is, they are the parents of young children) provides an explanation for why this was so prominent. Even though safety would be foremost in the organisation's operations regardless, fear of non-compliance with Occupational Safety and Health regulations and any possible retribution was high on the respondents' consciousness. As with the previous section, this illustrates the pervasiveness of government regulation in driving voluntary organisations' perceptions of accountability.

5.3 Why they are Accountable to Clients

Seventeen respondents thought they were accountable to their organisations' clients because their organisations' missions focussed on achieving positive outcomes for clients. Providing quality services for clients was the main purpose of the organisations. Working towards this mission and being accountable for doing so was considered important.

> The clients that we serve – that is our reason for being and our existence – assisting people that need help (1:4).

> We are here to provide services that meet a need where people have a need (4.5).

> To me they are the most important people [the organisation's clients] because that is what we are here for, that is what we exist for, and if we are not treating them as a priority, what are we in business for? They are number one (4:3).

At the personal level, respondents mentioned that they worked for the organisation because it provided services they viewed as important. They supported the organisations' missions, were proud to contribute to achieving them and happy to be accountable for doing so.

> That is our by-line [organisation mission statement] and I like that. The times
> when I have gone and talked with families and they say you have been doing a
> fantastic job, the number of times my managers tell me about the eulogies when
> the families get up and say thank you (4.2).

> I think the most important stakeholders are the clients and their families. I think
> it fits in with the philosophy. They are the central part of everything that goes
> on. Everything should be thought of, I believe, in terms of how it affects them.
> They are the reason why everyone is here, to benefit them (1.5).

Being accountable to clients was also part of their personal ethos of service.
Respondents used terms such as 'values' and 'ethics' to describe this relationship.
They were motivated by opportunities to 'make a difference' in the lives of their
clients and, again, were happy to account for progress in achieving positive
outcomes.

> Ethically we need to be doing what we say we are doing and that others need to
> be happy with what we are doing and those others being our stakeholders (2.4).

For four respondents, being accountable to clients and maintaining high standards
was considered part of their professional code. Another respondent mentioned her
fiduciary duty to clients.

> I am responsible to the members [the organisations' clients]… I guess it is a
> fiduciary duty in that I am in charge of the finances and there is a lot of onus
> placed on me in terms of honesty and integrity and accuracy and I guess that is
> my profession (3.7).

> [I am accountable for] my own ethics, a professional accountability that I am
> representing the views of the members, to the aims and strategies of the
> organisation. I come from a health background. I mean not harming anyone in
> my work. I am lucky in my work that I can make a difference to the people I
> am representing but I also have the responsibility that I am not harming them
> (2.2).

An awareness of the importance of a strong client base underpinned perceptions of
accountability to clients for four respondents from Case 3. Case 3 was funded

primarily through fees paid by its users. Ensuring clients received a quality service and so continued to use the organisation's services was directly linked to the viability of this organisation.

5.4   Summary: Client Accountability

The voluntary organisations studied all considered themselves most accountable to their clients and for the quality of service they provide for them. The relationship can be characterised as 'soft' accountability. It is not driven by any formal external forces.

However, actual mechanisms to operationalise the perceived accountability to clients generally did not exist. Few attempts were made to measure client outcomes or even gauge their needs. A review of research shows how difficult it is to develop client responsiveness and performance measurement systems for voluntary organisations.

Government contract standards and regulatory compliance may be hindering the ability of the staff of voluntary organisations to develop performance measurement processes. This issue will be explored further in later chapters.

Chapter 6

Internal Accountabilities

'The monthly report – oh my God – it's due' (1:2)

This chapter reports on a group of stakeholders perceived as the second most important accountability relationship. They all fall within the ambit of 'internal' to the organisation, that is, either within the direct chain of organisational command (board and staff) or those with formal powers derived from the organisation's constitution (members).

Each stakeholder – paid staff, the governing body, members and volunteers – is discussed separately, as each was perceived differently. Most of the relationships can be categorised as 'hard' accountability.

6.1   Paid Staff

Accountability to paid employees was considered one of the top three important accountability relationships for 18 respondents; for four of these it was their most important relationship. Accountability to staff was identified as important by respondents in all the cases (apart from Case 3, which employed only one person for a limited number of hours). Two of the four CEOs, five out of the eight board members interviewed, and eight out of 14 managers considered paid staff as one of their important accountability relationships meaning all positions equally acknowledged accounting to staff was important.

Two types of accountability to staff can be identified:

- Upward accountability; and

- Downward accountability.

6.1.1   Upward Accountability

> [Accountability means to me] in the first instance to my CE and obviously to the board, that is very clear in my job description (4:10).

> My accountability, the most important of all in any person's job, I am accountable to the CEO. And I do what he instructs me to, I argue with him, but I still do what he instructs me to (1:7).

This accountability relationship was based on a hierarchical chain of command within the organisation. It is hard accountability: accountability as answerability, or what is referred to as 'core' accountability (Mulgan, 2003). The relationship manifests itself formally in terms of monthly reports to the Chief Executive (CE) and the governing board, individual performance assessments and being called to task for achievements by the CE or board. It is outlined in job descriptions, strategic plans and responsibility for Key Performance Indicators (KPIs).

The relationship was perceived to be the most important by CEs and management. It was particularly important to respondents in Case 1. The CE of this organisation expressed the need to enforce commercial disciplines. His commercial background led him to restructure the organisation, to move from unclear job descriptions and 'jack of all trade' service provision to clear boundaries and targets. Initiating reporting and formal accountability relationships was perceived as an important aspect of this restructuring.

> When I joined the [organisation] we had a situation where a lot of staff were handling a whole different range of clients so we re-structured it all so we developed teams that would look after a certain type of client. For example, our unemployed clients we have a team looking after them. We have our seniors. We have a team looking after them. We have our youth. We have a team. We separated them all out where as before we were expecting people to be a jack of all trades and master of none. Now we have people who are specialist and qualified in each area and that is really to improve the quality of service delivery (1.4).

Formal reporting and hierarchy was also important for respondents in Case 4. However, they put less emphasis on the formal system, instead emphasising trust and collegiality between staff, and between staff and the board.

Accountability to paid staff was not as important to respondents from Case 3. Case 3, a committee with a flat organisation structure, ran on trust and shared unwritten expectations (such as 'pulling one's weight'). The committee did not conceptualise its relationship to its one part-time paid staff member in terms of employer-employee but rather as a committee member who does more work and happens to get paid for it.

6.1.2   Downward Accountability

This perceived relationship is the reverse of the previous one. Board and committee members felt accountable to CE and management, and management felt accountable to staff. In contrast to the previous relationship based on formal reporting, this relationship was perceived as 'soft' accountability; it was accountability as responsiveness, and was about their management style, values and acting responsibly. Respondents in Case 1 and 4 placed much importance on this relationship. Both organisations employ a large number of paid employees. Staff are a vital part of these organisations' ability to deliver.

It was evident that this perception of accountability was driven by the perception that the organisations' staff were skilled professionals paid lower wages than they would receive if they worked for other organisations, particularly in other sectors.

> We don't pay top dollars. They are professional people and really almost without exception everybody is doing their best (1:3).

> Typically voluntary organisations pay their staff less than they could get in the commercial world or government sector (1:4).

Because they were perceived as being underpaid, there was a belief that voluntary organisations needed to compete for staff using non-monetary benefits, such as providing a pleasant working environment or because the organisation upheld key

values and a mission to which employees strongly related. Treating staff well was seen as the organisations' competitive advantage in attracting and retaining staff.

> To a certain extent what they [staff] are doing is for love (1:4).

> They are not well paid and it is a really difficult job so I think you need to value them – giving them training and lots of positive reinforcement about being valued and that they do a really good job and that they are important (1:5).

> They have two motives for working: one to feed the family; and, for many staff over the years, as an avenue of community service (4:7).

Because the organisations are service providers they also perceived staff as key to ensuring happy clients. Happy staff were perceived to provide quality services.

> Staff are the manifestation of the brand and therefore if staff are happy your customers' relationships are happy (4:9).

There was also an acknowledgement that the jobs staff undertook were difficult, especially some professional positions, and that was exacerbated by the lack of organisation resources to support them.

> I would never do his [the CE] job. You are reliant on your finances from donations and you never know what is going to happen each year. The customers are the less well off in the community (1:1).

> We are under-funded and working out of boxes under our desks because you have no shelving and you are sitting on the photocopier just about and those kind of things and it is important to realise that the key people [the staff] are going out everyday and dealing with often dysfunctional families and stressed out [clients] (2:7).

The two perceptions of accountability to staff represent the two types of accountability: a formal reporting system (an example of 'hard' accountability) and an informal relationship based on being responsive to staff ('soft' accountability).

6.2   Volunteers

Unpaid staff or volunteers were not directly mentioned in any respondents' rankings of important stakeholders, though a number of issues were raised about volunteers and accountability. Volunteers were conceptualised by respondents in Cases 1, 2 and 4 as staff who were not paid[18].

Volunteers were not used in roles where professional expertise was needed because management acknowledged that they needed to be able to control the quality of their work and they did not think they had adequate control over volunteers. Management also did not think that those volunteering for their organisations had the skills and training needed.

> We have made it a policy that the quality control of programmes is all important and unless we pay the staff and manage the staff and have all the discipline under control we believe we can not control the quality of our programmes (1:4).

> If you are an abuse victim and I come into your life, we have to know that I am going to do the right thing, because if I screw you up even more you might get abused even more so therefore I have to be accountable for my actions and the only way to do that is to pay you and professionally train you because volunteers can walk away (2:3).

A reduction in the use of volunteers over time was a widely identified trend. It was being driven both by the perceived need to professionalise services in order to comply with government contract standards, and the perceived additional costs and complications of changes to health and safety legislation.

> Two years ago they [volunteers] used to go on outings with the clients, they would take them for walks in the garden. They would push them in the wheel

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[18] All respondents in Case 3, bar one part-time paid employee, were volunteers. No distinction between paid and unpaid staff was made.

> chair. With the new health and safety legislation that has all changed. They now
> have to go through quite a strident process of interviewing and police checks
> and all sorts of things – to a degree it excludes some of the volunteers that we
> would have previously used (1:5).

The two organisations that did use volunteers – Cases 2 and 3 – engaged them to provide a non-professional service and perform roles that did not need any training or qualifications. Both organisations stated that the service could not be provided without volunteers.

> We couldn't get professional people to do that sort of work. It has to be done by
> a person who wants to do it for their own reasons not because they are paid for
> it (2:3).

But relying on volunteers was not without problems. There was much perceived competition over volunteers, particularly because the pool of available volunteers was perceived as dwindling.

> There is a lot of competition for volunteers out there and it is not just
> competition because there is a greater number of volunteer groups. It is also
> because there is more people in the workforce and their time is precious and
> their leisure and family time is precious (2:7).

Getting the right volunteers was thought difficult:

> Sometimes it is getting volunteers in the right location if you are trying to match
> up in a suburb nearby and with similar interests, it is the right volunteers for the
> right person (2:7).

Volunteers did not remain committed and the lack of consistency created problems for the quality of service delivery:

> The trouble with the committee is that it changes so that there is not really very
> much continuity (3:1).

Volunteers could not easily be ordered around and decisions needed to be based on consensus which was thought time consuming and ineffective:

> Sometimes the meetings take longer than they need to because we drift off on tangents and dribble on (3:2).

It is interesting to note the importance placed on the inability to control volunteers. The perceived lack of a formal employment relationship comes through most comments. Volunteers were perceived as uncontrollable and unaccountable for their actions. This highlights the importance placed on the formal 'hard' accountability mechanisms.

The problems the managers and board members of the case study organisations were experiencing are similar to those outlined in the literature. That volunteer workforces create problems for accountability has been widely acknowledged (Clary et al., 1992). As discussed in section 3.3.2, volunteers are not easily controlled, as the contractual accountabilities between employer and paid employees do not exist. Monitoring the performance of volunteers is considered fraught (Leat, 1996; Vigoda, 2001). The sheer number of volunteers working for many organisations makes it difficult to design accountability procedures, as do issues of retention, recruitment (Clary et al., 1992) and competition for them (Bruce, 1995).

Specific issues arise from contracting with government. Volunteers need to be more skilled, may be required to take on a greater workload than they are prepared to, and complete paper work (accountability reports) which they try to avoid as this is not the 'real work' they volunteered for (Wilson, 2001). For these reasons, Wilson's (2001) review of volunteering literature concluded that the management of voluntary organisations are increasingly reluctant to include volunteers in service delivery roles.

> Along with the rise in demand for skilled volunteers, contracting has also initiated a move towards use of paid staff in some organisations. The 'unknown' or 'unreliable' volunteer is increasingly being overlooked in favour of the more 'dependable' paid worker, in order to ensure certainty in meeting contractual commitments. Paid workers are regarded as performing a better standard of work, bringing higher qualifications to the job, and offering greater continuity and stability – characteristics often identified as crucial when entering into government contracts (Wilson, 2001: 36-7).

6.3   Governing Body (Board/Committee)

Fourteen respondents considered an accountability relationship with their governing body (either a committee or board) important. For two respondents it was the most important relationship and for a further eight, the governing board was considered one of their top three important stakeholders.

> I think I am primarily accountable to the board to deliver on its selected direction and deliver on the business plans and budgets that we have passed (4.1).

Accountability to the board was most important for respondents from Cases 3 and 4. In these organisations the board is considered to be powerful and central to the organisation's performance.

> You are accountable to the board always about ensuring clinical standards are appropriate, contracts are being met, the building standards are being met, staff ratios are right and good care is being given at all times (4:4).

The perceived power of these governing bodies was demonstrated by their ability to hold the CE and management to account, and in the recognition that they were at the apex of the organisational pyramid. Its role in setting the course for the organisation was acknowledged and respected.

Conversely, the board was not perceived as important in Cases 1 and 2. Here the board members were perceived to be out of touch with clients and the organisation.

> The board is made up of professional people who don't interact with clients. They come from a corporate background, they come from an affluent background so they wouldn't have the opportunities to see how the other side lives (1:2).

Their main role was perceived as fundraising, which while important to generate funds, did not translate into the board being seen as powerful. These two boards were perceived by management and some board members as performing poorly.

> Yesterday on the radio someone was talking about boards and directors and they said those days have gone when people don't read their minutes, but it hasn't in the non profit world (1:3).

When accountability to the board is analysed, two distinct relationships can be identified: sideways accountability; and upwards accountability.

6.3.1   Sideways Accountability

Accountability to the governing body was perceived as most important by members of the governing body.

> I am accountable to the rest of the board members. I am not accountable to anyone outside here (4.5).

> I am accountable to my fellow board members for my attendance and bringing some professional expertise and independence of mind and adequately preparing and asking the appropriate questions and participating (4.8).

They were expressing 'sideways accountability' to their peers. This was particularly so for the committee members in Case 3. It was important to them that they were seen to be 'pulling their weight' on the committee, and that they were meeting the unwritten performance expectations placed on them.

> You expect people to give a reasonable effort (3:2).

> It is a good committee in that people do their share (3:3).

This perceived sideways accountability can also be linked to the close social proximity between committee members and the users of their services. There is a heightened sense of need to be seen to be doing a good job if your performance is being judged by your next door neighbour or if you could be called to account in a supermarket queue.

The relationship can be conceptualised as 'soft' as it is based on a shared sense of purpose and wanting to achieve a similar goal. The committee was very aware that

they were volunteers and not subject to any formal accountability. Obligation and felt responsibility were the key drivers that ensured the organisation's functioning.

> There is no coercion. No hierarchy apart from [the chair]. Even that is pretty tenuous. People are there because they want to be, not because they are being paid (3:2).

> In a voluntary organisation you have to realise that you are not paying anyone. You have to take a more consultative approach because you have much less ability to enforce than if I am paying you and I am your boss (3:3).

Board members in Case 4 took their shared sense of purpose a step further. The goals and values of stewardship[19] drove their perceptions of sideways accountability. Their common worry about the fragility of current funding arrangements and the risk of not being able to serve future clients, coupled with a strong ethos of serving the weak, meant that they banded together. Board members, in particular, shared a felt obligation to answer for their financial management.

> We have a responsibility to spend money like a forest [replant the trees that have been cut down] to spend wisely so we have long term sustainability and not hand over a raft of problems to somebody else to say we have made a mess of it (4:5).

Sideways accountability was expressed as 'soft' accountability. Given that board members were volunteers and not subject to any performance measures or hard accountability mechanisms, they were driven by their sense of mutual obligation and duty with a measure of informal peer pressure 'not to let the side down'.

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[19] Jeavons (1994) explores the concept of stewardship. Stewards are committed to achieving the goals of their masters. Given their dedication, they are entrusted to manage their masters' affairs and expected to do so well. They are accorded a large degree of discretion and work proactively to cultivate their masters' resources (Jeavons, 1994). The concept of stewardship is discussed further in Chapter 9.

6.3.2 Upwards Accountability

Four respondents in management positions and one CE perceived themselves accountable to the board. This perceived relationship can be seen as an extension of the formal hierarchical chain of command.

> As an employee, I am accountable to my board (my local board). They are my employers and they have contracted me to provide certain services and I report back on those services to them on a monthly basis and I report on behalf of the staff and the staff on the other hand are accountable to me as their employer so they give me monthly reports and between that we open dialogue, debriefing meetings and those sort of things. So I am a bit old fashioned but I still see the chain of command (2.7).

The relationship was based on formal reporting to the board and reflects the perceived power of the board.

> We have a system of variance reporting so every month we provide full profit and loss statements and balance sheets to the board and all the KPI information (1:4).

6.4 Members

This group of stakeholders hold formal constitutional or 'legal' rights to hold the board to account. This is usually manifest in their rights to vote at Annual General Meetings (AGMs) where board members are elected and organisation strategies and high level policies ratified. For two organisations, membership was tied to church hierarchies and parishes.

Depending on the organisation's history and the structure that has developed from this, this group of stakeholders takes several forms. Three different types of membership organisations were identified in the case study organisations:

- *Member serving organisations (Case 3)[20].* The organisation is established and operates to serve its members. Members join in order to be able to access the services for their personal use (Gordon and Babchuk, 1959);

- *Public good organisations (Case 1 and 4).* The organisation is established and operates to serve some positive purpose generally attempting to contribute to a better society.   Members join to contribute to the cause promoted by the organisation (Gordon and Babchuk, 1959); and

- *The head office of a federated organisation structure (Case 2).* The head office serves the autonomous federates.   The federates may be seen as members because they elect the head office board and vote at the AGM.

Four respondents considered their accountability to members as their most important accountability relationship. Seven, in total, mentioned the importance of accounting to members.   Five out of eight respondents from Case 2 acknowledged the importance of their accountability to members. These respondents were acknowledging the role their national organisation plays in providing services to federated local organisations.   These local organisations were conceptualised as members.

For Cases 1 and 4, historic links to churches and the residual constitutional powers of the church hierarchy meant that these church-based members were considered important.   Church-based members were particularly important to Case 4 respondents: five out of eight respondents mentioned their importance.

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[20] For respondents from Case 3, members are also clients. The organisation is run based on membership subscriptions and payments by members for fees.   None of the respondents conceptualised their members as members, but instead as those that receive the organisation's services. Given this perception, their responses were coded as 'client' not 'member' and are captured in the previous chapter.

> We share the same name but we are a quite separate legal entity and we have a relationship with them through the fact that there is five [church areas] and they make up our [service] area and they, in conjunction with the board, appoint five board members; one from each of the five [church areas] so there is a direct relationship there (4.1).

It was board members who generally perceived members as important. Four respondents acknowledged that they were elected by members and were accountable because they were selected to represent the members' interests.

> I believe the stakeholders are the [members] all round the country. We are elected at an annual general meeting every year by them so we have a responsibility to them (2.5).

> The key stakeholders in my view are the [members] that appointed the board members to look after their interests … Those are the people that pay a membership sub and are entitled to a newsletter and entitled to come to the general meeting if they wish to (4.2).

Members, particularly church-based ones, were also a recognised source of funds: fundraising being an important concern of the board.

> Most of our strong generous donors are linked up with the parishes (1.7).

> We have members for donations of course (4.1).

There was also an acknowledgement of the potential power of the membership, and that if this relationship was not well managed problems could be created for the board.

> Other than write out their cheques ever year, [members] act as the conscience [of the organisation] and scream [obscenities when they are not satisfied with the organisation's performance] (4.7).

While board members perceived members as important stakeholders, management and CEs actively denied that there was any measure of accountability to members, especially those with church-based mandates. They saw themselves working, as

professionals, for an autonomous organisation and did not want 'meddling' in their operations.

> One of the fights over the years has been the tendency [of the church] to want to hijack the resources of the organisation because they have other aspirations. They want to provide the latest trendy social services because it happens to look good when they front a TV camera. I am duly cynical (4:7).

> I said to [the head of the church] on his visit here a few months ago, I said when the time comes for the church to come in here and tell us how to do our business we will start writing sermons (4:5).

> I don't personally think that the church is that important stakeholder for a whole host of reasons. I think the church has its job, I think as history we have separated. We use the same name, we have the same brand, we have the same ideals and because the Christian ideals are so clear we don't need to consult because the grounding is so solid (4.9).

But however adamantly some management and CEs guard their independence from church-based members, the usefulness of this relationship is acknowledged at a symbolic level. Members and a link with a church are sources of funds, and are seen to enhance the 'brand' of the organisation.

> She [one of the staff members] is doing some marketing papers and so as part of her paper did [the organisation]. She did some surveys in the community about what they thought of us or didn't think of us….Generally people think if you are linked to a church you are probably going to be nicer, whether that is true or not, that is the perception of the community (1:5).

Members and churches are also acknowledged as having a role in being a check on the organisation and so ensuring the organisation is on the right course.

> Members are relatively powerless as far as the organisation is concerned because of the nature of its constitution but they form one crucial function, they act as the potential conscience of the organisation (4:7).

The relationship with members is an example of a 'hard' accountability relationship. Members have the formal ability to demand an account of and sanction non-performing board members. Board members acknowledged members as important stakeholders. Staff and CEs did not perceive them to be as important. To staff and CEs, members were a useful source of funds and contributed to their organisations' brands.

6.5   Summary: Internal Accountabilities

The importance placed on these internal accountabilities was somewhat surprising. The literature clearly showed that other researchers dismissed members (6 and Taylor, 1994) as important stakeholders. The importance given to accounting to the governing body was mixed (Cornforth, 2003a), and paid staff were not mentioned as important stakeholders.

Macdonald (1999) concludes that there has been little research into the nature of these internal relationships and that the internal workings of voluntary organisations are a 'black box'. Apart from her research on the internal controls (or lack of them) in a number of Australian voluntary organisations (Macdonald, 1999), a smattering of accounting research articles (Booth, 1997; Flack, 1997; Abraham, 1999; Richmond et al., 2003) and an obsession with the relationship between management and the board (refer Harris, 2001a), little research has been done on internal accountability relationships.

Most of the perceived relationships described here can be considered 'hard'. They conform to orthodox thinking about formal hierarchical accountability within organisations. The stereotype of voluntary organisations as being largely unstructured is not borne out by the importance placed on these relationships.

Perhaps this is because of the indirect influence of contracting with government. Neo-institutionalists suggest that the governors and management of voluntary organisations have had to adapt to, or mimic, the dominant governmental paradigm and replicate the bureaucratic form of the government departments that they contract with. Isomorphism, the idea that organisations over time model themselves on other

powerful organisations they interact with, is a thesis in good currency (DiMaggio and Powell, 1983; Scott, 1995; Scott, 1998). Indeed, Wilson (2001: 30) concludes from her literature review that:

> The introduction of contracts in the voluntary sector has initiated the evolution of a professional culture within many voluntary organisations in New Zealand and in other countries.

Or it may be large organisations providing complex social services function better with structured employment and reporting relationships (Kramer, 1994). Perhaps even the proposed new class of professional voluntary sector managers have been influenced by predominantly business and public sector management theory, and have introduced such practices (Berman, 1999; Hallock, 2002).

Whatever the reason, the inner workings of voluntary organisations have proven to be influential in the perceptions of accountability relationships recounted in this research.

Chapter 7

Accountability to Government

"The state traditionally speaks with forked tongues" (4:7)

No respondent considered government as their most important relationship. Twelve out of 34 respondents perceived accountability to government as one of their three most important accountability relationships. In total 16 respondents perceived accountability to government as important.

These 16 respondents were mainly CEs and managers. This finding would seem to be explained by the fact that these positions are usually responsible for the delivery of government contracts, negotiating, monitoring and reporting to government.

Respondents from Case 3 did not consider accountability to government as important. This organisation is self-funded by members on a user-pays basis. They received minimal government funding and did not seek more. Government was not seen to be a priority stakeholder.

In contrast, respondents from Case 4 saw themselves as most accountable to government. They perceive themselves to be dependent on government funding, and the levels of funding they receive are volatile and insufficient to run their services. They have a large number of fixed assets (buildings and specific fittings) tied up in their service delivery and see themselves locked into a funding relationship with government. The service they deliver is also highly regulated by government and they consider that the regulatory compliance needed for them to keep operating consumes too much of their resources.

Respondents from Case 2 also saw themselves as being dependent on government funding, but perceived their funding to be stable and adequate. They are in a

monopoly position as no other organisation could provide their services, which are politically sensitive. They perceive that government is unlikely to withdraw their funding. The services they provide are also subject to minimal regulation, and they perceive that they will not be called to account for anything more than the limited reporting they currently undertake.

The CE and board of Case 1 introduced policies to ensure they maintained their independence from government. Every service they provide must not accept more than 50% government funding. They perceive themselves accountable to government but in a limited and measured way.

Resource dependency theorists, as outlined in the theoretical framework, predict that those organisations who are dependent on a funder will perceive themselves accountable to that funder. Respondents showed some resource dependent tendencies. Those who perceived themselves most reliant on government funding prioritised the accountability relationship with government higher than those that did not see themselves reliant.

The relationship between funding and perceptions of accountability is, however, more complex than the resource dependency theorists paint. It was not the perception of actual dependence on government funding that correlated with perceptions of accountability but rather the perceived stability of the funding, the degree to which the organisation perceived itself locked into the dependence on government funding, and the degree to which government regulation affected the operations of the organisation.

7.1   Types of Accountability to Government

Three different types of accountability relationships can be identified:

- Accountability for funding;

- Accountability for regulatory compliance; and

- Accountability to taxpayers.

7.1.1 Accounting for Funding

This was the most common perception of accountability to government and was expressed in two slightly different ways. The first, expressed by seven respondents, was a 'means to an end' or a *'funder'* relationship. The organisation receives funds from government and perceives itself accountable for spending them appropriately. Government is perceived as the funder and the organisation as the recipient of funds. Government may be one of many funders.

The second perception, of six respondents, is a legal expression, or a *'contractor'* relationship. The organisations thought themselves accountable for the specific outputs that they were contracted to deliver. Government was perceived as the purchaser and the organisation as the provider. The relationship was formal, legal, commercial, and professional.

The organisations reliant on government contracts for resources perceived themselves engaged in both 'contractor' and 'funder' relationships (Cases 2 and 4). CEs are most focused on the 'contractor' relationship. This can be linked to their lead role in the negotiation and management of contracts, and in reporting to government and the board on progress. Management perceived themselves engaged in the 'funder' relationship. While thinking they were accountable to the CE for delivery of specific outputs, management took a more service-orientated approach; funding was a means to achieve this.

7.1.2 Regulatory Compliance

Six respondents conceptualised their accountability to government in terms of regulatory compliance. Respondents from Case 3 thought particularly about this. Case 3 received minimal government funding and, while acknowledging its importance, found compliance with regulation costly and time consuming.

This accountability relationship engenders fear. It was a common theme that services (and indeed most activities in the country) were subject to too much regulation. Multiple references were made to a recent court case involving the prosecution of a volunteer sports administrator for the death of one of her event's

competitors[21]. Respondents feared that they may not comply one day and so be held personally liable.

> I can envisage a day when you won't be able to have cake stalls because the food wouldn't have been prepared in a commercial kitchen (3:3).

> I think it is a sad thing [increasing level of government regulation] in that you end up losing a lot of the voluntary sector in your community because they can't afford to comply or don't have the knowledge to comply and get scared of it (3:3).

Respondents from Cases 1 and 4, while acknowledging the importance of regulation that improves the quality of care, were fretful about the perceived increase in the demands of regulations. They noted that no additional government funding was provided to enable the higher standards to be met.

7.1.3 The Aura of Taxpayer Money

A mystique around spending taxpayers' money meant two respondents thought they had an added sense of accountability to government. This can be linked to the need for the organisation to maintain its reputation and legitimacy. Being seen to spend taxpayers' money wisely was part of this.

Most respondents, however, perceived money from government as another input or payment for services.

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[21] Astrid Anderson, the organiser of the 2001 Le Race cycle race in Christchurch, was convicted of criminal nuisance following the death of a competitor in the race. The court case in 2003 had a high media profile given the potential ramifications of its outcome for future event organisers. A number of school principals cancelled camps in fear of liability following the decision. Media attention focused on the organisers of the Tauranga, Katikati, Te Puke and Waiora Christmas parades who decided to cancel Santa's lolly scramble fearing criminal liability should any child be hurt by falling sweets or the ensuing scramble for them. The conviction was eventually quashed on appeal in 2004.

> Government contracts and there is an expectation that you meet your contractual arrangements and it is really not more complicated than that but once you start getting into the emotional area of 'you people are spending taxpayers dollars' it is a beautiful excuse for [a government department] again to indulge in its exercise of power (4:7).

Indeed, when perceptions of taxpayer money are compared with perceptions of funding from private donors (another important source of funding), donor dollars are held in higher regard.

> I am accountable to the man in the street who gives his money and it is really our job to make sure that money is used well (1:3).

This is possibly because donor funds are not tagged to specific outputs, as government funding is, and can be used at the organisation's discretion. Funds from private sources are also more precarious. How much the public will donate in one year, or how much is bequeathed, varies.

7.2   Focus on Accounting for Funds

Most of the perceived accountability to government focused on funding – either a 'funder' or 'contractor' perception of the relationship. This can be conceptualised as hard accountability. To reiterate, a hard accountability relationship occurs when one party offers a delegation to another who, in turn, accepts it. The delegator expects a report on progress and to impose sanctions should progress not be satisfactory. Government delegation to the management and boards of voluntary organisations takes the form of a contract or funding agreement. Management and boards accept the delegation or contract and must then be accountable as required by the terms of the contract. They may experience sanctions should they breach the terms. The relationship can be presented diagrammatically as Figure 7.1.

Sanctions for not meeting
performance expectations

Offer of
delegation

Principal   **Agent**

Acceptance of
delegation

Reporting on delegated tasks

Figure 7.1: Hard Accountability

Each element of the relationship (delegation, reporting, sanctions) generated issues for respondents.

7.2.1   Reporting and Sanctions

The reporting and sanctions aspects of the relationship generated relatively few problems. Generally voluntary organisations acknowledged the right of government to know what they were doing and willingly provided the information required. All organisations had systems in place to generate the necessary data. Indeed, some of the information they provided for government was also requested by the governing body. Different government agencies requested different information, but generally organisations were able to cut and paste information from one agency template to another. Paper-shuffling was seen as a necessary adjunct to government funding.

> They [government agency] want to see the results [of funding]. It is not too
> onerous. We have a very good accounting system and we know exactly where
> all the money is being spent so it is not hard to provide it (1:4).

Respondents thought, however, that some of the information they were asked for was meaningless.

> Statistical things can actually be quite meaningless. I know that it is a number crunching exercise. I mean I asked one of my workers last week what is the difference between a referral and an inquiry and she justifies how she sees it when she puts the figures down and the case workers get together so that they are unified in how they do things but I don't think anyone from [a government department] has sat down with them and said this is what we mean (2.7).

> They [government department officials] still keep sending us [reporting] templates that are not related to the contract at all. It has things like the number of volunteers used in the service – we don't use volunteers in the service, it would be inappropriate – the number of transports of clients, I mean we are not transporting clients. We have told them and told them but they cannot seem to change their templates to put in a grid that matches the outputs we have signed up in the contract (2.7).

They also believed that the information they provided was never actually analysed by the department.

> I don't know how much background searching they do once they have got our background reports. I think they tend to accept them as verbatim (2.3).

The information requirements of departments were also not always clear and tended to change quickly, making collection difficult.

> I think we have to be accountable. I have no problem with that but they keep changing the rules. The auditing changes. Or you all of a sudden have the case manager out to audit. Clarity would be good about how these procedures are going to be carried out (4.10).

> I think the criteria they lay down needs to be clear and concise (4.6).

7.2.2 The Offer and Acceptance of Delegations

The bulk of the issues raised about their accountability relationship with government arose from the delegation aspects of the relationship. Respondents felt that what they were expected to deliver was inappropriate. The offer (a contract, or funding

agreement) was perceived to make poor assumptions about client needs or to be poorly designed.

> We recently had a request for proposals for another programme. We looked at it and immediately said it is unachievable. There is no way an organisation in our view could do this. It said for example that the outcome of the programme was that 80 percent of people referred to it had to be placed in full time work. We know from our experience of dealing with unemployed people that it is unrealistic – it can't be done and it can't be done the way they wanted it to be done (1.4).

Contracts were defined narrowly in terms of outputs, which restricted the ability of voluntary organisations to focus on the total needs of the clients, or to take an outcomes approach.

> Most clients have more than one problem to solve before we can even think about moving them onto something better. They have a drug problem, an alcohol problem, they are in financial trouble, they have been abused and its affecting their approach to life. You have to resolve the basic underlying personal issues with them before you can expect them to get a positive outcome. To come along [the government department] and say we will put these people over to you, you run a motivational workshop, a needs assessment and help them find a job – its doesn't always work (1.4).

The price offered for delivery of the contracts also generated much frustration. Price structures were seen not to differentiate by quality of the service provided. All organisations were paid a standard price for services, so there were few incentives to provide a quality service over and above what was specified. Services were part-funded, which the respondents believed signalled limited government commitment to the ongoing provision of the service. Government officials were believed to be most interested in getting the cheapest price.

> We spent $10 000 setting up a social service centre that was designed to provide for those sort of referrals…What [government department] has done consistently over the years is to say okay we will buy counselling off you at x dollars. On that basis you hire staff and staff are the worst to move – buildings,

> if you have to flog a building because you have to fold the thing up you cry a little but you do it, but where you are in a situation when you are locked into a contract and you don't get a price adjustment … you constantly see your assets or endowments running at a loss. It puts you in an impossible position (4.7).

> Until this year we were subject to a five-year price freeze. During the five years costs went up 15 percent. And yet we were expected to absorb all that and continue to pay our staff competitive rates of pay and continue to be audited for quality of care (1.4).

Respondents felt that officials entered into contract negotiations with a lack of understanding of their organisations, their clients and service provision, a lack of respect for their expertise in service delivery, arrogance in terms of knowing what should be delivered and to whom, and reluctance to listen to the respondents' advice.

> Get in some policy people that are a higher calibre and actually know what it is like to be a provider and actually have some business acumen. They have no idea what things cost, no idea (4.1).

> The negotiation was from a position of arrogance from their end. Like we were the enemy – what are they protecting? (2.6).

> [A government department] officials do not understand NGOs. It shows in the unrealistic demands about what we can and cannot deliver, about our level of resourcing (2.2).

> The people in [a government department] need to recognise that our staff are at the sharp end and know what works and what doesn't work for these people. Whereas we tend to find that we are presented with a fait accompli (1.4).

In terms of acceptance of the contract, respondents felt they had little choice. Little negotiation occurred. Officials were perceived to operate on a 'take it or leave it' basis.

> Shocking, dismal, one sided … They have the power because they have the money. We should be able to say we will do this work for you but in order to do it we need an increase on dollars of this amount and this is the justification.

> Any contract I have been involved in should be able to have some negotiation in it. But with government you can't. They just say sorry there is no more money and that is that (2.3).

> It is not contracting in the true sense because they say this is what they are going to pay you (4.6).

Underlying all the comments was the perception that government officials did not, or could not, take the time to understand their business and to see their point of view. Respondents perceived that officials were not interested in having an ongoing relationship with them. They consequently did not trust the officials they were engaged with. They questioned officials' and the government's integrity and long term commitment to the voluntary sector.

> If you hook yourself into government policy – we have done it before – and we have ended up being burnt badly (4.1).

> The government wants us to do more in the social services area but three quarters of the cost is borne by this organisation so why you think you are making a great contribution to the nation you are actually providing reverse charity to government (4.5).

> We are very weary of being dictated to. We are happy to give full and frank accounts of our service but we want to provide a service the way we want to that is best for our clients (1.3).

Majumdar (2004) drew similar conclusions from research considering the experiences of Otago voluntary organisations contracted to the Community Funding Agency (CFA)[22]. He found that respondents were not so much dissatisfied by the contracting process as with the way CFA officials managed the process. In

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[22] The Community Funding Agency, the government agency tasked with contracting with voluntary organisations for the provision of social services, became part of the Children, Young Persons and their Families Service in 1999.

particular, respondents reported that they were rarely consulted about policy options and programme design, their suggestions for programme enhancements were ignored, and officials were reluctant to invest in the long term development of their organisations.

> [the respondents from the voluntary organisations] were dissatisfied – not so much with the purchase of service contracting per se, as with the way the Community Funding Agency had been managing the contracting process. They were unhappy primarily out of the conviction that … they were rarely consulted by the Community Funding Agency or permitted by it to be involved in setting the policy agenda, determining options, making decisions, and monitoring and evaluating outputs and outcomes (Majumdar, 2004: 93).

7.3   Summary: Accountability to Government

Accountability to government was perceived as third most important behind accountability to clients and internal stakeholders. It was, however, considered the most difficult and obstructive relationship. Accountability to government was perceived as accounting for funds and regulatory compliance. The relationship was generally considered problematic, with most issues generated by the 'delegation' or contract negotiation aspects. Reporting on the contract was, in contrast, considered relatively straight forward.

Part Three

Discussion and Implications

R espondents perceived that they were most accountable to their clients. Providing a quality service to clients was the reason for their organisation's existence. Accountability relationships within the organisation were of secondary importance. There is a strong chain of internal command and control as well as a degree of collegial obligation. Accountability to government agencies for funds and compliance with regulation was perceived as third most important. Regulatory compliance was seen as a necessary evil, and government funding as an input needed to provide services to clients.

Chapter 8, the first chapter of this section, explores how these findings compare with what the previous research and theory predicted would be uncovered. Differences between predictions and results are explored. Chapter 9 discusses the implications of the findings for the government – voluntary sector relationship, thus addressing the secondary aim of this research. Chapter 10 presents the research conclusions.

Chapter 8

Discussion

This chapter discusses the research results in light of the previous research and theory outlined in Chapter 3, and offers explanations for unexpected and counterintuitive results.

8.1 What is Accountability?

Within the literature two types of accountability relationships were identified: hard accountability and soft accountability. The characteristics of each were identified in Table 3.1. The accountability relationships perceived by respondents can be classified into each of these.

8.1.1 Hard Accountability Relationships

The accountability relationships that were perceived in terms of 'hard' accountability were:

- Staff perceiving themselves accountable to management (their superiors);

- Management perceiving themselves accountable to the board;

- Staff, management and the board perceiving themselves accountable to the organisation's members; and

- Staff, management and the board perceiving themselves accountable to the government agencies they had funding, contracting or regulatory relationships with.

That these relationships were perceived as hard is somewhat predictable. Employment contracts, performance assessment and reporting control the internal

relationships. Legal contracts govern funding relationships with government and compliance with regulations is also legally based. The relationship with members is based on the organisations' constitutions. All the relationships involved formal paper-based reporting, measurable and pre-specified deliverables, and sanctions for non-performance. They conform to the 'hard' model of accountability with delegation, reporting and sanctions.

For these relationships, accountability is *answerability*. It is being called to account or being held to account (or what Bovens (1998) terms 'passive accountability' or Mosher (1968) calls 'objective responsibility'). It is accountability defined in terms of how the concept originated – audit. It is the delegation of the authority to act on another's behalf and then, based on an inherent lack of trust that humans can serve needs other than their own, requiring a report back (Mulgan, 2003). Sanctions after the fact are the mechanism of control (Bovens, 1998).

8.1.2 Soft Accountability Relationships

A number of soft accountability relationships were perceived:

- Staff, management and board members feeling accountable to their organisation's clients;

- Management feeling accountable to their staff; and

- Board members feeling accountable to one another.

These relationships are not hard because they do not contain all the elements of the 'hard' model of accountability. They, to take the client example, do not involve a direct delegation. Respondents chose to work on behalf of their clients.

For these relationships accountability is *answerability* as well as *responsiveness*. All respondents felt an obligation to ensure they achieved positive outcomes for their clients. Management felt obliged to their staff to keep them happy and supported. Board members felt a sense of collegial obligation to perform and contribute to board business. The relationships are characterised by choice and lack of coercion. There

may be no overt delegation of tasks, no specific performance targets, no formal reporting or direct sanctions.

8.1.3   Soft Accountability Relationships are Prioritised by Respondents

Respondents generally gave more weight to the soft accountability relationships. The overwhelming focus on clients – as a soft relationship – best illustrates this.

However, previous research and theory would suggest that hard relationships would be prioritised. With hard accountabilities come much needed resources and this is presumed to be an organisational priority (Gronbjerg, 1993; Anheier et al., 1997). Soft accountability relationships were identified in the literature, but there was a definite sense of these being less important than hard relationships. Indeed some authors debate whether an accountability relationship without coercion or control is actually accountability (Laughlin, 1990). While most authors concede that both hard and soft forms of accountability are valid (Chew and Greer, 1997; Swift, 2001; Kaler, 2002a; Kaler, 2002b; Llewellyn and Lindkvist, 2003), accountability is usually assumed to be hard.

Given the predicted focus on hard accountabilities, the respondents' focus on soft accountabilities was somewhat surprising. An explanation for this can be found in the assumptions made by previous research and theory. Most voluntary sector research hails from North America and focuses on accountability as a mechanism of improving the performance of voluntary organisations (refer Gamm, 1996; Cutt and Murray, 2000; Hoefer, 2000; Holland, 2002) Young et al (1996) and Hoefer (2000) explicitly state the reason for their research was the number of high profile fraud cases within large American voluntary organisations and the need for voluntary organisations to prove that they are accountable. Bogart (1995) also states that voluntary organisations need to defend their right to tax exemption. Increased accountability is seen as a remedy for waning trust in voluntary organisations (Cutt and Murray, 2000). Given the definitions of accountability adopted by these researchers – accountability as a mechanism of reducing fraud – the presence of soft accountability is unlikely to be detected.

Due to difficulties developing acceptable non-financial measures, government contracting regimes focus on outputs and finances, or hard accountability (Klijn and Teisman, 2000; Klingner et al., 2001; van Slyke, 2002). Given that much funding of the voluntary sector comes via government and contracting with government has been subject to relatively extensive research (Gronbjerg, 1993; Kramer, 1994; Nowland-Foreman, 1997; Campbell, 2002), hard accountability relationships are more visible than soft ones. Accountability in this context is associated with finances (Milofsky and Blades, 1991; Blasi, 2002) and external control over outputs (Bernstein, 1991; Ebrahim, 2003).

The key explanatory theories used in much of the research to date (resource dependency and stakeholder theory) also implicitly assume hard accountability relationships. Resource dependency theory assumes voluntary organisations want to avoid dependence on one funder by seeking multiple funding streams. Multiple funding streams means they cannot be so easily controlled by the accountability demands of a single funder (Pfeffer and Salancik, 1978). Accountability is implicitly assumed to equate to answerability and control. Similarly, stakeholder theory assumes that voluntary organisations will answer to the most powerful stakeholder (Freeman, 1984). Again, accountability is about control and power asymmetries.

8.1.4 The Implications of the Focus on Hard Accountability

Hard accountability relationships implicitly pit the principal and agent against each other. The tension between principal and agent is assumed to be central to the relationship. Agents must account for their actions. The assumption is that they cannot be trusted because their interests will not be congruent with the principals'. The accountability relationship, therefore, focuses on controlling the agent.

Economists have long toiled with the problems of controlling agents. The agent is assumed to be self-interested and will operate with guile when able. The principal must then enforce their will. Agents are made answerable for their actions via monitoring, reporting, exact specification of the contracts, sanctions and performance incentives. Accountability aims to limit the discretion of the agent, focus them on

what the principal wants them to do and reduce opportunities for them to take advantage of the principal (Jenkins and Meckling, 1976; Moschandreas, 1994).

But the actions of an agent can never be fully controlled by the principal. Moschandreas' (1994) summary of economic research demonstrates how much of the research focuses on how to control employees, in particular limiting management discretion and addressing information asymmetries. Her summary also shows that performance-based pay and specific job descriptions and clear reporting lines are often proposed as solutions to the 'agency problem'. The problem, however, becomes greater when the principal and agent are members of different organisations, geographically and even paradigmatically separated, as is the case of a government funding agency and a voluntary organisation contracted to deliver social services.

A level of discretion or judgement can be desirable, especially in the case of the delivery of complex social services considered in this research. A number of researchers have concluded that tightly specified performance measures can reduce voluntary organisations' ability to respond to the needs of clients (Miller, 1998; Markham et al., 1999; Harris, 2001b; Campbell, 2002). Dicke's (2002) and Ospina et al's (2002) studies suggest that while effort is easily measurable, outcomes for clients are not. Performance measures usually focus on output and financial targets and become benchmarks with no incentives to achieve above them. Developing performance targets that measure professional or ethical competence is difficult. As such, Dicke (2002) concluded that accountability systems may not protect vulnerable citizens from harm.

Clerkin (2002) suggests that the threat of sanctions will be detrimental to the performance of voluntary organisations. He cites a wide range of research suggesting that when organisations operate under the pressure of sanctions, they centralise authority and use more formalised and standardised processes. When this occurs, decision-makers within the organisation are left with few sources to generate information and they make sub-optimal decisions. Discretion is removed from the

front-line workers, thus reducing their ability to respond to their clients' needs (Clerkin, 2002).

Henderson et al (2003) argue that conceptualising accountability as punishment results in missed opportunities for developing the voluntary organisation and increasing the quality of the services it provides.

In-depth reporting by the agent and monitoring by the principal is costly to both parties and will never be fully complete. Even if the goals are clear, it may be impossible to scientifically measure whether they have been achieved (Blasi, 2002). Dicke's (2002) empirical study found respondents in American voluntary organisations falsified the information they gave to government agencies. Officials visited the organisation infrequently so were unable to verify the information. Evaluations of performance were snapshot decisions made by officials with heavy caseloads, usually in the absence of baseline information to decide whether improvements had been made (Dicke, 2002). Brown and Moore (2001) and Ebrahim (2003) both conclude that voluntary organisations have multiple principals and accountabilities and conflicts. For Ebrahim (2003), the conflicting pressures placed on voluntary organisations from different principals leads them to develop coping mechanisms such as producing rhetoric in their reporting.

From the respondents' perspective in this research, these problems were present in their relationship with government. Contract specifications were perceived to reduce their ability to service all their clients' needs, regulatory compliance became more of a focus at the expense of measuring service quality, performance measures did not capture the essence of the service provided, and reporting was seen as a superficial exercise.

In sum, from the perspective of the voluntary sector respondents, the mechanisms of hard accountability are not satisfactory and soft accountability relationships are actually of more importance.

8.2   To Whom do they think they are Accountable?

Stakeholder theory predicts that respondents will feel accountable to stakeholders who have power over the organisation, an urgent and legitimate demand for an account (Mitchell et al., 1997; Agle et al., 1999). Previous research showed that the powerful, legitimate stakeholders with urgent demands were government agencies that provided funds and contracts, large donors, the organisation's volunteers, and voluntary organisations working in similar areas with similar missions. Based on previous research, stakeholders could be classified as in Table 8.1:

Important accountability relationships	Acknowledged but Less Important Accountabilities	Potential or unclear status
Government agencies	Members	Professional bodies
Volunteers	Clients	Paid Staff
Large donors	Local Communities	Governing Board
Peer organisations	Small donors	

Table 8.1: Important and Less Important Stakeholders: The Predictions of the Literature

This research, however, found some stakeholders were accorded different priorities:

Priority stakeholders	Acknowledged but Unimportant stakeholders
Clients	Donors – individual
Paid Staff	Donors – trusts
Board	Local Communities
Members	Peer organisations
Government agencies	

Table 8.2: Important and Less Important Stakeholders: The Research Findings

Several differences exist. Clients were prioritised by respondents but not in the previous research. Funders, government agencies and philanthropic trusts, who were key sources of funding, were not given as much priority as was expected. Indeed, government agencies were considered by respondents as only the third most important stakeholder. Members were prioritised by respondents when they were dismissed by previous research as 'paper armies'. Paid staff were also considered important by respondents but not so in previous research. Peer organisations were

not considered important by respondents when previous research identified them as key allies.

Such counterintuitive differences invite explanation as follows.

8.2.1   Pipers not Paid

Perhaps the most surprising finding of this research was the lack of importance respondents placed on being accountable to funders. Instead of prioritising accountability to their funders, respondents felt themselves most accountable to their organisation's mission. The mission is why their organisations, and their jobs, exist. This translated into serving clients – positive outcomes for clients being the basis of the organisations' missions. Tandon (1995) found a similar focus on organisation missions in his work with non-government organisations (NGOs). Ebrahim (2003) concluded that the client focus, as embodied in a mission statement, encourages an internal, ethical (soft) dimension to accountability.

> For nonprofit organisations, mission statements play an important role in providing a focal point around which to develop internal accountability since it is the mission that provides 'a verbal link between the presumably deeply held principles and the conduct of those representing the nonprofit' … In this sense, missions add an ethical or value-based dimension to accountability since they emphasise the internal motivations of actors rather than the external pressures exerted by principals (Ebrahim, 2003: 199).

For management and board members, the focus on achieving the organisation's mission – making a positive difference for the organisation's clients – translates into a soft accountability relationship towards staff. Board members and management feel obligated to staff to ensure they are happy and supported. Happy staff perform and so work hard to deliver the organisation's mission. Happy members also promote a positive image for the organisation. Unhappy members provide a potential source of disquiet that could damage an organisation's reputation. A number of respondents specifically mentioned the potential negative power of a disaffected membership as the reason why they prioritised accountability to this stakeholder. The focus on mission, staff and members all points to the importance

respondents placed on the reputation of their organisation. Being seen to make a positive difference to clients matters to the respondents. Happy staff ensure this happens and happy members are crucial to maintaining a positive reputation.

But why the focus on reputation? Kearns (1996) and Young (2002) provide an explanation. They independently argue that voluntary organisations are ultimately accountable for 'doing good'. In serving clients, the organisations are being seen to make a positive contribution to society. This then entitles them to support – importantly, funding – to ensure they keep up the good work. A current stream of voluntary sector research considers the importance of organisations being trusted. The findings are the same and a number of researchers have drawn similar conclusions: organisations that are trusted or held in high regard are those that receive funding (refer Herzlinger, 1996; Tonkiss and Passey, 1999; Carson, 2002; Sargeant and Lee, 2002; Bekkers, 2003).

Perceptions of accountability were not, therefore, driven directly by resource concerns. Being seen to be 'doing good' ultimately ensures funding. Perceived accountability relationships then align to the aim of being seen to do good: to clients for providing a good service; to staff so that they provide a good service; and to members so they reinforce the reputation.

This alignment of accountability relationships around a common purpose of delivering positive outcomes for clients is somewhat counterintuitive. Rochester (1995) clearly identifies what should be fundamental tensions within voluntary organisations. Management and staff are said to be caught between the authority vested in elected officers (such as boards) and bureaucracies within management hierarchies, and between the demands of current members and potential needs of future ones. Such tensions were not documented in this research. The drive to serve clients seemed to ensure all respondents' efforts were pointed in a similar direction.

Stakeholder theory has not been useful in explaining the staff of voluntary organisations' perceptions of accountability. Perceived accountability to clients runs counter to its predictions. At face value, clients have little or no power over the organisations, they have no urgent demands, and some would argue that they have no

legitimate claim over the organisation as they are receiving charity. They often have no choice in who provides the service, and no leverage because they receive the service for free.

Stakeholder theory was developed in a business context where rowdy shareholders are assumed to exercise their ability to sack the board. They are assumed to be powerful stakeholders[23]. The relationship between stakeholders and power in the present context is, however, more nuanced. Clients do not have direct power over the voluntary organisation. But through serving them, the organisation is able to generate a positive reputation, demonstrate its worth and so attract resources. As mentioned in the previous section, the main shortcoming of stakeholder theory in this context is its assumptions of hard accountability, in particular direct action and sanctions.

8.2.2 An Unexpected Focus on Internal Stakeholders

All the stakeholders considered important in the previous research were external to organisation. They were not within the organisational or constitutional boundaries of the organisation. Respondents in the present research, however, reported staff, members and the board as important. The focus on organisation mission and the associated importance of staff, members and the board in contributing to this explains why these internal accountabilities were perceived to be important.

There is an assumption in much voluntary sector research that the organisations are 'black boxes'. So accountability within voluntary organisations has been given minimal research attention, apart from a ground-breaking study on internal controls (Macdonald, 1999), some consideration of accounting practices and the potential for introducing 'triple bottom line' or 'social accounting' mechanisms (Macdonald, 1999; Brown and Moore, 2001; Gallagher and Radcliffe, 2002; Duncan and Stocks, 2003; Keating and Frumkin, 2003) and a fixation on the relative accountabilities of

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[23] Whether private sector shareholders actually do, and are able, to exercise their power is, however, widely questioned (see (Owen et al., 2001)

board members and management (Alexander et al., 1993; Golensky, 1993; Bradshaw, 2002; Hallock, 2002; Moore, 2002). Indeed, other researchers have noted the lack of research on what happens within a voluntary organisation, particularly in regard to staff, as the vast amount of management and organisation theory that deals with employee performance may not be relevant to voluntary sector organisations. The motivation of voluntary sector employees may differ from their private and public sector counterparts whose activities have provided the basis for this theory (Vigoda, 2001; Keating and Frumkin, 2003).

The research here challenges the implicit assumption that what happens within voluntary organisations is not important. Above all, it shows that internal stakeholders are perceived to be of key importance in achieving the organisation's mission, and ultimately ensuring organisational survival.

8.2.3   Peer Organisations and Volunteers were not Considered Important by Respondents

Previous research highlighted the importance placed on the organisations' volunteers (Clary et al., 1992; Leat, 1996). Leat (1996) argues that volunteers are within the 'inner core' of the voluntary organisations' accountability relationships. They are central and considered important to the functioning of the organisation. The importance of accounting to peer organisations (the voluntary organisations they work alongside) was also noted as important (Kumar, 1997; Markham et al., 1999; Ospina et al., 2002). In Kumar's (1997) research, for example, the voluntary sector managers studied considered accountability to peer organisations as one of their top five accountability relationships. She identified 'network' accountability, the web of accountabilities to peer organisations managers perceived as important, as a key feature of voluntary sector accountability.

Neither of these stakeholders were considered important by respondents in the current research. While respondents acknowledged the importance of volunteers as the backbone of the voluntary sector, they were not considered vital to the organisations that employed professionals to deliver their services. It was considered difficult to make volunteers accountable for their actions.

Respondents noted a trend towards the decreasing importance of volunteers, because of the perceived need to provide high quality, and therefore professional, services. Volunteers were generally unqualified to work with clients. This trend is noted internationally (Davis Smith, 1995; Lewis, 1996; Taylor, 1996a; Russell and Scott, 1997; Berman, 1999; Locke et al., 2001) and in New Zealand (Suggate, 1995; Community and Voluntary Sector Working Party, 2001). It is linked to the increasing amount of contractual work voluntary organisations are undertaking (Taylor, 1996a; Locke et al., 2001).

An increase in government contracting can also be seen as the reason why peer organisations are not considered important. Chetkovich and Frumkin (2003) identified increasing competition amongst voluntary organisations. Recent research has shown that competition over tenders for government contracts has reduced collegiality among organisations (Miller, 1998; Backman and Smith, 2000; Mulroy, 2003). For example, in Miller's (1998: 411) words:

> [as a result of government funding] agencies failed to build up a very extensive system of either local or national networks and therefore had an undeveloped sense of belonging to a sector with some collective as well as individual purposes. Rather, they appear to have functioned more as individual private organisations….As one respondent stated, "a level of fear, insecurity and competition is now very ascendant…very destructive"…Others acknowledged there had been a divisive consequence of funding of a variety of groups each claiming their uniqueness and that growing economic inequality has been neglected. One Ontario funder felt that the sector was unprepared and lacked the capacity or know how to collaborate.

Evidence points to this occurring in New Zealand. Respondents considered that it was important to promote their 'brand' and raise their organisation's profile above others. Several respondents, when discussing their organisation's strategic plans, were keen to point out that such information was to be treated as commercially sensitive. The Report of the Community and Voluntary Sector Working Party (2001) noted that voluntary organisations eager to secure contracts would happily undercut rivals. Competition for skilled volunteers, funding from donors and for government

contracts, was a central part of respondents' day-to-day reality. This reality is not conducive to inter-organisational collaboration.

8.2.4   Summary: To Whom do They Think They are Accountable?

So what does all this mean? Accountability to clients was given the highest priority. In doing so, respondents are ensuring their organisation is seen as worthy of support. Internal accountabilities are given second priority. These reinforce the focus on clients, with staff, management, board and members all focused on providing a quality service.

While these findings conform to the stereotype of voluntary organisations run by passionate types (Buckmaster, 1999), they also show that respondents feel responsible for achieving positive outcomes for clients (soft accountability), and are also externally monitored for doing so (hard accountability relationships with members and government funding agencies).

8.3   For What Do They Think They Are Accountable?

From the voluntary sector and accountability research literatures, it was expected that respondents would think themselves accountable for a 'ladder' of things: proper use of money (fiscal), following correct procedures (process), quality of their work (programme or outputs) and appropriateness or relevance of work (outcomes) (Stewart, 1984; Leat, 1988). A number of researchers have suggested that fiscal and process issues would be given more weight than quality or outcomes, because outcomes were more difficult to measure and funders usually only demanded information on outputs (Milofsky and Blades, 1991; Fry, 1995; Tandon, 1995; Kumar, 1997; Cutt and Murray, 2000; Hoefer, 2000; Campbell, 2002).

The respondents in this reasearch, however, thought themselves primarily accountable for achieving their organisation's mission – providing quality care for their clients. Young (2002) would find this heartening. He argues that they should be ultimately accountability for achieving their missions and that:

the viability of non profit institutions in the long run rides on addressing their ability to be accountable to themselves (Young, 2002: 18).

Similarly, Kearns (1996) argues that a ladder approach to accountability traps voluntary organisations into a narrow operational and management frame.

Respondents here felt that their focus on achieving their mission was undermined by contracting with government. Narrow performance measures and the piecemeal nature of programmes meant it was difficult to address the underlying needs of clients and so achieve positive outcomes. The Report of the Community and Voluntary Sector Working Party (2001) drew similar conclusions. Voluntary organisations have an interest in services that aim to maximise the well-being of clients. The needs of all family members may need to be addressed in order to achieve positive outcomes for one. However, Government funding pools and contracts distinguish between social, economic and cultural elements. The piecemeal approach to funding leads to a 'spare parts' approach to service delivery, with

> separate agencies each entering into specific arrangements to provide the wheels, the brakes, the interior furnishings etc but no one taking responsibility for the engine or the whole vehicle (Community and Voluntary Sector Working Party, 2001: 94).

Respondents' focus on their mission is, however, aligned to the current public service attempts to move to an outcomes focus (Advisory Group on the Review of the Centre, 2001). Respondents arguably are focused on outcomes yet, the actual mechanics of the contracting process constitute barriers to voluntary organisations' desired operations and, ironically, to those of government.

Nevertheless, it should be strongly noted that while respondents perceived themselves to be accountable for achieving their organisational mission, they are not actually attempting to gauge how well they are doing. Measuring organisation performance – particularly in terms of social service provision – is difficult. Only one organisation has made an attempt to do so, while the others show little interest. Much work will need to be done if effectiveness is to be measured, so that

respondents can be held accountable for their success and failure in achieving their organisations' stated missions.

8.4   Why Do They Think They Are Accountable?

Organisation theory attempts to explain why organisations behave in certain ways. Resource dependency theory predicts that organisations will be accountable in order to secure resources. They will seek to answer to a variety of funders so as to reduce dependency and the potential to be controlled by a single funder (Pfeffer and Salancik, 1978). Neo-institutional theory predicts that organisations will answer to powerful stakeholders or 'institutions' – adopting the norms and structures of the institutions and complying with their laws and rules – in order to secure their status as a legitimate organisation (DiMaggio and Powell, 1983; Scott, 1995; Scott, 1998).

These two theories are complementary and it was expected that both reasons, to secure resources and legitimacy, would be the basis of respondents' perceptions of accountability.

The respondents, however, did not give resource-based rationales for their perceptions of accountability. Accountability to government for funds received was mentioned, though the emphasis was placed on the funds as a means to providing services, or as an organisational input. Rather, the focus was on providing quality services for clients and retaining the good staff needed to provide the services. Staff and clients do not directly attract resources.

As already established in the previous sections, accountabilities to staff and clients are related to ensuring the organisation maintains a good reputation. A good reputation is a necessary ingredient for attracting the funding needed for the organisation to survive. The blunt link between key stakeholders and resources predicted by resource dependency theorists is not apparent here. The link is instead indirect, with the organisation's reputation providing the crucial connection.

The neo-institutional theorists would have expected this. For them, organisational survival is dependent not only on the flow of resources into the organisation but on perceived legitimacy of the organisation. Legitimate organisations are those that

conform to the expectations of their environment (Scott, 1998). Conformity is said to occur at many levels, from legal dimensions (such as compliance with government regulation) to normative dimensions (such as being seen to uphold Christian values, for example) (Selznick, 1996; Scott, 1998). Being seen to provide a quality service to clients – complying with laws, acting in ways that are considered appropriate, being seen to hold values that are expected of voluntary organisations (such as prudence, altruism, charity, servitude) – all generate much needed organisational legitimacy.

Neo-institutionalism highlights the unwritten expectations of voluntary organisations. For instance, the unspecified standards of care expected of organisations that provide social services, especially those that receive government funding to do so. Compliance with building codes and health and safety legislation may be all that is officially required of the organisation, but other unspoken expectations, such as maintaining a caring and compassionate attitude towards clients, are compelling. Breaking the norms and obligations that are implicitly expected can result in a loss of legitimacy and inconsequential sanctions, such as the withdrawal of funding.

Recent public controversy over some American voluntary sector managers' salaries, as detailed by Kearns (2001), provides an example of the consequences of breaking an implicit norm. Salary bands are set at the discretion of the organisation but when the salaries paid to the managers of a voluntary organisation were disclosed to the public, a furore resulted. The salaries paid were perceived by funders as excessive and, thus, the organisation broke an implicit funder expectation that voluntary sector managers would receive modest salaries. This must be linked to an implicit expectation that donated or granted funds be used for services not for paying managers (regardless of the skills of the managers or market salary levels). Breaking this norm resulted in harsh sanctions for the organisations, with funders withdrawing their support (Kearns, 2001).

Maintaining legitimacy by conforming to significant written and unwritten social expectations is the basis of respondents' perceptions of accountability. Funders

expect them to be providing a quality service, and to be operating in a manner that is acceptable. Acceptability is defined in both formal terms (compliance with laws, regulations and contract specifications) and informal terms (such as being seen to do a good job by using resources prudently). By prioritising service to clients and the staff that deliver services, voluntary organisations are securing the means to be seen as legitimate, and thus, continue to attract the resources they need to operate.

8.5   Predictions vs Findings: A Summary

Based on previous research and theory, a model of the predicted perceptions of accountability was presented in Chapter Three. In light of the research findings and analysis, this model needs to be revisited.

It was predicted that voluntary organisations will behave as such:

'Hard' Accountability Relationships

Organisations seek to secure resources (proactive)

Accountability demanded for use of resources

Voluntary Organisations

Stakeholders
Prioritised by perceptions of power, urgency and legitimacy

Conform to stakeholder demands (reactive)

Secure organisation legitimacy

'Soft' Accountability Relationships
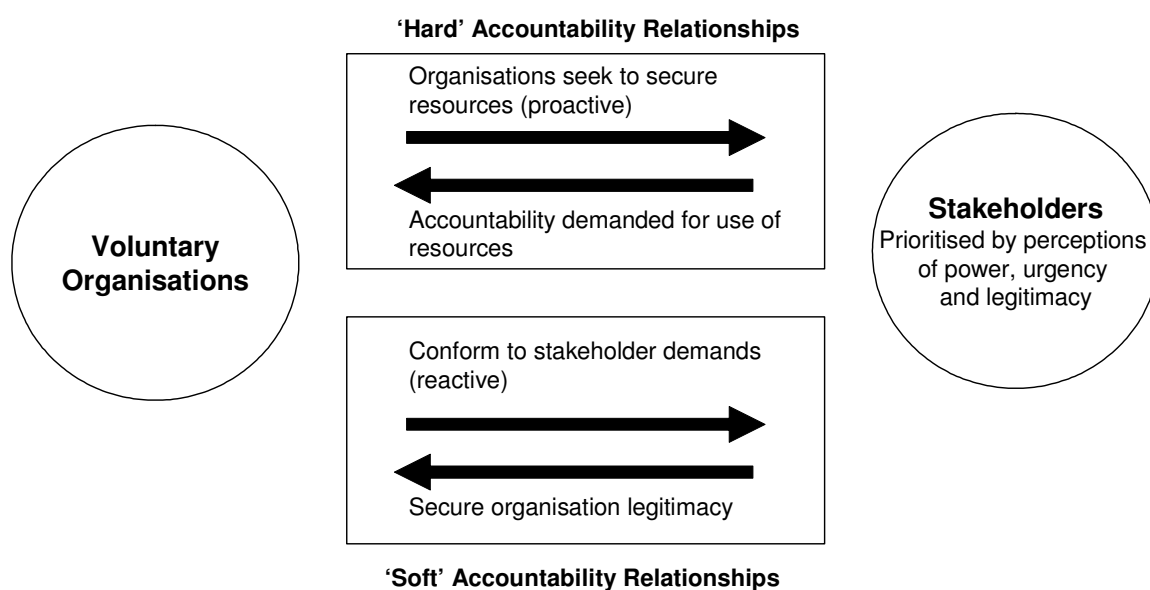
Figure 8.1: Theoretical Framework

A number of important departures from these predictions were recorded:

• The voluntary organisation circle was not as empty. A number of perceived important accountability relationships existed within the organisation, including formal accountabilities based on the organisation's hierarchy and collegial responsibility between board members;

- While the *external* hard accountability relationships identified did relate to securing resources (i.e. the perceived relationship with government), *internal* hard accountability relationships were identified as well (employee accountability to employers);

- Both hard and soft accountability relationships were identified. However, the soft relationships were more prominent. Securing organisational legitimacy was seen as more important than directly courting funders; and

- Stakeholders were not prioritised by the level of power, urgency and legitimate claims they made on respondents. They were prioritised instead by their perceived ability to secure the legitimacy of the organisation.

Redrawn to accommodate these variations, the perceived accountabilities of respondents can be depicted as in Figure 8.2.
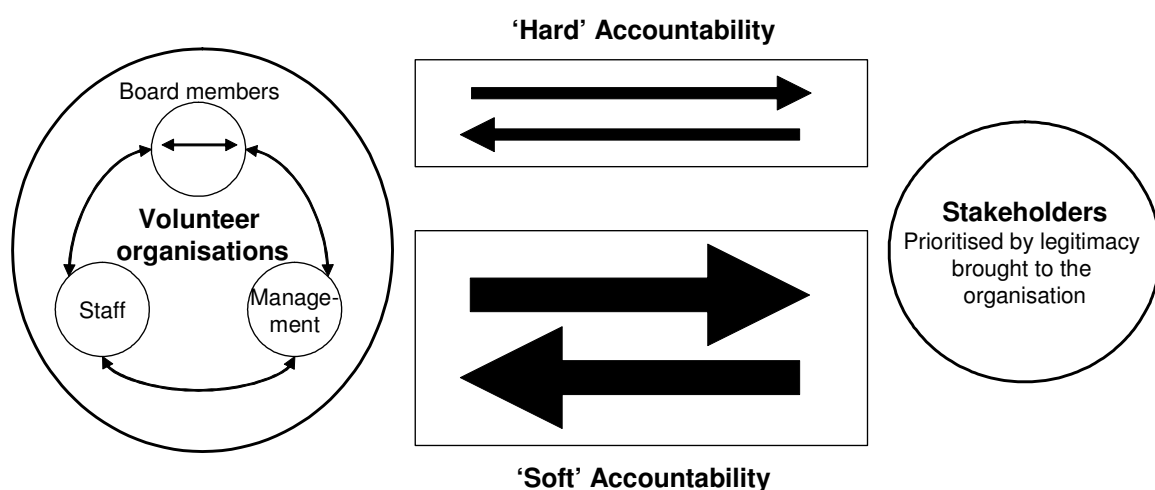
Figure 8.2: The Framework Revised in light of Research Findings

In sum, responsibility to clients was perceived as most important. This is because serving clients generates the legitimacy the organisation needs to attract resources and support. Other accountability relationships perceived to be important reinforce the focus on clients. Chains of accountabilities inside the organisation ensure that the organisation is focused on serving its clients, achieving its mission and securing

legitimate status. Funding, and accounting to funders, was perceived as input needed to sustain service delivery.

Chapter 9

Implications for Government: The Relevance of Stewardship Theory

Most respondents were focussed on clients, outcomes and quality. They generally identified their relationship with government as a hindrance rather than an aid. Contracting and funding agreements with government agencies were seen to be driving down standards of care. Poorly designed programmes, irrelevant measures, and a piecemeal approach to service provision were seen to detract from the quality of the service respondents could provide to their clients.

The problems with government contracting and funding arrangements have been well documented internationally, so this finding was not unexpected. Cordes et al (2001), for example, document 'mission drift' as a consequence of American voluntary organisations seeking to attract government funding. They state that (2001: 95):

> Human service nonprofits may diversify or redefine organisational missions, move into service areas that have greater resources or more stable sources of funding and embrace marketing strategies to attract new clients.

From the Canadian context, Miller (1998) found that in order to manage the government contracting process, voluntary organisations had appointed professional managers and sought to recruit experienced business people on to their governance board. Respondents from Miller's study commented that, as a consequence, those running voluntary organisations were often out-of-touch with clients and their needs and were focussed on delivering the programmes they received government funding for at the expense of achieving positive outcomes for clients.

Harris (2001b), commenting on UK government funding of the voluntary sector, identifies the challenge contracting poses to voluntary organisations to maintain their organisational autonomy in the face of government attempts to develop closer 'partnerships' and control more aspects of voluntary organisation management and governance. Taylor (1999), also studying the UK voluntary sector, considers the impact of government contracting on voluntary organisations' ability to advocate and be politically active. While she concludes that levels of political advocacy may not have been greatly reduced in organisations receiving government funding, this poses an ongoing risk. Given the role she considers voluntary organisations play in representing the voices of the clients they serve in the political arena, this is an area she considers need to be monitored carefully.

The Report of the Community and Voluntary Sector Working Party (2001) detailed similar problems in New Zealand, including the 'professionalisation' of community-based voluntary organisations so that they could win and manage contracts and the resulting reduced ability to tap into their 'community passions' and community knowledge (2001: 91). Advocacy was also raised as an issue needing further exploration (2001: 158).

Given that voluntary organisations deliver over $650 million of social services for the government[24], their role in achieving positive outcomes for the people receiving them is substantial. This chapter discusses the implications of the research findings for the government–voluntary sector relationship.

9.1   Self-Serving Agents Operating with Guile

Respondents' perceptions of how they were viewed and treated by government officials were uniform. Respondents felt that officials treated them as the 'poor

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[24] It was estimated that in 1998 the New Zealand government purchased over $650 million worth of social services from voluntary organisations. This was considered a modest estimate as the analysis only included 14 departments (Community and Voluntary Sector Working Party, 2001).

cousins'. They perceived that their skills were not recognised, their ideas and suggestions not valued nor their concerns considered valid.

When their perceptions are analysed using agency theory with its principal–agent assumptions as a frame, it becomes clear that respondents perceive that they are being treated as agents and officials are operating as principals.

Specifically respondents perceived that:

- They were viewed as inferior and officials saw themselves as the experts. There was no negotiation or dialogue about the contents of the contract or funding agreement. Agency theory assumes the principal has a superior position in regard to the agent and will work to maintain the power imbalance. Indeed, principals enact mechanisms to control agents (such as financial incentives and monitoring regimes) and ensure power asymmetries;

- Respondents perceived that officials expected them to try to defraud the system or produce poor quality work. The integrity and expertise of the respondents was not recognised. One of the key tenets of agency theory is that agents are assumed to have different interests from the principal and to chose to work to better themselves at the principal's expense;

- The main form of communication between respondents and officials was monitoring reports. The relationship was distant and paper-based. Agency theory promotes external monitoring as a mechanism to control agents;

- Reporting focused on specific outputs that were often irrelevant to service quality or organisational performance. Detailed and pre-specification of contracts is another tool agency theorists promote to control agents; and

- Contracting was an economic transaction with the goal of maximising efficiency. Respondents perceived that officials took a 'take it or leave it' approach focused on competition between providers and driving down the price of service delivery. Agency theory evolved from a predominantly economic perspective.

It is not surprising that respondents' perceptions of how they are treated by officials are strongly influenced by agency theory. Agency theory was central to the restructuring of the New Zealand public service in the late 1980s and early 1990s (Boston et al., 1996; Shaw, 1999). In particular a chain of principals and agents from ministers to chief executives to management and front-line staff was often referred to (Anderson and Dovey, 2003). These relationships were regulated by contracts based on performance, the most important being the contract (termed performance agreement) between minister and chief executive (Boston et al., 1996).

The Treasury, as the power house of the restructuring, applied agency theory to the government's relationship with voluntary organisations. Briefings written towards the end of the restructuring period showed Treasury officials were particularly concerned that those receiving public services delivered by voluntary organisations could not tell if they were receiving a quality service or not (The Treasury, 1995). 'Consumerism', the power of the client to choose the provider delivering the best quality service and so identify poorly performing providers was not, therefore, a useful mechanism to control agents. Government instead, it was concluded, needed to be vigilant about regulating and monitoring voluntary organisations' delivery to reduce information asymmetries and ensure voluntary organisations were not shirking. The development of contracting policies and practices was based on such assumptions (The Treasury, 1995).

9.1.1 Agency Theory and Public Administration

Agency theory has been widely used by public administration researchers. In recent years, its ability to explain relationships in this context has been increasingly challenged (Waterman and Meier, 1998; Dicke, 2002). Emerging insights from psychologists and sociologists showing that not all employees are motivated by personal gain have been central to these critiques (Block, 1996; Davis et al., 1997; Altman-Sauer et al., 2001; Dicke, 2002; Whitaker et al., 2002). The assumptions made by agency theorists that individuals are self-serving have, therefore, been subject to widespread criticism. Davis et al (1997: 23) summarise:

Jensen and Meckling (1994) criticised this model of man as being a simplification for mathematical modelling and an unrealistic description of human behaviour. Doucouliagos (1994) argued that labelling all motivation as self serving does not explain the complexity of human action. Frank (1994) suggested that this model of man does not suit the demands of a social existence. Hirsch, Michaels and Friedman (1987) said that in exchange for simplicity and elegance in their models, economists engage in a somewhat broad brush approach that may reduce empirical verisimilitude and engender less than robust policies. In short, agency theory assumptions limits its generalisability.

Researchers have shown that other assumptions made by agency theory are similarly inappropriate for the public sector context. Agency theory assumes a simple model of one agent, one principal, conflicting goals, and easily specified and measured outcomes. The limitations of such assumptions are well recognised by many agency theorists, several of whom have attempted to develop expanded models (Eisenhardt, 1989a). But at the core of the theory are assumptions about individuals and the pre-requisites needed for a contractual relationship.

Government officials and voluntary sector providers have multiple principals and multiple sources of rewards and sanctions (Eisenhardt, 1989a). The dyadic relationship assumed between one principal and one agent ignores the organisational and environmental variables that shape the relationship. According to Waterman and Meier (1998: 180):

> Although the model is built around voluntary transactions, it does have a normative element in that principals are supposed to control agents. With the introduction of multiple principals – many if not all with claims of political legitimacy – the principal–agent model offers no clear resolution about which principals should be responded to and which should be ignored.

Social service contracts are complicated by issues of programmability: the degree to which appropriate behaviour by the agent can be specified in advance, and the measurability of outcomes. Social service outcomes can take a long time to emerge, joint effort may be required to achieve them, and it can be difficult to measure

progress (Eisenhardt, 1989a).   The nature of social service contracting poses challenges to the prerequisites needed by agency theory, that is, measurable outcomes (so that the principal can sanction the agent for poor performance), and the ability to specify what the principal's wishes are at the beginning of the contract.

Further, agents providing public services need to exercise a degree of discretion. Principals (managers) cannot oversee all the actions of their staff. Gregory (2003: 560) summarises:

> If accountability is to be secured through the upward flow of information through organisational hierarchies it is often very difficult, sometimes impossible, for superiors (principals) to be certain about the truthfulness of the accounts given by subordinates (agents), especially when supervision is not immediate and direct and answerability is exercised after the event.   For example, police officers on duty in patrol cars necessarily exercise discretion in how they spend their time on the job. They often cannot be directly monitored by their superiors, who must rely on ex-post accounts given by the officers of what they have been doing.

Agency theory focuses on specification and monitoring of contracts as a means by which principals can control agents (Eisenhardt, 1989a). Considine (2002) argues that this leads to social service 'Taylorism' and the loss of strategic leadership by principals.   Instead of focusing on strategic goals, principals are encouraged to micromanage in order to control their agents (Considine, 2002).

Further, agency theory assumes a static relationship. Research has shown that the nature of a principal and agents' relationship may change and evolve over time. As parties learn more about each other, the need for monitoring may be reduced (Waterman and Meier, 1998; Angwin et al., 2004).

Arthurs and Busentiz (2003) also argue that many of the agency problems of adverse selection and moral hazard should be addressed by the principal before they enter into a contract. Government officials should learn whether a voluntary organisation is capable of delivering on a contract before the contract is signed. Such due diligence, they argue, is often not completed (Arthurs and Busentiz, 2003).

9.1.2   Agency Theory and Respondents' Perceptions

The findings from this research also challenge the applicability of agency theory to voluntary organisations contracting with government agencies. Agency theory predicts that respondents will have different aims from their government funders (the principals), will operate opportunistically and with guile to achieve their own aims, and will shirk as much as possible.

However, respondents had similar high level goals to officials – that is, positive outcomes for clients – they were focused on providing a quality service, not on cutting corners, and they perceived themselves to be going the extra mile at their own expense. They saw themselves working for clients in the face of barriers created by the contracting process. They also instigated internal accountabilities (accountability to staff and members and within the board) to reinforce their perceived accountability to clients, as well as feeling personally responsible for doing so.

Rather than shirking by attempting to produce less services than required, as agency theory predicted they would do, respondents were actively fund-raising to increase levels of service provision. Also rather than shirking by producing services of lesser quality than required, as agency theory also predicts they would do, respondents adopted government quality measures as their own quality standards.

Respondents had similar goals to government officials. They wanted to provide a quality service to clients and achieve positive outcomes for them. The assumed goal conflict was not apparent. The assumed shirking resulting from divergent goals was similarly not detected.

Rasmussen et al's (2003) study of Canadian voluntary organisations drew similar conclusions. They found predictable disquiet from voluntary organisations towards government officials' behaviour. Voluntary sector managers thought services were being 'off loaded' to them and that their government funding was unnecessarily unstable and ad hoc. Government officials were aware of these frustrations but felt driven by concern for using taxpayer money most effectively. But there was a degree of consensus about the importance of improving the relationship:

> By and large there appears to be an awareness that it is still early in the emerging government / non-profit relationship and that there is much room for creativity and innovation in the partnerships with community and non profit organisations. There is clearly awareness on the part of government managers that better ways should be found to make partnership agreements less cumbersome so that clients are indeed better served (Rasmussen et al., 2003: 89).

As well as mutual recognition of the importance of their relationship, when the respective attitudes to clients were analysed, both voluntary sector managers and government officials showed a client focus. Differences arose in how best to achieve positive outcomes for clients. Government officials emphasised rules and procedures to assure quality service provision to all clients. Voluntary sector managers were not concerned with rules but rather focused on needs of individual clients (Rasmussen et al., 2003). These findings show that government officials and voluntary sector managers, while holding different views on the best way to serve clients, both had the same end goals.

Agency theorists have similarly come to accept that the assumption of goal conflict will not always be valid. Eisenhardt (1989) concedes that goal alignment may occur in highly socialised or clan-orientated firms, or in situations where self-interest gives way to selfless behaviour. As goal conflict decreases so does the need for in-depth monitoring. Agents will behave as the principal would like regardless of whether their behaviour is monitored. In such situations agency theory may not be relevant.

> Agency theory is most relevant in situations which contracting problems are difficult. These include situations in which there is … substantial goal conflict between principals and agents such that agent opportunism is likely … (Eisenhardt, 1989a: 71).

Indeed, Arthurs and Busentiz (2003) state that researchers must provide a theoretical rationale for why goals between the two have diverged before applying agency theory to explain behaviours (in the present research no such rationale seemed to exist). They argue that the normative assumptions of goal conflict have been blindly assumed and applied in the literature. These assumptions, however, may not be

significant in some contexts. Agency theory will not be applicable to all situations, or may only be applicable at certain times. Waterman and Meier (1998) conclude that goal conflict should be treated as a variable in a relationship, not as a constant.

9.1.3   If the Assumptions are Invalid, are the Mechanisms of Accountability Promoted by Agency Theory also Invalid?

Agency theory promotes external monitoring and reporting as a key mechanism to control agents and align agents' actions to their principal's goals. Given that the present research shows the tenuous status of the assumptions that respondents will have different aims to officials and will work with malice to achieve their own means, the implications for the mechanisms of accountability that govern the government–voluntary sector relationship must be considered.

Respondents reported that they found reporting to officials a somewhat meaningless task. While happy to provide the information requested, they perceived that the information they provided was superficial and they questioned whether it was actually used by officials. Indeed, reporting on the throughputs or outputs of contracted services could be distracting respondents from asking themselves the hard outcome questions they did not seem to be addressing.

External monitoring and reporting has been identified as a characteristic of hard accountability. The limitations of this type of accountability relationship have been previously discussed. Hard accountability mechanisms may reduce voluntary organisations' performance to the lowest common denominator of regulation or contract specification, remove respondents' discretion and their ability to innovate, and increase the cost of reporting – reporting that does not contribute to the quality of the service produced. Indeed, Fry (1995) challenges the assumption that external controls after the fact motivate voluntary sector organisations and ensure they produce excellent work.

From the governmental perspective, external monitoring is not proving effective either. Dicke and Ott (2002) report on research that showed only two percent of American government case managers reported that the external reporting methods used by their agency were adequate for overseeing their contractors.

New Zealand researchers have found similar results. Barnett and Newberry's (2002) study of contracting for mental health services concluded that the current monitoring and reporting requirements in this sector focused on cost containment at the expense of concern about how best to apply resources to achieve agreed objectives. Indicators of quality were absent from monitoring systems.

> Providers were required to supply their RHA [Regional Health Authorities] with financial and numerical information. Typically this information consisted of the information required for invoicing, referred to by one provider as 'just outputs, bodies on beds', occasional reports on complaints and incidents and annual financial reports.   This form of reporting, evidently intended as performance monitoring, was summed up as 'simple, cheap and ineffective' (Barnett and Newberry, 2002: 200).

Ashton et al's (2004) study of contracting for health services found that there were many problems in monitoring the contracts. They found some RHAs were able to monitor providers on a systematic and ongoing basis, but that many simply watched and waited for poor performance and followed up only if there were particular indicators of concern:

> … purchasers rarely provided feedback to providers and often did not follow up on the information provided. Reasons given for this included the fact that some providers' information systems were undeveloped (and therefore unreliable). However, purchasers also often lacked the technical skill and the time required to analyse and interpret the data (Ashton et al., 2004: 26).

A recent report by the New Zealand Controller and Auditor General (2003) into government contracting practices found that officials, under work load pressures, failed to follow contracting guidelines.   The report concluded that contract monitoring and management was poorly performed by all three funding agencies considered.   Decision-making about the organisations receiving contracts was haphazard, the contracts themselves were not complete, and progress reports were not demanded (Office of the Auditor General, 2003).

These findings show that, just as respondents did not perceive themselves as agents, government agencies struggled to be effective principals. Agency theory suggests that principals should be actively trying to solve the problem of information asymmetries by investing in information systems and gathering information about the performance of their voluntary sector providers. Voluntary organisations hold valuable information about services. With such information, agency theory assumes that voluntary sector managers will attempt to build slack into contracts by reducing the quality or level of service delivered. Respondents, however, perceived that officials were not interested in the information they had, nor reading the monitoring reports provided to them. In short, government officials were not seen to be acting as effective principals.

MacDonald's (1997) Australian study also found that officials struggled to be effective principals. Officials were overloaded and had limited travel budgets, so had limited contact with voluntary organisations. Decisions about contracts generally turned over year to year. Decision-making was centralised and based on aggregated information. Officials were not keen to expose shirking because of the potential embarrassment to their political masters. Officials were also expected both to develop the capacity of groups, so they could fill service delivery gaps, and audit them, often in the same meeting. She concludes that agency theory does not account for the political processes and pressures on the principal, and for the need for principals to be actively creating suppliers (Macdonald, 1997).

9.1.4 Current Attempts to Address Accountability Problems

The limitations of the current accountability mechanisms for contracting with voluntary organisations are of concern to the current administration. In 2001, the Treasury issued *Guidelines for Contracting with Non Government Organisations for Services Sought by the Crown,* and a revised set in late 2003. The Guidelines sought to promote a better relationship between government and the voluntary sector, provide best practice in contracting, ensure that the government and voluntary organisations got mutual benefit from money spent on Government objectives, and that there was accountability for public money. The Treasury suggests contracts need to represent value for money, be quality driven and provide for appropriate

accountability for public money, but also recognise the objectives and autonomy of the voluntary sector (The Treasury, 2003).

However, the level to which the guidelines are adopted is seen as an issue by respondents interviewed by Treasury in the 2003 revision process, as is the ability of officials to actually implement them (The Treasury, 2003). The Community–Government Relationship Steering Group (2002) surveyed government agencies to investigate responses to the guidelines. They found that while several agencies had taken the guidelines seriously and made changes to their contracting practices, only a few agencies had developed substantial changes to practice in line with the guidelines (Community-Government Relationship Steering Group, 2002).

The major initiative, *Funding for Outcomes*, is driven by a Cabinet directive[25] to speed up progress in developing and implementing an integrated approach to government contracting with non-government organisations. The project focuses on

> Reducing transaction costs incurred by providers through separate negotiations with government funders [and] reducing compliance costs by reaching consensus on a single quality assurance and audit process for each joined up funding agreement (Ministry of Social Development, 2004: 1).

Funding advisors are currently being appointed to bring government agencies together to prepare 'joined-up' funding agreements. Providers (voluntary organisations) will need to prepare only one report that will satisfy all funders' accountability requirements. Monitoring and audits will be co-ordinated between departments so as to minimise the number of visits needed.

This research shows that the problem in the government–voluntary organisation contracting relationship lies not in the reporting and monitoring phases of the relationship, which are being addressed in this initiative, but in the delegation or

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[25] Cabinet Minute: Social Development Committee (03) 31/3 'Funding for Outcomes: Progress Report'

negotiation phase. Officials' 'take it or leave it' approach to contract negotiation was seen as the major barrier to a successful relationship. The compliance costs of reporting are by comparison only a minor irritation.

The intervention creates 'super' contracts with the potential to further reduce the bargaining power of voluntary organisations. At present, they may be able to turn down a contract with one agency if the terms are not favourable because they can accept work from another agency. 'Super' contracts have the potential to further drive down delivery prices, especially when agencies are privy to information about how much they each pay. 'Super' contracts will be hard to walk away from. Voluntary organisations will need to invest in the capacity to deliver the whole contract and will not be able to drop pieces of it should they prove unprofitable. While negotiating with one agency was difficult for respondents, negotiating with the power of three or four will be potentially even more difficult. This initiative has the potential to improve officials' performance as principals but may exacerbate the problems voluntary organisations experience.

9.2   Stewards not Agents?

This research has found that voluntary organisations may have similar goals to the government agencies they contract with. Agency theory assumptions that voluntary organisations will work contrary to what officials expect of them are challenged. Stewardship theory may be a more useful framework for thinking about contracting, as it assumes principals and agents have similar goals.

9.2.1   Stewardship Theory

The origins of the concept of stewardship are biblical. Stewards, as valued employees who are entrusted with running households, are mentioned in both the Old and New Testaments. Stewards are seen as servants of someone or something greater than themselves, are proactive and have the discretion to take risks on their masters' behalves (Jeavons, 1994). Jeavons (1994: 114-5) provides an analysis of the biblical use of the concept of stewardship:

What do these passages tell us, then, about the scriptural or sacred view of stewardship? ... First, the steward is always a servant of someone or something greater than himself. This characteristic does not mean that he or she is a slave … But it does mean that the steward's role and work is defined by *his or her commitment and allegiance to someone or something greater*; his or her appointed task is to attend to another's interests. Second, these narratives tell us that the interests that the stewards look after *are more than 'economic' in the way we now use that term*; they are more than financial. The steward's job is to arrange and maintain the right ordering of all the affairs of a household or establishment in congruence with his or her master's interests and values. Thus, we find indications that the steward should be expected to be involved in a wide range of activities, beyond just accounting and commerce. Third, these stories tell us that *good stewardship cannot be taken for granted*. They indicate that being a good steward is hard work. Indeed, they seem to suggest that finding a 'wise and faithful' steward may not be easy in any realm of life. Finally, they suggest that we may need to begin to think of the steward in a more active sense; not just as a conservator of resources, but rather as one who takes a proactive role – perhaps even some risks – in cultivating resources to be used for moral purposes … this concept [also] encompasses the idea that stewardship is an obligation of trust. And, interestingly, that trust is seen as going two ways. The steward's role demands that he or she be trustworthy …. Yet the implication is also clear that the stewards who serve well in this regard can trust that their interests will also be well served in abiding by this commitment.

Stewardship theory has been applied to the study of organisations. Proponents argue that pro-organisational and collective behaviours are of higher utility than the individualistic, self-serving behaviours, assumed by agency theory (Dicke and Ott, 2002). Put simply, if the organisation does well, its members will do well so they invest their energy in their organisation's success (Davis et al., 1997). Therefore, people will put the organisation's needs first. They are not assumed to want to shirk or act opportunistically, as agency theory assumes. They are instead motivated to work to achieve the organisation's goals (Block, 1996).

Given a choice between self-serving behaviour and pro-organisational behaviour, a steward's behaviour will not depart from the interests of his or her

organisation. A steward will not substitute or trade self serving behaviours for co-operative behaviours. Thus even when the interests of the steward and principal are not aligned, the steward places higher value on co-operation than defection…Because the steward perceives greater utility in co-operative behaviour and behaves accordingly, his or her behaviour can be considered rational (Davis et al., 1997: 24).

Stewards still have basic survival needs, such as a regular salary. However, the differences between a self-interested agent and a steward are in how these survival needs are met. Stewards realise that there is a trade-off between personal and organisational needs and choose to work for organisational needs. By doing so, stewards assume their personal needs will be met (Davis et al., 1997). Other theorists acknowledge that stewards may work for altruistic reasons – unselfish concern and devotion to others – without expected return (Corbetta and Salvato, 2004). Ott and Dicke (2000) argue that altruistic motives best explain voluntary organisations and their employees, as employees are selected and socialised to care about and serve clients.

Less controlling organisation structures and mechanisms are needed for stewards. Extending the autonomy of stewards maximises the benefits of their behaviour. Informal and intrinsic accountability mechanisms, rather than 'hard' legalistic or mechanistic ones, are best suited to stewards: the promulgation of professional standards, peer review and mechanism that build a sense of internal responsibility (Ott and Dicke, 2000). Control can be counter-productive because it signals that the steward is not trusted with a level of discretion. Such controls will lower the motivation of a steward to work for the organisation (Davis et al., 1997; Tosi et al., 2003).

9.2.2   Differences in Assumptions Between Agency and Stewardship Theories

The differences between the assumptions of agency and stewardship theories can be summarised as such.

Assumptions about Individuals

The fundamental difference between the theories is their assumptions about individuals. Agency theory assumes individuals are rooted in economic rationality. Individuals base their decisions and actions on maximising their resources. As Davis et al (1997) notes, given a choice the agent or principal is assumed to choose the option that increases his or her individual utility. This assumption has been developed from the last 200 years of economic research. It is also the basis of the 'agency problem'; that is, when the interests of the principal and agent do not align and an increase in one's utility is at the expense of the other.

A body of sociology and psychology literature has challenged this view as too simplistic. Work in 1960s and 70s by McGregor (1960), Maslow (1970) and Argyris (1973) developed an alternative model – the self-actualising individual – based on the view that humans have a need to grow beyond their current state and reach higher levels of achievement. Individuals will seek higher level and non-individualistic goals, such as contributing to an organisation's success. They will achieve personal fulfilment in doing so. Individuals unable to express their aspirations will become frustrated. This can be seen as a theoretical basis of modern stewardship theory (Davis et al., 1997).

An individual is assumed by stewardship theory to display pro-organisational, collective behaviours. Given a choice between self-serving and co-operative behaviours, the steward will choose co-operative behaviours that serve the organisation. Such behaviours are perceived to lead to organisational success and contributing to organisational success is perceived by the steward as generating great personal benefit (Davis et al., 1997).

Motivation

Agency theory focuses on extrinsic rewards: tangible, exchangeable commodities that have a market value. The aim of such rewards is to control the agent's behaviour. Such is the central objective of agency theory: imposing controls on

agents in order to keep their self-serving behaviour in check (Jenkins and Meckling, 1976).

Stewardship theory focuses on intrinsic, intangible rewards: those not easily quantified such as opportunities for growth, achievement, affiliation and self-actualisation. The aim of such rewards is to keep the steward motivated. Motivated stewards will maximise their performance and work towards organisational goals (Davis et al., 1997).

In contrast to agency theory, control is not central to stewardship theory. Indeed, Block (1996) argues that the autonomy of stewards should be extended as much as possible as they can be trusted to work in the best interests of the organisation. Few organisational resources should be spent on monitoring the work of stewards.

Identification

Stewards have a strong identification with their organisation's mission and values. Achievement of organisational goals brings satisfaction for stewards. Self-serving agents, in contrast, do not identify with their organisation's missions and any issues that their organisation may face. They seek to avoid blame and to avoid having to accept responsibility. They most closely identify with their own needs (Davis et al., 1997).

Use of Power

Using a widely cited typology of power bases, Davis and colleagues argue that there are two main types of power: institutional (vested in principal by virtue of their position in the organisation); and personal (developed through the context of an inter-personal relationship). They argue that agency theory adopts notions of institutional power by prioritising incentive systems and the importance placed on recognising the authority of the principal. Stewardship theory relies on personal power (Davis et al., 1997).

Sundaramurthy and Lewis (2003) summarise the differences in the two theories as *control* and *collaboration*. Agency theory stresses control: curbing human

limitations through discipline, value of extrinsic motivation, and external monitoring. Stewardship theory stresses collaboration: collective orientations, tapping into the individual's aspirations and intrinsic motivations, and the importance of service (Sundaramurthy and Lewis, 2003).

The differences are summarised in Table 9.1:

Agency Theory – Control	Stewardship Theory – Collaboration
Focus on contractual relationships where the goals of principals and agents are not aligned	Focus on long term relationships where the goals of principals and stewards are aligned
Assumes agents will shirk: act opportunistically to achieve personal needs	Assumes stewards will work to achieve shared goals as the way to fulfil their personal needs
Agents motivated by extrinsic rewards, usually personal remuneration	Stewards motivated by intrinsic rewards such as achieving the organisation's mission
Agents working for their own self interest	Stewards strongly identify with organisations' mission and purpose
Agents controlled by institutional structures: hierarchies, reward systems	Stewards controlled by personal relationships

Table 9.1: Differences between Agency and Stewardship Theory

9.2.3   Stewardship Theory and Soft Accountability

Making different predictions about how people will behave leads stewardship theorists to alternative conclusions about accountability, as against those proposed by agency theory. People are assumed to want to work for the organisation's goals. They should therefore be given the discretion to do so. Localised decision-making is proposed as important, as are longer-term and qualitative measures, to ensure people can know if they are making a positive difference (Block, 1996).

Accountability, it is argued, develops from parties sharing the same goal. When this occurs an internal sense of responsibility for achieving the goal develops. As the parties are assumed to have similar goals, and incentives aligned to achieve these shared goals, principals are able to step back from the details of the relationship and focus on providing strategic direction for their agents. As principals are freed from much of the often costly and time-intensive process of monitoring agents, they can, for example, invest more time in researching *what* services should be delivered.

They can also use the time saved from monitoring to develop measures which map the outcomes of the service provided.

Agents are also accorded more discretion. This may, for example, include the ability to make decisions about *how* services are delivered. Agents, given their assumed interest in the success of the organisation and the services it delivers, will also co-operate in the process of identifying outcomes and measures.

Micro-management and heavily specified contracts are unwarranted, as there is agreement on the broad direction (Cornforth, 2003b). Soft accountability mechanisms, such as professional licensing, codes of ethics and peer review, are seen as more effective than hard ones (Dicke, 2002).

Fry (1995) argues that the adoption of soft accountability mechanisms will make voluntary organisations more accountable to stakeholders than they currently are. Organisation members will ensure they behave in a manner consistent with achieving the organisations' goals and will judge themselves and be judged by their peers for doing so. Hard accountability mechanisms only measure what tangible work has been completed. Soft accountability mechanisms cover not only the tangible work completed but also the way the work was undertaken (how people chose to act). They are therefore, he suggests, more far reaching than hard accountability mechanisms.

9.2.4 Stewardship Theory Applied to the Government–Voluntary Organisation Contracting Relationship

The current hard accountability mechanisms (such as monitoring, audit and reporting) used in the government–voluntary sector funding and contracting relationship would be seen by stewardship theorists as superficial. They would instead focus on ensuring goals are shared. This will mean that government agencies would take the time to understand what the voluntary organisations are trying to achieve, how they are doing it and where there is congruence of goals. When it is identified that goals are shared the contracting process can begin. There would be a large investment of time at the beginning of any relationship.

If, after discussions with a voluntary organisation, it was clear that the organisation had different goals to what officials were trying to achieve (or was not capable of delivering what was required), officials would seek another provider. In practice, this may mean that organisations currently contracting with government will not be offered future contracts: a potentially difficult and politically volatile stance.

Once a relationship was established, voluntary organisations would be trusted to get on with the job. Performance measures focusing on measuring outcomes for clients would be jointly developed over time. Blanket controls and 'boilerplate' contracts would not be used. Non-financial motivations would be acknowledged. Knowledge generated from the performance measures would be used to modify service delivery. Dialogue between parties would focus on delivery problems, and potential improvements or innovations. The information asymmetries that are problematic in principal-agent relationships would still exist: the staff of voluntary organisations will have more information about service delivery than officials. Under a stewardship framework, such asymmetries would not be seen as a potential source of risk for principals (such as an avenue for inflating contract prices), but rather expertise that should be incorporated into policy processes.

Officials could use the time freed-up from the detailed monitoring of contracts to provide long-term strategic guidance and research on effective service delivery and the attainment of outcomes. The stewards (voluntary organisations) would be freed from detailed reporting, and the provision of government-designed piecemeal programmes to do what they do best – deliver in-depth services to clients – and the principals (officials) could support this through research, development and investment in strategy.

Officials may chose to contract better with fewer organisations given the resource intensive nature of establishing relationships. This is not without risk for the voluntary sector. Fewer organisations may receive funding. A trusted 'inner-circle' could develop. Under such circumstances, new organisations, for example, may be excluded. Organisations receiving funding may also find it difficult to maintain their

unique qualities as they develop a close relationship with government, as predicted by neo-institutionalists (DiMaggio and Powell, 1983).

Of benefit to the voluntary sector will, however, be the increased investment government agencies may make in building the capacity of voluntary organisations. In particular, officials may be interested in improving the ability of voluntary organisations to monitor how well they are doing against their mission, so they can self-regulate. The inability to monitor their performance has been identified as a key weakness by this research.

A number of conditions would need to be met if stewardship theory and soft accountability were to effectively govern the government–voluntary sector relationship. Voluntary organisations would need sophisticated systems of performance management and self-criticism to ensure they are working towards the shared goals (Miller, 2002b). This research and other studies have found that internal performance measurement is a weakness, the level of self-regulation needed to ensure they are working to enhance the public good is not present.

Both parties need to be interested in each other and looking for better ways to serve the public (have an outcome focus) (Henderson et al., 2003). This research has shown that respondents perceived that officials had little interest in them and that the contracting process was about delivering outputs not outcomes for clients.

Government needs to recognise that it puts up cultural barriers to working with voluntary organisations (Taylor, 1996a). The Report of the Community and Voluntary Sector Working Party (2001) provided specific examples of such barriers operating in the New Zealand context such as the speed at which policy makers expect the voluntary sector to respond to draft documents. A number of organisations reported that they were unable to participate in policy processes in a meaningful way. Umbrella organisations, who seek feedback from their constituencies before engaging with government agencies, saw themselves particularly hampered by the short time-frames allowed. The speed and demands of the political cycle provide one example of a cultural barrier for voluntary organisations that prioritise discussion and consensus.

Government agencies need to be prepared to share decision-making (Whitaker et al., 2002). For the Community and Voluntary Sector Working Party (2001) this meant providing genuine opportunities to comment on policy and involvement in the early stages of policy development. Respondents' perceptions of the contracting process as a 'take it or leave it' one suggest this is a long way off.

Time is also needed to develop shared expectations and sensible performance measures. Experimentation will be needed (Whitaker et al., 2002). However, as demonstrated by the example of a contract in the recent Auditor General's report on the government contracting processes, practices currently do not result in shared expectations:

> There was no 'meeting of minds' on the part of the Ministry and [the voluntary organisation it contracted with] as to the length and expected outcomes of the contract. The parties were confused over the length of the contract and the expected outcomes during the term of the contract (Office of the Auditor General, 2003: 59).

9.2.5 There is no Panacea

In theory, changing the assumption that voluntary organisations are stewards rather than agents, and the accompanying changes in accountability mechanisms may address many of the limitations of the current contracting regime. However, the reality is much more complex.

Acceptability in the Public Sector Context

Stewardship theory is untested, particularly in voluntary sector research.

> Whether stewardship theory can have application in non-profits, where many of the stewards are volunteers rather than paid managers, is intriguing; and appears currently untested' (Harrow, 2001: 224).

> Because stewardship theory is relatively new, its theoretic contribution has not yet been adequately established (Davis et al., 1997: 20).

The enthusiasm with which some of its proponents advocate this approach makes their claims seem too good to be true. As Arthurs and Busentiz (2003: 155) argue 'stewardship theory paints an excessively rosy picture of the steward.'

Government agencies need to make voluntary organisations accountable for taxpayers' money. They need to be seen to be in control (Taylor, 1996a; Dicke, 2002). As guardians of the public purse, public agencies take what can be considered a risk-adverse approach. The mechanisms of external control, such as monitoring and reporting, can be seen to provide the needed assurance to both Ministers and the public that taxpayers' money is being used effectively (Davis et al., 1997).

Being accountable for taxpayers' dollars is one example of the different set of pressures that officials operate within. Another set originates from the three-year political cycle and the associated changes in policy and programmes. Such change will make it difficult for officials to establish committed long-term relationships with voluntary organisations.

A regime built on the assumptions that providers should be allowed a high level of discretion is unlikely to be feasible in this context. Public accountability systems can be seen as a trade-off between discretion and assumed innovation and efficiency, on one hand, and the need for control, on the other (Considine, 2002). Increased control comes at an increased cost: costs could be in terms of the resources need to monitor behaviour, as well as the potential loses from reduced levels of innovation and the improvements in performance that can result from such innovation (Mayston, 1993).

Discretion and soft accountability systems, versus control and hard accountability systems, and the trade-offs needed represent an intractable problem. The debate about the respective benefits of internal responsibility (soft accountability) and external (hard accountability) controls has raged for decades, since it was originated by the seminal exchange between Friedrich and Finer in the 1940s.

At the heart of the debate is the issue of how much discretion agencies can allow their providers; how far can they trust them? For Das and Teng (1998), finding the

balance between control and trust is the key question for any alliance. Both come at a cost to the organisations involved:

> The selection, development, and implementation of control mechanisms, such as budgets, planning systems, and cost-accounting systems can be expensive … Trust is not free either; trust building is a planned activity and takes considerable resources from organisations over time (Das and Teng, 1998: 496).

For a relationship based on trust to develop, government agencies and voluntary organisations will need to become familiar with each other. Bigely and Pearce (1998) argue that trusting relationships are only formed between actors who have established close bonds with one another. Bhattacharya and Devinney (1998) add additional prerequisites needed for trust. The interests of the two parties must be aligned. As previous discussions of agency theory have shown, when each party is self-interested and working towards different goals, control becomes a central feature of the relationship, at the expense or as a substitute for trust (de Leon, 2003). For trust to develop in a relationship a sense of shared higher level purpose is needed. Trust is also most likely to eventuate when parties have taken care and time in choosing their partners.

However, in trusting voluntary organisations, Sheppard and Sherman (1998) note government agencies will be implicitly accepting the risks associated with being dependent on them for the delivery of services. Trust implicitly involves loosening mechanisms of control and relying on voluntary organisations to deliver services of an acceptable quality.   Such interdependence increases the vulnerability of government agencies (particularly to poor performance by voluntary organisations) and increases the potential for betrayal or harm from voluntary organisations (such as the potential for being defrauded) (Bigely and Pearce, 1998). Such risk is not easily absorbed within public management systems and by political masters.

However, the seeds of enhanced discretion, soft accountability and intrinsic accountability mechanisms may already be present in the current public management system. The reforms of the 1980s and 90s emphasised the role of consumers in monitoring service quality.   Through the exercise of consumer choice and the

development of mechanisms for complaint, service quality was expected to increase. Providers, be they government agencies or voluntary organisations, were expected to self-monitor their performance in terms of customer satisfaction. If clients were to chose alternative services, funding would be reduced to the non-selected providers. While this research has shown that the managers and board members of the voluntary organisations studied were not responsive to their clients needs, this aspect of the public management system could be better activated. Internal self-monitoring of performance by providers was recognised by some as more effective than administrative allocation via regulation and inspection (Ormsby, 1998).

Indeed, another feature of the original reforms was the mantra 'let the managers manage' so recognising the importance of discretion. As Norman (2003: 33) describes, the pre-reform public management system focused on the hierarchical control of managerial actions:

> Control is a central preoccupation in the delivery of public services, because public agencies are 'invested with awesome powers of compulsion – to tax, regulate, inspect, arrest – and attractive powers of reward – to subsidise, purchase, and protect. Typically they [public agencies] exercise these powers as monopolists, immune from competition. To make them accountable, we enshroud them in a maze of laws, regulations and court rulings; to keep them responsive, we expose them to access by endless reporters, lawyers, committees and investigators' ... The solution to this problem of public sector control for much of a century was to deliver services through hierarchical bureaucracies, responsibly directed to elected representatives.

Post reform, managers were to be freed from the web of rules and regulations that governed their actions, allowed to make decisions and then held accountable for results. Efficiencies were thought to be generated from allowing managers discretion to make decisions about the service delivery (Boston et al., 1996).

The assumptions of stewardship theory may not, therefore, be so removed from current public management realities. Discretion, soft accountability and intrinsic accountability mechanisms are present as threads in the current system. Indeed,

Barnett and Newberry (2002) conclude that such mechanisms are relied upon for performance measurement and management in the mental health sector.

Enduring Goal Alignment

Questions must also be raised about the depth and sustainability of goal alignment. While the managers of voluntary organisations and officials may agree on high level outcomes, differences about service delivery may override consensus. Differences may arise from the conflicting values of the respective parties. Research suggests officials may prioritise adhering to rules and regulations more than their voluntary sector counterparts (Rasmussen et al., 2003). If, for example, voluntary sector managers were contravening rules considered by officials as crucial, there is potential for the relationship to collapse. When consensus is gone in a stewardship relationship, there is in effect, no workable relationship left. Ongoing frustrations about funding may also block collaboration.

Agency Theory is not all 'Bad': Stewardship Theory is not all 'Good'

Agency theory has generated a number of important insights for public administration researchers, such as the importance of information systems (Eisenhardt, 1989a). The current agendas of agency theorists may also provide new insights. Researchers considering corporate governance and issues of separation and control are searching for efficient solutions for conflicts of interest, so to reduce the need for intense monitoring (Arthur et al., 1993). Others are exploring the potential of contracting for outcomes.

> One proposition is that outcome based contracts are effective in curbing agent opportunism. The argument is that such contracts coalign the preferences of agents with those of the principal because the rewards for both depend on the same actions and, therefore, the conflicts of self interest between principal and agent are reduced (Eisenhardt, 1989a: 60).

Both avenues of exploration may prove useful for public administration researchers.

Agency and stewardship theories are contrasted in many discussions. There may however be potential for convergence. Arthur and Busentiz (2003) question whether stewards turn off their self-interest or if their self-interest is well aligned to organisation goals. Angwin et al's (2004) research found that some CEOs who chose pro-organisational approaches did so because they thought it best for the company, while others did so from a desire to maximise their personal wealth. The end actions were the same, even though some were operating as stewards and some as agents. Arthurs and Busentiz (2003) also found that some of the relationships they studied began as principal and agent but over time evolved to principal and steward. Discretion and trust, it seems, can be earned over time.

Davis et al (1997) argue that situational factors, such as the pre-disposition of the individual to a view about other individuals, the management philosophy of the organisation and even the cultural context of the relationship determine whether agency or stewardship theories are likely to be adopted. Applying the appropriate theory to the appropriate situation is more important than debating which is best overall.

> We do not assume that agency theory is wrong or inferior to stewardship theory, as previous researchers have stated. We attempt to reconcile differences between stewardship and agency theory by describing the conditions under which each is necessary' (Davis et al., 1997: 22).

9.3   A Way Forward

Clearly both agency and stewardship theories have limitations. But rather than focus on becoming more effective principals, as encouraged by current policy initiatives, governments could adopt some of the insights from stewardship theory.

Officials could be encouraged, and appropriately resourced, to take more time to establish relationships with voluntary organisations, based on common expectations and goals. Performance measures could be developed alongside voluntary organisations with the aim, not only of monitoring progress against goals, but also learning how to improve service delivery. Government agencies could also invest in

building the capacity of voluntary organisations for monitoring their performance and self-regulation. Officials could allow the managers of voluntary organisations a degree more discretion and assume that they will do a good job. Detailed specification could be, over time, removed from contracts. Officials may also investigate opportunities for making regulations less detailed and more outcome-focused.

The debate about the respective benefits of internal responsibility (soft accountability) and external controls (hard accountability) remains unresolved, to the extent that both types of accountability are seen by various scholars to be necessary in any relationship. The trick is to find the appropriate balance between control and discretion. As Ebrahim (2003: 208) argues:

> Accountability is both external and internal. It may be defined as the means through which individuals and organisations are held externally to account for their actions (for example, through legal obligations and explicit reporting and disclosure requirements) and as the means by which they take internal responsibility for continuously shaping and scrutinising organisational mission, goals and performance (such as through self-evaluations, participatory decision processes, and the systematic linking of organisational values to conduct). Although external oversight is necessary, no amount of it will inculcate a felt responsibility … The challenge of accountability lies not in a binary relationship between oversight and independence but in a more complex dynamic between external, internal, upward and downward mechanisms.

Respondents' perceptions of their accountability relationship with government agencies suggest that the current focus on external controls is actually proving a barrier to the provision of quality services. Finding a new balance between discretion and control is needed. Adopting some of the insights from stewardship theory could help this quest.

9.4   Summary

The current accountability mechanisms used to contract and fund voluntary organisations are considered by both parties to be less than satisfactory. The current

regime assumes voluntary organisations will behave according to the predictions of agency theory. This research has found, however, that this assumption needs to be challenged. The behaviour of those working in voluntary organisations is more explicable by stewardship theory than agency theory. Stewardship theory suggests that soft accountability mechanisms are most appropriate.

While the adoption of a regime based fully on soft accountability mechanisms would be politically and operationally difficult, applying some aspects of the stewardship approach would ensure a better balance between hard and soft accountabilities, and could help maximise the service outcomes desired by both government officials and the voluntary organisations they help to fund.

Chapter 10

Conclusions

Personal observations of the problems generated by the accountability mechanisms of contracting, from both a government agency and voluntary sector perspective, provided the impetus for this investigation. During an initial review of the literature, it became clear that one missing piece of 'the contracting jigsaw' was voluntary sector perspectives of accountability. This research sought to explore the perceptions of accountability of voluntary sector managers and board members: to whom, for what and why they thought themselves accountable. Considering the implications of the results for the government–voluntary sector relationship was the secondary aim.

The literature, somewhat sketchy on the subject of voluntary sector accountability, provided some suggestions of what might be discovered. Managers and board members will think they are accountable, the literature predicted, to those that fund them: government agencies and large donors. They are reliant on volunteers and peer organisations, so will also prioritise these accountability relationships. They will do so, said the stakeholder theorists, because these stakeholders are powerful and can exert pressure on the organisation, have demands that need to be addressed urgently and their demands are viewed as legitimate by the voluntary sector managers and board members. A steady stream of resources is crucial to the survival of the organisation (an input from resource dependency theory) as is being seen as a legitimate entity (as emphasised by neo-institutionism).

The literature also suggested how accountability would be conceptualised: as a formal, hierarchical relationship based on coercion and principal-agent constructs, or 'hard' accountability. An alternative concept of accountability – soft accountability – was also identified. Less well developed and not widely adopted, soft

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accountability encompasses a broader range of relationships: those voluntarily entered into, not necessarily formal or hierarchical.

The actual results were somewhat surprising. Clients were considered the stakeholders respondents felt most accountable to. This was particularly so for respondents who had regular contact with their organisations' clients. A group of internal stakeholders (staff, members and the board) were considered the second most important accountability relationships. Managers and board members alike focussed on being responsive to the needs of staff. The board was particularly interested in being accountable to the organisations' members, as they were directly elected by them. The main funders of the voluntary sector, government agencies, were considered the third most important accountability relationship. Even the two case studies dependent on government funding did not prioritise accounting to government agencies. The predicted emphasis on funders did not eventuate. Volunteers or peer organisations were also not accorded the expected priority.

In exploring the rationales given by respondents for their perceptions of accountability the seemingly counterintuitive results made sense. Respondents were very aware of the importance of maintaining the legitimacy of their organisation. Organisations perceived to be legitimate receive funding and support: organisations perceived to be illegitimate do not. Providing a high quality service to clients secured their organisation legitimacy. Being responsive (as accountability was defined in the case of these relationships) to staff, the organisation's members, and between board members, was a strategy to ensure they performed well and so delivered the high quality service needed for the survival of the organisation. Once legitimacy was secured, the organisation would attract funding. Resource dependency theory proved to be of limited explanatory value while the results suggest the centrality neo-institutionalists give organisation legitimacy is well-placed.

Respondents focus was on 'soft' accountability relationships. Both the relationships with their clients and most of the internal accountability relationships were based on the organisation choosing to feel accountable. This voluntary, 'felt' relationship

contrasts to the hard accountability relationship of contracting with government with its formal contracts, reporting mechanisms and threat of financial sanctions.

In terms of the implications for the government–voluntary sector relationship, these findings challenge the assumptions on which the current New Zealand public management contracting regime is based on. Agency theory, influential in the public sector reforms of the late 1980s and early 1990s, emphasises contractual relationships as a mechanism to minimise the ability of agents (contracted voluntary organisations) to rip-off their principals (the government agency). Agents are assumed to want to produce less, and at a reduced quality, for more funding. They are also assumed to have different goals to their principals and seek to meet their own needs at the expense of their principal. Respondents, however, had similar high level goals to the government agencies they contract with: positive outcomes for clients. They sought additional funding to provide more services for clients, and adopted governments' quality standards as their own.

The agency theory framework, with its focus on the assumed inherent tension between principal and agent and mistrust, can even be seen to be self-defeating. The hard accountability mechanisms promoted by agency theorists made it difficult for voluntary sector managers to consider the outcomes they were trying to achieve for clients and took the emphasis away from measuring the performance of their organisation. Instead, they report on the outputs they were contracted to deliver. Current calls to 'do the same but better'[26] may actually drive down service quality.

At the heart of the issue is the nature of the assumptions made about voluntary organisations. Currently, they are assumed untrustworthy and external monitoring and reporting regimes are in place, with the threat of sanctions as a tool of control.

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[26] Such as in the recent report from the Office of the Auditor General (2003) that said government agencies should improve their contract specification and monitoring.

An alternative is to relax these assumptions and assume that to some degree, voluntary organisations have similar goals to government agencies and can be trusted. Stewardship theory takes these assumptions as its starting point. Stewards work for their principals' best interests because such interests are aligned with their own. They work pro-actively for the best outcome for the principal and are most effective when they have high levels of discretion. Stewardship theorists promote internal, intrinsic methods of accountability, favouring self-regulation and professional licensing – or soft accountability.

To recommend that stewardship theory be adopted as the frame for the contracting relationship with voluntary organisations would be to ignore the reality of government. The need for control is inherent in Western public management systems. Control is needed over the expenditure of taxpayers' money and the actions of officials on behalf of Ministers. Accountability systems (hard accountability relationships) operate to attempt to ensure that control. This is especially so in New Zealand. In the reforms of the late 1980s and early 1990s, ensuring accountability and effective control of public resources was core to the design of the new public management system. As Schick (1996: iii) states:

> Accountability has not been an afterthought in New Zealand, as it has in other
> countries that have implemented reform. Instead it has been robustly designed
> as an integral feature of the reformed public service.

The realities of a three-year political cycle mean that activities must be completed and results delivered. Accountability also operates as a control to ensure agencies meet specified performance standards. To give voluntary organisations a high level of discretion to spend taxpayers' money and deliver public services would be politically, and operationally unfeasible.

However, stewardship theory offers some insights into how contracting can be improved. Officials could be encouraged, and resourced appropriately, to learn about the voluntary organisations they may contract with. They could ask of themselves hard questions such as, is this organisation trying to achieve similar goals

to our agency? Contracts would not be let to organisations where the responses are negative.

Performance measures would focus on outcomes for clients and be developed jointly with the management of the voluntary organisations. They may be non-financial and rely less on blanket or standard provisions. Officials may look to provide support, both financial and expertise, to develop the internal monitoring capacity of organisations. This will better allow voluntary sector managers to both monitor their own performance as well as provide information on progress towards desired outcomes.

For these changes to occur more government resources would need to be invested in contract management staff. Smaller case loads and less pressure would allow officials to ensure the organisations their agency is contracting with have similar goals and to develop a better understanding of the organisations and the services they deliver. Officials, and their managers, would need to take more of an interest in the performance of the organisations as the operational arm of their agencies.

Such changes are not without risk to the voluntary sector. Some organisations that currently receive funding may have very different goals to the government agencies that contract with them. The options for this scenario are unpalatable – the organisation loses its funding, or changes its mission. The resource-intense process of building a relationship and finding congruence may practically mean that government agencies develop larger contracts with fewer voluntary organisations. For the chosen few, 'surviving the bear hug' of government funding and close scrutiny may be difficult (Nowland-Foreman, 1997).

There is no easy solution. Indeed, the debate about the relative merits of external control and internal regulation has intrigued public administration scholars for many decades. Debate about what assumptions should be made about human nature – are people trustworthy or not – began much before this.

It is probably not a case of finding a 'solution', but rather finding a strategy that is appropriate for the current public management context. The current focus prioritises

outcomes, co-ordination, a degree of devolution (or rather more of a focus on local issues), and multiple agency collaboration (Advisory Group on the Review of the Centre, 2001). This is challenging current linear, hard accountability structures as Anderson and Dovey describe (2003: 2):

> Our present system of accountability is based on mechanisms built around a Westminster-style Parliament and principal/agency theory, which gives us a vertical and singular model of accountability. It was thus considered that the adequacy of our current accountability mechanisms be re-examined in light of the impending pressures to change the way we conduct government activities and services. These pressures are raising such questions as: How might formal accountability arrangements be designed in an outcomes-based management system? How might accountability mechanisms be designed for new delivery methods with less linear governance arrangements and with more diffuse or equalised power (for example partnerships with local government and voluntary groups, and power-sharing with communities)?

This research suggests that hard accountability, with its focus on external controls, may have reached its optimal level of utility. The pendulum, it seems, could usefully swing toward adopting some of the insights of stewardship theory and dimensions of soft accountability. Such may be more appropriate for the current and future public management environment. Indeed, O'Neill (2002) concludes that adopting a soft accountability approach, which she terms 'intelligent accountability', will not only improve public sector performance but increase the public's trust in public institutions and satisfaction with the services they receive. In her words:

> … Currently fashionable [hard] methods of accountability damage rather than repair trust. If we want greater accountability without damaging professional performance we need *intelligent accountability*. What might this include? Let me share my sense of some of the possibilities. Intelligent accountability, I suspect requires more attention to good governance and fewer fantasies about total control. Good governance is possible only if institutions are allowed some margin for self-governance of a form appropriate to their particular tasks, within a framework of financial and other reporting. Such reporting, I believe, is not improved by being wholly standardised or relentlessly detailed, since much that

has to be accounted for is not easily measured it cannot be boiled down to a set of stock performance indicators. Those who are called to account should give an *account* of what they have done, and of their successes or failures, to others who have sufficient time and experience to assess the evidence and report on it … Well, have we begun to shift? Are we moving towards less distorting forms of accountability? I think there are a few, but only a few, encouraging straws in the wind…(O'Neill, 2002: 57-9).

This research focussed on exploring the perspective of voluntary sector managers and board members. Their concern was with the behaviour of the government officials they interacted with. The findings and implications summarised their perspective. A study that explored the perceptions of government officials of voluntary organisations would generate different insights and potentially draw conclusions about how voluntary organisations could improve their service delivery performance. It would record a different set of frustrations and implications. This would be an interesting and useful complementary exercise.

The lack of baseline data about voluntary organisations in New Zealand may, however, constrain future investigations of the government-voluntary sector relationship, as it did this study. Much value could be added to the understanding of voluntary sector issues from learning about how many organisations actually exist, with what function, their size, location, purpose, and volunteer and paid staffing levels. A long list of researchers and policy makers have already called for such a resource (Suggate, 1995; Community and Voluntary Sector Working Party, 2001). Such a survey would be costly to undertake and conceptually difficult to manage. Fortunately, a number of other countries have already completed such surveys (including the UK) and New Zealand can learn from their experience (Salamon and Anheier, 1994).

Further, New Zealand's devolved public management system means that the amount of contracting with non-government agencies is unknown. Individual agencies make their own service delivery choices: the 'make or buy' decision as it is often referred to (Boston et al., 1996). How many agencies chose to 'buy', what they 'buy', how much they 'buy', and the actual nature of the contractual relationship is unknown (or

would not be released under the Official Information Act). It may be that this analysis has not been undertaken because the actual level of dependence on voluntary organisations for service delivery would be a political embarrassment should it be publicly revealed. However, the reason this data does not exist is probably a practical one. It would involve much collation and co-ordination and it would be difficult to generate timely and accurate data.

Without accurate and systematic data about the voluntary sector, selecting case studies was a difficult process. Without knowledge of the population, sampling was not possible. Theoretical replication proved a useful substitute (Yin, 1994). On reflection, this technique and the two replication criteria adopted (dependence on government funding and reliance on volunteers) provided a useful range of organisations to study.

This is even more so, given that the predictions generated from the 'dependence on government funding' criteria did not eventuate in the research findings. It was predicted that the two organisations dependent on government funding would prioritise their relationships with government. As discussed, resource dependency theory proved of limited utility and the relationship between government funding and perceptions of accountability was more complex. The perceived stability of the funding, whether the organisation perceived itself to be a monopoly provider and whether it perceived the service it provided to be safe from axing were the important issues. Government funding was seen as a means to an end - providing a quality service to clients - rather than the driver of perceptions of accountability relationships as expected. However, this criteria ensured a range of organisations were included; from a multi-million dollar provider, to a local community group with a budget based around a collection tin. Differences between the predictions and the actual results can also be explained: the important of organisational legitimacy as the key.

The replications of 'volunteer' criteria seemed to accurately align with respondents' perceptions of accountability. The literature review pointed to the influence a reliance on volunteering had on an organisation's accountability relationships.

Volunteers were predicted to be important stakeholders who were difficult to control. Respondents did mention the problems they had controlling volunteers. However, it must be noted that they did not place as much importance on accounting to volunteers as the literature suggested they would. The literature suggested volunteers would be one of the priority stakeholders because the organisations depended on them to deliver services. Increased levels of professionalism and perceived difficulties with health and safety legislation meant volunteers were not as important as they once had been. However, the two case study organisations reliant on volunteers had fewer paid staff and were 'less professionalised' than the other two organisations that were not reliant on volunteers. The criteria again usefully ensured a spectrum of organisations was studied: from a local volunteer-driven committee (volunteer reliant) to a large service delivery organisation operating in a professional and business-like manner (paid staff reliant).

As with any case study research, the insights gained from an in-depth exploration of a small number of organisations, came at the expense of widespread generalisability across the voluntary sector. However, steps were built into the research process to increase generalisability. Indeed, the real measure is that this study's results are generally in line with the results of other New Zealand and international studies and any differences can be accounted for.

The proof of the validity of any research, however, is in the application of its findings. This research has sought to provide a clearer understanding of what accountability means to voluntary sector managers, staff and board members. In doing so, the implications for the government-voluntary sector relationship have been explored and suggestions made as to how current contracting practises could be improved. The test of the findings will be the implementation of the suggestions. This would involve a change in mindset for the officials involved in the contracting process and their managers, from being encouraged to assume the worst of voluntary organisations to expecting the best. Such changes do not come easily or without appropriate incentives. Acknowledging the important role voluntary organisations play in delivering department outcomes could provide such an avenue for change.

In sum, it is about defining accountability as not only a tool of control and compliance (hard accountability), but also of ensuring the responsiveness of services to clients (soft accountability). Block (1996: xv-xvi) suggests moving away from the current reliance on control and compliance is a key future challenge:

> These great institutions which provide our wealth, which put meals on our table, provide shelter for our families, medical care, and all the other pieces that make up our lives, have made a bet. The bet is on an idea. The idea is that compliance and control are the best means to ensure future survival and prosperity … It didn't work in Eastern Europe. It created a 'drab grey society' … Success in the future will depend on businesses [and government agencies] that produce products and services that give an innovative and unique response to the customer or client in the marketplace. Success in the future will depend on organisations that can create new knowledge that results in innovative products and services in the marketplace. Success in the future will depend on people who have a passion for business [and public service], who generate new ideas, ways of doing things that result in new knowledge that results in innovative and unique products in the marketplace. If these are the demands of future survival or prosperity, do we want to place our bet on compliance, watching and trying harder?

While it is very easy to speculate about the changes that need to occur for voluntary organisations and government to work together better, actually implementing them is less easy to do. Here lies the real challenge.

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Appendix A

List of Respondents

Case 1	Case 2
1.1 Board Member	2.1 Senior Manager: Support
1.2 Senior Manager: Operations	2.2 Senior Manager: Policy
1.3 Chair Board Member	2.3 CEO
1.4 CEO	2.4 Senior Manager: Operations
1.5 Senior Manager: Operations	2.5 Board member
1.6 Senior Manager	2.6 Senior Manager: Operations
1.7 Senior Manager: Fundraising and PR	2.7 Chair / Board member
	2.8 Board member
Case 3	Case 4
3.1 Paid Staff member	4.1 CEO
3.2 Committee member	4.2 Board member
3.3 Committee member	4.3 Senior Manager: Operations
3.4 Committee member	4.4 Senior Manager: Operations
3.5 Chair	4.5 Board chair
3.6 Committee member	4.6 Senior Manager: Operations
3.7 Committee member	4.7 Board member
3.8 Committee member	4.8 Board member
3.9 Committee member	4.9 Senior Manager: Strategy
	4.10 Senior Manager: Operations

Table A.1: Respondents Interviewed

Appendix B

List of Documents Analysed

Case 1	Case 2
Website	Annual Reports 2000, 2001, 2002
Promotional Pamphlets (3)	Website
Annual reports 2001,2002	Promotional Pamphlets (4)
Newsletters to members (3)	Member newspaper (2)
	Policy Document
	Service Handbook
Case 3	*Case 4*
Website	Financial Statements to June 2003
Promotional Pamphlet	Newsletter to members
Minutes of AGM 2003	Website
	Annual report 2002
	Policy Document on Government Contracting and Accountability

Table B.1: Analysed Documents

Appendix C

Interview Schedule and Post Interview Coding Sheets

C1 Interview Schedule

```
Tell me about your role in the organisation.

Who are the most important stakeholders to your organisation?
(list)



How would you describe your relationship with each?(prompts:
formal / informal, negative / positive, coercive / voluntary)



Why do you consider them to be important?



Who are the stakeholders that are not so important? Why would
you say they are not so important?


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(continued)

(continued)

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How much time do you think you spend on the relationship with
each stakeholder?



If  you  had  unlimited  resources  and  time  to  devote  to
stakeholder relationships, what would you do differently?



Do stakeholder demands ever clash? How have you managed this?



Has  any  one  stakeholder  ever  got  in  the  way  of  your
relationships with other stakeholders?



Tell me about an issue where you think your organisation acted
in a very accountable way towards its stakeholders (why, how).



Tell me about an issue where you thought your organisation was
not acting accountably to a stakeholder (why, how).



What does accountability mean to you?



How do you think about accountability in your job?


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(continued)

How do you think of accountability in the context of your contract with government? (who do you think you are accountable to, why)

When you are inputting into policy exercises, who do you think you are accountable to?

How does your non profit status impact on who you see as stakeholders and your accountability relationships?

What accountability issues keep you awake at night?

Are there any questions you would have expected me to ask and I haven't?

Are there any other issues you would like to raise?

C2   Post Interview Memo

```
Date of Interview:

Name + Code:

Position:

Case Study Organisation:

Main Issues / Themes in Interview:




Summary: Information Received / Missed on Key Questions:






Non-verbals:    interesting / illuminating / important /
distressing



Any new questions / lines of inquiry
```

Appendix D

Results in Full

D1   Who do Voluntary Organisations think they are Accountable to?

Stakeholder (rank of importance)	1st	2nd	3rd	4th	5th	Total
Future Clients	1	1	1	0	2	5
Clients	16	3	5	3	0	27
The Board / Committee[27]	2	5	1	4	2	14
Members	4	2	0	1	0	7
Paid Staff	4	5	9	0	0	18
Church-based members	4	0	0	3	0	7
Peer Organisations[28]	1	0	3	1	0	5
Trusts	1	2	0	0	0	3
Individual Donors	0	3	0	0	0	3
Government	0	7	6	2	1	16
Local Government	0	1	0	0	0	1
Federation[29]	0	1	1	0	0	2
The Community	0	1	0	3	0	4
Contractors / Suppliers	0	0	0	1	0	1

Table D.1: The Stakeholders Respondents thought they were accountable to

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[27] Case 3 was run by a committee which undertook both governance and management functions. Cases 1, 2 and 4 had formal boards and management teams.

[28] Peer Organisations are voluntary organisations that work in a related area.

[29] One organisation subscribed to a national federation which provided support to them, such as legal advice. The organisation could be loosely considered a 'local branch' of the organisation.

D1.1   Accountability to Clients

Chief Executive	Board Members	Management	Committee
3	5	11	8

Table D.2: Respondents classified by their position who mentioned clients as an important stakeholder

Case 1	Case 2	Case 3	Case 4
7	5	9	6

Table D.3: Respondents classified by case study who mentioned clients as an important stakeholder

Chief Executive	Board Members	Management	Committee
1	3	3	0

Table D.4: Respondents classified by their position who did not mention clients

Case 1	Case 2	Case 3	Case 4
0	3	0	4

Table D.5: Respondents classified by case study who did not mention clients

D1.2   Accountability to Paid Staff

Chief Executive	Board Members	Management	Committee
2	5	8	3

Table D.6: Respondents classified by their position who mentioned staff as important stakeholders

Case 1	Case 2	Case 3	Case 4
5	3	4	6

Table D.7: Respondents classified by case study who mentioned staff as important stakeholders

D1.3 Accountability to Government Agencies

Chief Executive	Board Members	Management	Committee
3	4	9	0

Table D.8: Respondents classified by their position who mentioned government as an important stakeholder

Case 1	Case 2	Case 3	Case 4
3	4	1	8

Table D.9: Respondents classified by case study who mentioned government as an important stakeholder

D1.4 Accountability to Board/Committee

Chief Executive	Board Members	Management	Committee
1	4	4	5

Table D.10: Respondents classified by their position who mentioned the board as an important stakeholder

Case 1	Case 2	Case 3	Case 4
0	3	5	6

Table D.11: Respondents classified by case study who mentioned the board as an important stakeholder

D1.5 Internal Accountabilities

Members

	Number of Respondents
Considered the most important stakeholder	4
Mentioned in the top 3 important stakeholders	6
Total: Mentioned members as an important stakeholder	7
Number of board members mentioning members	3 (out of 8)
Number of staff mentioning members	3 (out of 14)
Number of CEs mentioning members	1 (out of 4)
Number of Case 2 respondents mentioning members	5 (out of 8)
Number of Case 4 respondents mentioning members	2 (out of 10)

Specifically for church-based members

	Number of Respondents
Considered the most important stakeholder	4
Mentioned in the top 3 important stakeholders	7
Total: Mentioned church-based members as an important stakeholder	7
Number of board members mentioning members	3 (out of 8)
Number of staff mentioning members	2 (out of 14)
Number of CEs mentioning members	2 (out of 4)
Number of Case 1 respondents mentioning members	2 (out of 7)
Number of Case 4 respondents mentioning members	5 (out of 10)

D1.6 Future Clients

Chief Executive	Board Members	Management	Committee
1	4	0	0

Table D.12: Respondents classified by their position who mentioned future clients as important stakeholders

Case 1	Case 2	Case 3	Case 4
0	1	0	4

Table D.13: Respondents classified by case study who mentioned future clients as important stakeholders

D1.7   Peer Organisations

Chief Executive	Board Members	Management	Committee
0	1	4	0

Table D.14: Respondents classified by their position who mentioned peer organisations as important stakeholders

Case 1	Case 2	Case 3	Case 4
0	5	0	0

Table D.15: Respondents classified by case study who mentioned peer organisations as important stakeholders

D1.8   Community

	Number of Respondents
Mentioned community in the top 3 important stakeholders	1
Mentioned community in total	4
Mentioned by case study	1 from each case study
Mentioned by position	Responses spread evenly between CEOs, board and management

D1.9 Trusts and Donors

For trusts (non government sources of funding):

	Number of Respondents
Mentioned trusts as most important stakeholder	1
Mentioned trusts in the top 3 important stakeholders	3
Mentioned trusts in total	3
Mentioned by case study	All from case 1
Mentioned by position	CEO and management

For individual donors:

	Number of Respondents
Mentioned donors as most important stakeholder	0
Mentioned donors in the top 3 important stakeholders	3
Mentioned donors in total	3
Mentioned by case study	All from case 1
Mentioned by position	CEO and board

D2 What do they think they are Accountable for?

	1st	2nd	3rd	4th	5th	6th	Total
Quality of care for clients – client outcomes	15	5	3	2	0	0	25
Client safety	5	2	0	0	0	0	7
Attracting enough resources to run the organisation	5	1	0	1	0	0	7
Not wasting money (financial prudence)	3	0	0	1	0	1	5
Delivering the specified outputs on a government contract	2	2	0	0	0	0	4
Being a good employer	1	2	1	0	0	0	4
Personal performance	1	0	0	0	1	o	2
Giving something positive back to the community	1	0	1	0	0	0	2
Ensuring clients know about the service (promotion of the organisation)	0	2	0	1	0	0	3
Compliance with regulation	0	1	0	1	0	0	2
Personal profile and reputation	0	1	0	1	0	0	2
Providing information to donors about what was done with their money	0	1	1	0	0	0	2

Table D.16: What respondents thought they are accountable for

D2.1 Quality of Care

Chief Executive	Board Members	Management	Committee
4	5	9	7

Table D.17: Respondents classified by their position who mentioned the importance of accountability for quality of care

Case 1	Case 2	Case 3	Case 4
6	5	7	7

Table D.18: Respondents classified by case study who mentioned the importance of accountability for quality of care

D2.2 Attracting Enough Resources

Chief Executive	Board Members	Management	Committee
3	2	2	0

Table D.19: Respondents classified by their position who mentioned attracting resources

Case 1	Case 2	Case 3	Case 4
4	2	0	1

Table D.20: Respondents classified by case study who mentioned attracting resources

D2.3 Financial Prudence

Chief Executive	Board Members	Management	Committee
0	3	2	0

Table D.21: Respondents classified by their position who mentioned the importance of financial prudence

Case 1	Case 2	Case 3	Case 4
2	1	0	3

Table D.22: Respondents classified by case study who mentioned the importance of financial prudence

D2.4 Delivery on Government Contract

Chief Executive	Board Members	Management	Committee
1	0	3	0

Table D.23: Respondents classified by their position who mentioned contract delivery

Case 1	Case 2	Case 3	Case 4
0	1	0	3

Table D.24: Respondents classified by case study who mentioned the importance of contract delivery

D2.5   Being a Good Employer

Chief Executive	Board Members	Managem ent	Committee
0	3	1	0

Table D.25: Respondents classified by their position who mentioned being a good employer

Case 1	Case 2	Case 3	Case 4
1	1	0	2

Table D.26: Respondents classified by case study who mentioned future clients

D2.6   Promotion of the Organisation

	Number of Respondents
Mentioned promoting the organisation as important	3
Mentioned by case study	2 (out of 3) from case 1
Mentioned by position	CEO (1) and management (2)

D3   Why did they think they were Accountable?

D3.1   Why they thought they were Accountable to Clients

Reason	No.	Case study				Position			
		1	2	3	4	CE	Board	Mgmt	Comm
The organisation mission / philosophy / values is client centred / clients are the reason the organisation exists	17	7	2	6	2	3	0	8	6
They are personally accountable to maintain professional standards of care	4	1	0	2	1	0	0	3	1
Because the clients are the customers	1	0	1	0	0	0	0	1	0
Because the organisation represents them	1	0	1	0	0	0	1	0	0
So clients don't withdraw or leave	4	0	0	4	0	0	0	0	4
Because clients are their peers	2	0	0	2	0	0	0	1	1

Table D.27: Reasons why they thought they were accountable to clients

D3.2 Why they thought they were Accountable to Staff

Reason	No.	Case study				Position			
		1	2	3	4	CE	Board	Mgmt	Comm
To keep them happy so they will perform	2	2	0	0	0	1	0	1	0
Because they are trained professionals	1	1	0	0	0	0	0	1	0
Because they receive low wages	1	1	0	0	0	1	0	0	0
Because their jobs are hard	1	1	0	0	0	0	1	0	0
Because they deliver the services to clients	1	1	0	0	0	1	0	0	0
To retain them	2	0	0	2	0	0	0	0	2

Table D.28: Reasons why they thought they were accountable to staff

D3.3 Why they thought they were Accountable to Government

Reason	No.	Case study				Position			
		1	2	3	4	CE	Board	Mgmt	Comm
Because government provides the funds for them to serve their clients	7	2	1	0	4	0	1	6	0
Because they are spending taxpayers money	2	0	0	0	2	0	0	2	0
Compliance with government regulations	6	1	1	3	1	0	1	2	3
They are accountable for delivering outputs and standards in contracts	6	0	2	0	4	2	2	2	0

Table D.29: Reasons why they thought they were accountable to government

D3.4 Why they thought they were Accountable to the Organisation's Board/Committee

Reason	No.	Case study				Position			
		1	2	3	4	CE	Board	Mgmt	Comm
For their performance, to their fellow board members	6	0	1	3	2	0	3	0	3
As part of their job description, providing a monthly report to the board	1	1	0	0	0	0	0	1	0
They are responsible for organisation performance	5	2	0	1	2	2	0	3	0
Because they trust management to do a good job	1	0	0	1	0	0	0	1	0
Because the board are volunteers and give so much of their time	1	0	0	0	1	0	0	1	0

Table D.30: Reasons why they thought they were accountable to the board

D3.5   Why they thought they were Accountable to their Members

		Case study				Position			
Reason	No.	1	2	3	4	CE	Board	Mgmt	Comm
Members are autonomous and independent so have to respect their actions	2	0	2	0	0	1	0	1	0
They are elected by their members, get their mandate to act from them and report back to them	5	0	4	0	1	1	4	0	0
Because members give donations	2	0	0	0	2	1	1	0	0
Because members are the conscience of the organisation and will signal if things are not going right	1	0	0	0	1	0	1	0	0

Table D.31: Reasons why they thought they were accountable to their members

D3.6   Why they thought they were accountable to their church-based membership

		Case study				Position			
Reason	No.	1	2	3	4	CE	Board	Mgmt	Comm
Because the church appoints the board	1	0	0	0	1	0	1	0	0
Because the organisation exists to undertake a Christian mission	1	0	0	0	1	0	0	1	0
It is a source of finances	4	1	0	0	3	1	2	1	0
They share the same name	2	0	0	0	2	0	2	0	0
The church set the organisation up	2	0	0	0	2	1	1	0	0

Table D.32: Reasons why they thought they were accountable to the church

D3.7   Why they thought they were Accountable to Peer Organisations

		Case study				Position			
Reason	*No.*	*1*	*2*	*3*	*4*	*CE*	*Board*	*Mgmt*	*Comm*
Because peer organisation would be affected if they withdrew services	1	0	1	0	0	1	0	0	0
They get useful information from them (such as potential sources of funds)	1	0	1	0	0	0	1	0	0
They use peer organisations' networks to deliver their services	1	0	1	0	0	0	0	1	0
Being a good voluntary sector citizen	1	1	0	0	0	0	0	1	0

Table D.33: Reasons why they thought they were accountable to their peer organisations

D3.8   Why they thought they were Accountable to Future Clients

		Case study				Position			
Reason	*No.*	*1*	*2*	*3*	*4*	*CE*	*Board*	*Mgmt*	*Comm*
It is their job to keep the organisation running	5	0	1	3	1	1	1	0	3
They need to ensure future generations receive quality care	4	0	0	0	4	0	4	0	0

Table D.34: Reasons why they thought they were accountable to future clients

D3.9   Why they thought they were Accountable to their Community

Reason	No.	Case study				Position			
		1	2	3	4	CE	Board	Mgmt	Comm
The community help in fundraising	2	2	0	0	0	1	0	1	0
Because they interact with the community a lot	1	1	0	0	0	0	0	1	0
It is important to be seen to be as part of their community	1	1	0	0	0	0	0	1	0
For achieving positive outcomes for the clients	1	0	1	0	0	1	0	0	0

Table D.35: Reasons why they thought they were accountable to the community

D3.10 Why they thought they were Accountable to Trusts

Reason	No.	Case study				Position			
		1	2	3	4	CE	Board	Mgmt	Comm
They get limited funding from government so are reliant on funding from trusts	1	1	0	0	0	0	0	1	0
So they can operate	1	1	0	0	0	1	0	0	0
To show that they use the trust money properly	1	1	0	0	0	1	0	0	0
So they can keep getting trust funding	4	4	0	0	0	2	1	1	0

Table D.36: Reasons why they thought they were accountable to trusts

D3.11 Why they thought they were Accountable to Individual Donors

Reason	No.	Case study 1	2	3	4	Position CE	Board	Mgmt	Comm
Want to be less reliant on government so want more money from donors	2	0	1	0	1	1	0	1	0
Producing good information for donors so they secure ongoing and more funding from them	4	4	0	0	0	2	1	1	0
Allowing the organisation to operate	3	3	0	0	0	1	1	1	0
Using donors money properly	3	3	0	0	0	0	3	0	0

Table D.37: Reasons why they thought they were accountable to donors