Accountability and legitimacy of non-profit organisations: challenging the current status quo and identifying avenues for future research

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Abstract

Issues of accountability, legitimacy and trust have remained at the forefront of debate surrounding non-profit organisations and their activities. The purpose of this study is to review the literature on non-profit accountability from the lens of organisational legitimacy. Specifically, we ask what we can learn from the literature on NPO accountability and consider what further work needs to be done to strengthen NPO legitimacy. We attempt to go beyond mere gap-spotting and seek to challenge the current status quo within this body of literature.

Keywords
Non-profit, Charity, Accountability, Legitimacy, Review

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1. Introduction

The non-profit sector plays an important role in society and stakeholder/societal trust is vital in ensuring its long-term sustainability (Hyndman & McConville, 2018b). Non-profit organisations[1] (NPOs) have grown extensively in size and scope over recent years, with many now delivering services traditionally managed by the public sector (Dhanani & Connolly, 2012; Ebrahim, 2009). They largely rely on publicly-funded support (both altruistic and otherwise) for their survival and to carry out their activities. However, highly-publicised scandals in recent years have corroded public confidence in NPOs (Hind, 2017; Hyndman & McConville, 2018b). As a result, there has been increased discussion by both academics and regulators on the need for enhanced accountability, to maintain public trust in the sector. These discussions have also highlighted the relationship between public trust and the legitimacy of NPOs, whereby maintaining legitimacy is seen to be vital for maintaining public trust (Dart, 2004; Samkin & Schneider, 2010). A loss of legitimacy can have disastrous repercussions on NPOs. This can be due to a drop in funding and donor support, suspicion from beneficiaries and society, and even political consequences (Samkin & Schneider, 2010).

Our endeavour in this paper is to analyse the current empirical literature examining accountability in NPOs, using the theory of organisational legitimacy (Suchman, 1995). To do this we develop a unique framework, bringing together notions of accountability and legitimacy as the means through which public trust is created. We argue here that NPO accountability is comprised of different types of legitimacy assets and together they help establish and maintain public trust. We map the literature on NPO accountability against this framework and attempt to understand which legitimacy assets must be built on to strengthen

[1] The distinction between a non-profit organisation (NPO), non-governmental organisation (NGO) and a charity is often imprecise (Vakil, 1997; Martens, 2002). NPOs include NGOs and charities. While most governments and their agencies meet the definition of an NPO, they are usually considered a separate type of organisation and not counted as NPOs. An NGO is a non-profit, voluntary organisation that performs a variety of services and humanitarian functions. They can also engage in active advocacy and lobbying activities by bring citizens' concerns to governments, advocating and monitoring state policies and encouraging political participation. A charity is a NPO that meets stricter criteria regarding its purpose and the way in which it makes decisions and reports its finances. *We thank one of our reviewers for providing this helpful distinction.

NPO accountability and consequently engender public trust in the sector. In doing so, we attempt to go beyond mere gap-spotting in our analysis by challenging the current status quo within this body of literature (Sandberg & Alvesson, 2011), whilst identifying potential avenues for future research.

This review is timely and useful for several reasons. First, NPOs remain an important focus in almost all initiatives aimed at improving the quality of welfare services in the developed and developing world. Recent austerity measures in the developed world (Chow & Bracci, 2020; Hodges & Lapsley, 2016) and ongoing humanitarian crises in the developing world (such as Syria, Afghanistan, Yemen, Sudan, Congo [DRC]) mean an efficient and effectively run NPO sector is vital. Therefore, it is appropriate to provide a current and comprehensive review of the academic debates in this domain. Second, in the aftermath of high-profile scandals over recent decades, we have witnessed a substantial increase in empirical research investigating various aspects of NPO accountability both across different types of NPOs and using a range of different methodological approaches. Considering this, now is an appropriate time to synthesise what has been done to identify and understand the current state of knowledge regarding NPO accountability and legitimacy. Third, regulators around the world continue to define and refine the desired behaviour of NPOs. There is, therefore, a need to undertake an up-to-date review of existing knowledge to ensure that future policy changes regarding NPO accountability are adequately informed and are as evidence-based as possible.

The paper is structured as follows: Section 2 provides the background and context to the study and presents the analytical framework used to guide the review. Section 3 discusses the research method of the study. Section 4 identifies trends in this literature, whilst section 5 presents the discussion and conclusions.

2. Accountability and legitimacy of non-profit organisations

In this section, we set the background and context of the study through a brief overview of the key debates in the literature on NPO accountability and legitimacy. We then present our analytical framework which draws on these concepts.

2.1 Background and context

A substantial literature has emerged examining the nature of accountability for organisations (Messner, 2009; O'Dwyer & Unerman, 2007; Roberts, 2009; Yasmin & Ghafran, 2019). Within the NPO sector, accountability definitions have largely considered issues of multiple stakeholder demands (Gray, 2001), where accountability defines a relationship between an organisation and a set of stakeholders and assumes that being responsive to those stakeholders will be beneficial to the organisation (Connolly et al., 2013a). NPO accountability can take many forms, from quantitative financial disclosure which focuses purely on numbers and accounts of income and expenditure, through to qualitative narrative disclosure, where the focus is on providing a narrative of how the organisation has performed. This accountability is often undertaken through a variety of different mechanisms (e.g. statutory annual report, voluntary reports, website, social media etc) and is *''the means through which individuals and organizations are held externally to account for their actions and (…) the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals, and performance''* (Ebrahim, 2003, p.194).

Given the diversity of NPO stakeholders a main issue for organisations is often balancing the information and accountability needs of different stakeholders within this accountability relationship (Connolly & Hyndman, 2013). This is a complicated task and organisations must often balance their instrumental motivations (i.e. the needs of resources providers) with their normative motivations (the needs of beneficiaries and members for whom they exist) (Donaldson & Preston, 1995). The former motivations often lead to hierarchical or structural forms of accounting giving, whilst the latter motivations usually involve informal relational account-giving practice (Unerman & O'Dwyer, 2007, 2008). Given the often altruistic motivations for which NPOs exist, they may orient themselves with the normative model; however, balancing external accountability (e.g. to donors / funders) and felt responsibility (e.g. to beneficiaries) has the potential to create tension (Fry, 1995) and has been the focus of much accountability research, particularly in the NGO context (see for example Agyeman et al., 2017; Unerman & O'Dwyer, 2007, 2008). This research finds evidence of competing accountability demands creating dysfunctional and myopic behaviour (Koppell, 2005; Yasmin & Ghafran, 2019), damaging the social and environmental benefits that NPOs bring (Dixon et al., 2006; Najam, 1996). To counter concerns of dysfunctional accountability, Hyndman and

McConville (2017) argue for tailored accountability mechanisms to meet the needs of various stakeholders, with a greater focus on social forms of accountability rather than structural or hierarchical accountability mechanisms.

Legitimacy is closely related to accountability and is also focused on this relationship between an organisation and its stakeholders. A central tenet of the legitimacy perspective is the concept of the 'social contract'. This is an implicit agreement related to the acceptance of organisational values and activities by stakeholders which allow the organisation to exist and succeed (Samkin & Schneider, 2010; Suchman, 1995). Accordingly, an entity justifies its right to exist through a series of processes and strategies which help it to gain, maintain or repair organisational legitimacy (Ashford and Gibbs, 1990; Samkin and Schneider, 2010; Suchman, 1995). According to Ashford and Gibbs (1990, p.182) a proactive process of legitimation is usually required by those organisations who "*lack the support of traditions and norms and so suffer the liability of newness*" (as often is the case with NPOs) or their activity, structure or processes may be disputed by stakeholders. For NPOs this means engaging proactively with those key stakeholders who control access to key resources, usually funders and donor.

Legitimacy is thus viewed as a set of socially constructed assets, which once attained, can help make the NPO seem more accountable to its stakeholders (Lister, 2004), and ultimately strengthen public trust in its activities. These assets can be self-constructed in the form of the public profile of the NPO and its history of action, or pertain to public and societal perceptions of the specific space the NPO occupies (i.e. conservation, health animal rights etc.) (Jepson, 2005). If these assets are eroded, then the basis of public trust becomes weakened, and the ability of an NPO to deliver on its mission risks being harmed (Hyndman & McConville, 2018b). The continued success of NPOs in modern society is dependent upon public trust and confidence in their work. Thus, legitimacy, accountability and trust often go hand in hand, especially in more sceptical and better-informed societies (Jepson, 2005).

In this paper we draw on literature from the development, anthropological, and organisation studies fields[2] (Jepson, 2005; Lister, 2003; Suchman, 1995) to represent this relationship

[2] Each of these fields of research take a different focus to exploring and investigating NPOs. The development literature examines the role of NPOs as vehicles through which development and welfare activities are

between NPO accountability, legitimacy, and public trust. The resulting framework is illustrated in figure 1 and explained in more detail in the following section.

2.2 The analytical framework

Insert Figure 1 here

Figure 1 highlights how the legitimating environment for NPOs is based on public trust and suggests both social and structural accountability are components that sit within this environment. This framework views accountability as a process of managing, navigating and nurturing legitimacy, and therefore posits managing legitimacy 'assets' is a key part of NPO accountability. According to the framework, different sets of legitimacy assets augment different types of accountability.

The left-hand side of the framework presents structural accountability and is concerned with appropriately constructed systems and procedures. This form of accountability is "*narrowly functional, short-term in orientation and favours accountability to those stakeholders who control access to key resources*" (O'Dwyer & Unerman, 2008, p.803). Consequently, it is enacted through formal, functional mechanisms of account-giving practice that are tangible and can be easily evaluated. In figure 1, we suggest structural accountability is enriched through the effective management/navigation of regulatory and pragmatic legitimacy (Ebrahim, 2003, 2009). Regulatory legitimacy refers to the legitimacy gained by compliance to regulatory laws and codes of conduct, and from adopting the professional and operating norms of major institutions (Jepson, 2005). On the other hand, pragmatic legitimacy is regarded as the 'thinnest' form of legitimacy as it can be 'purchased' by conducting specific activities seen as being of value to powerful stakeholders (Dart, 2004; Suchman, 1995). These activities can include engagement with those accounting practices seen as of value to government agencies, the initiation of projects as the behest of powerful donors and even engagement with lobbying-networks (Conway et al., 2015). In other words, our framework

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undertaken and how this role can improve. The anthropological literature examines the development of NPOs and how they are impacting and impacted by societies in which they operate. This literature takes a critical look at how NPOs operate and their role in society. The organisation studies literature largely focuses on how NPOs function as organisations and evaluates their societal role within this organisational context.

suggests for effective structural accountability, NPOs must gain and manage both regulatory and pragmatic legitimacy.

The right-hand side of figure 1 presents social accountability which is concerned with perceptions and meanings. Social accountability provides a wider inclusive view of accountability and argues for accountability to be better reflective of societal concerns as well as institutional concerns (Gray, 2001; O'Dwyer & Unerman, 2007; 2008; Roberts & Scapens, 1985). This has also been termed relational (Ebrahim, 2003), holistic accountability (O'Dwyer & Unerman, 2008) and socialising accountability (Jacobs & Walker, 2004; Roberts, 1991) in the literature. It can be understood in the context of the organisation interacting with members of its organisational environment and the society in which it is embedded (Roberts, 1991; Jacobs & Walker, 2004). In figure 1, we suggest social accountability is strengthened through the effective management/navigation of moral and cognitive legitimacy (Ebrahim, 2003, 2009). Moral legitimacy is gained by adhering to the broader norms of the socio-political environment (Dart, 2004) and refers to the relationship of the NPO with different social and political ideologies (Jepson, 2005). Moral legitimacy can be thus be linked to the importance that society places on the organisational space of an NPO (i.e. environmental, humanitarian, and educational), the impact of its activities, and its independence from the state (Jepson, 2005; Suchman, 1995). Cognitive legitimacy is more difficult to define and refers to basic, preconscious taken for granted assumptions about nature and structure of social activities. This type of legitimacy would be affected if a situation simply did not feel right to observers: "*For things to be otherwise is literally unthinkable*" (Zucker, 1983, p.25). Cognitive legitimacy is gained when the organisation undertakes those activities which are proper and 'making sense' to society. This type of legitimacy emerges from the acceptance of organisational activities as fitting into an acceptable story about the role of NPOs in society. Consequently, our framework suggests for NPOs to be socially accountable they must effectively gain and manage both moral and cognitive legitimacy.

We use this framework to help us categorise and map the literature (discussed in section 3.2). This allows us to understand areas of saturation, and areas of deficiencies and omissions in the literature in relation to NPO accountability and legitimacy.

3. Research method

3.1 Data collection: Identifying key papers

A search criterion with clear protocols for identifying appropriate papers was established early in the process (Massaro et al., 2016). A combination of publisher search engines[3] were used to find relevant articles. Keywords for screening included all those terms that could be used to describe accountability or account giving activities for an organisation. This included words such as "*accountability" "charity" "non-profit" "reporting" "disclosure" "transparency" "governance" "account-giving" "legitimacy*". This initial search brought more than 500 'hits'. To narrow the search to high quality papers of potential impact (Massaro et al., 2016) the publishing journal was cross-checked with the CABs list. Any journals not on this list or not considered of an acceptable standard[4] were discounted (Chenhall & Smith, 2011; Goddard, 2010; Hoque, 2014; Malmmose, 2019). Once articles were downloaded, the abstract of each paper was read to ensure appropriateness of the paper in relation to our objectives[5].

Only empirical studies within the accounting body of research, written in the English language were considered, i.e. those studies published in accounting journals or those of an accounting nature published in business, management, and public policy/administration journals. Furthermore, given the highly practical and practitioner driven context of the sector, research initiated by the Charities Commission and public accounting bodies such as ACCA, ICAS and ICAEW (a total of nine studies) was also considered (Goddard, 2010), as were papers in the two sector specific, practitioner-oriented journals of Public Money and Management and Voluntas. As part of this process a total of 78 journal articles and 9 professional body reports dating from 1981 to December 2019[6] were reviewed.

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[3] These include AAA, Elsevier/Science Direct, Emerald, Sage, Springer, Taylor & Francis and Wiley.

[4] "*Original and well executed research papers that are highly regarded*" by the Chartered Association of Business Schools and rated 3 star or above.

[5] We do not include NGOs in our empirical review. Due to their broader, international and often politically driven focus, we found these studies to be concerned with notions of democratic accountability (as understood in the international relations literature), that would not fit well with the accounting focused nature of accountability we focus on here.

[6] It is worth mentioning here that the academic field in this area is particularly small with the number of different authors not that many. Furthermore, the studies are concentrated in developed / Western nations.

3.2 Categorising the data: Mapping the papers

Once appropriate papers were identified, each paper was read, and the model presented in figure 1 was used to map each study according to its respective legitimacy asset. Studies identified as providing regulatory legitimacy focused on compliance to regulation and regulatory impact. Studies identified as providing pragmatic legitimacy, largely focused on voluntary reporting and disclosure activities and the implementation of various accounting tools and technologies to appease powerful stakeholders (Ebrahim, 2003; O'Dwyer & Unerman, 2007). Taken together we suggest these studies provide insight into the structural accountability of NPOs. On the other hand, studies identified as providing moral or cognitive legitimacy provide insight into the social accountability of NPOs (Lister, 2003). Moral legitimacy-based studies attempt to understand how specific accountability structures/processes are enacted either at the organisational or societal levels (Cooper & Owen, 2007). The debate on the harmonisation of international reporting standards falls in this category. Whilst studies categorised as providing cognitive legitimacy focus on exploring how NPOs provide solutions to problems of poverty, and inequality etc. (Gray, 2001).

A distinction between pragmatic and moral legitimacy can be drawn in the case of voluntary reporting. Moral legitimacy "*… rests not on judgments about whether a given activity benefits the evaluator, but rather on judgments about whether the activity is 'the right thing to do'*", and it "*reflect[s] beliefs about whether the activity effectively promotes societal welfare …*" (Suchman, 1995, p. 579). Hence, to gain moral legitimacy an organisation must not only be providing disclosure (pragmatic legitimacy), but the disclosure must receive positive evaluations from society (Mobus, 2005). Similarly, a distinction can also be drawn between regulatory and moral legitimacy. Studies classed as providing regulatory legitimacy were those that focused specifically on examining compliance (or not) to regulation. Some studies went beyond this to also examine how regulation can be improved and made more meaningful for both organisations and society. Following Suchman's earlier definition, these latter studies were classed as providing moral legitimacy as they make evaluations on the right way to regulate. Despite these distinctions, eight[7] studies were identified as providing

[7] Six as regulatory/moral, one as pragmatic/moral and one as moral/cognitive.

two type of legitimacy and have therefore been analysed across both types of accountability domain.

To add rigour to our analysis, we further considered each paper according to their research paradigm: functional, interpretive, radical structuralist or radical humanist (Burrell & Morgan, 1979). Functional describes objective research concerned with rational explanations and recommendations within the current structures of organisation. Interpretive research provides a subjective understanding of the world around us and refers to the way we as humans attempt to make sense, to try and understand and explain what is going on. The radical structuralist perspective is concerned with achieving radical change within existing objective entities and can include analysis of things such as power structures and patterns of conflict. The radical humanist perspective would be concerned with changing the status quo or as Burrell and Morgan state (1979, p.32) "*articulate ways in which humans can transcend the spiritual bonds and ties which fetter them into existing social patterns and thus realise their full potential*". Understanding of research paradigms is a useful way to understand the way authors have approached their work and help plot alternative or similar courses of action. As such, highlighting the paradigmatic assumptions of research can provide a comprehensive understanding of what the literature on NPO accountability has been focused upon, where there are gaps in understanding and how best to enhance and complement this understanding.

This entire mapping process was undertaken by both authors for consistency and to ensure the reliability and validity of the mapping process. Each author individually located the studies into their respective legitimacy assets and paradigms and then both authors came together to cross-check this categorisation[8].

3.3 Data analysis

To identify trends in the literature, once studies were categorised, each paper was considered a separate piece of data and analysed on a thematic basis, with key issues of interest being

[8] Additional material providing further details on the number of papers that were reviewed from specific journals and providing detail on how each of these papers was categorised according to the conceptual framework are available from the authors on request.

identified from each paper (Massaro et al., 2016). These key issues were subsequently re-analysed once all themes were brought together and eventually collapsed into the following broad themes per category. For structural accountability, these themes included meeting regulatory requirements, financial reporting, performance reporting, donor information needs, comparative analysis, and accountability beyond reporting. For social accountability, these themes included reporting harmonisation, self-regulation, beneficiary engagement, societal trust, relational focus, social impact, and social justice. These broad themes were then subsequently analysed using narrative analysis techniques, which included identifying commonalities and differences, exploring recurring themes and patterns (O'Dwyer, 2004). The following section is organised around the patterns that emerged.

4. Trends in the literature

This section presents the results of our analysis of the literature, with table 1 providing an overview of these findings, using the categories developed in figure 1. Following our framework, section 4.1 analyses studies within the structural accountability domain, whilst section 4.2 analyses studies within the social accountability domain. Overall, we find more studies on structural accountability than on social accountability. In terms of structural accountability, table 1 shows regulatory legitimacy (31) has been well studied in this domain, with a growing number of studies also examining pragmatic legitimacy (24). This research is predominantly functional, with only seven studies taking an interpretive approach and no radical studies at all. Within social accountability, although much work has been done on moral legitimacy there is a paucity of literature focusing on cognitive legitimacy. The literature on social accountability is mainly interpretive with only three studies taking a radical stance.

Insert table 1 here

4.1 Studies of structural accountability

The literature within the structural accountability domain has largely focused on compliance to regulation and on voluntary reporting and disclosure, thus strengthening the regulatory and pragmatic legitimacy of NPOs. A few studies have gone beyond reporting, for example to examine the role of auditors in ensuring compliance (Williams & Palmer, 1998) or

examining organisational governance regimes (Hyndman & McDonnell, 2009; Perego & Verbeeten, 2015). Studies also examine how NPOs can improve the efficiency and effectiveness of their fundraising strategies (McConville, 2017; Ven der Heijden, 2013). However, most studies examining structural accountability of NPOs remain focused on reporting and disclosure. We find studies in 'voluntary' reporting and disclosure have attempted to broaden their pragmatic legitimacy focus by shifting from examining financial disclosure to recognising the importance of voluntary narratives and performance disclosure.

Studies examining regulatory compliance

NPO regulation[9] in the UK does not have a long history, compared to other sectors of the economy. When the first regulatory guidance in relation to reporting (the Statement of Recommended Practice or SORP) was released in 1989, studies were conducted to assess extent of compliance (Ashford, 1989; Gambling et al., 1990; Hines & Jones, 1992). These studies found inconsistencies and ambiguities in accounting and reporting frameworks and a lack of compliance with the SORP. At this point the SORP was non-mandatory and so following these studies, the SORP was re-designed and made mandatory (Hines & Jones, 1992) and later evolved into the present SORP for charities. Throughout this process of regulatory change, research has continued to guide how NPO regulation should develop (Hyndman, 1990; 1991; Hyndman & McMahon, 2010, 2011; Williams & Palmer, 1998) and the extent to which charities are complying with the recommendations (Connolly & Hyndman, 2000; Connolly & Hyndman, 2013). This earlier body of research found mixed results in terms of compliance; however, Connolly and Hyndman (2000) suggest that NPO accounting has improved significantly since the 1980s. In the UK, the government has played an active role in providing a better managed, more accountable, and healthier NPO sector (Hyndman & McMahon, 2010; 2011; Connolly, et al., 2013a, Crawford et al., 2009). This is reflected in the positive view of smaller NPOs to the flexibility afforded to them in terms of reporting (cash/accruals) choice (Alsop & Morgan, 2009) and the findings that changes to public benefit reporting, initiated by the regulator, is leading to higher levels of NPO accountability (Morgan

[9] The Charity Commission is responsible for the regulation and registration of NPOs in England and Wales. In Scotland this role is carried out by The Office of the Scottish Charity Regulator (OSCR) and in Northern Ireland this responsibility lies with the Charity Commission for Northern Ireland (CCNI).

& Fletcher, 2013). The extant research in this area suggests regulatory legitimacy is a cornerstone of structural accountability for NPOs.

The literature does however raise concerns, that various regulatory accountability developments seem to reflect a market-based view of the NPO environment, rather than one which delivers new accountabilities (Harrow, 2006; McDonnell, 2017; Morgan & Fletcher, 2013). For example, Connolly et al. (2013b) explore the use of conversion ratios as a measure of efficiency. They find changes to NPO regulation has allowed greater 'management' of numbers by account preparers, possibly at the expense of better transparency for the external stakeholder. In addition, a lack of focus on sub-sectors within the NPO sector suggest faith-based NPOs still have some way to go, to improve their accountability practice in terms of reporting and disclosure (Morgan 2009a, b; Yasmin et al., 2014). In a similar vein, research suggest levels of reporting and transparency is still a cause for concern for charities in New Zealand (Cordery, 2013), Belgium (Reheul et al., 2014) and the US (Keating & Frumkin, 2003). In the US for example, implementation of regulation to improve financial reporting of the sector was found to have limited improvement, resulting only in an increase in accounting fees (Neely, 2011). Recent years have also seen an increase in comparative studies. These studies have been effective in highlighting the differential nature of NPO accounting and reporting practice across various jurisdictions (see for example Connolly & Hyndman, 2001; Cordery & Baskerville, 2007; Mack et al., 2017; McConville & Cordery, 2018) and calling for more uniformity across jurisdictions to allow for better comparability (Torres & Pina, 2003). Thus, findings suggest that although the importance of regulatory legitimacy cannot be understated, more could be done by both regulators and the sector to strengthen this aspect of structural accountability.

The functional research in this area has presented a detailed understanding of how the regulatory frameworks have been implemented in the sector and provide recommendations on how and where improvements can be made (Burrell & Morgan, 1979). Overall however, a dearth of interpretive and radical studies in the area mean there is a lack of understanding over how regulatory decisions are made, if there are any inherent contradictions or conflicts within the regulatory structures themselves and most importantly perhaps for our framework, how regulatory changes are increasing public trust. Yet, except for the auto-

account by Hinds (2011), the research in this area is particularly scant. These interpretive studies have questioned the complexities of NPO regulation (Harrow, 2006), with Kemp and Morgan (2019) finding some NPOs may be erroneously facing regulatory enquiries due to misunderstandings surrounding the notion of qualified accounts. Similarly, McDonnell and Rutherford (2019) also find the greatest risk of damage by serious incidents is deemed to be in smaller younger organisations.

Shifting focus from financial to narrative and performance disclosure

Studies identified as providing pragmatic legitimacy, are also largely functional in nature exploring voluntary reporting practice of the sector. These studies seek to provide rational explanations for social affairs, providing practical solutions to practical problem facing voluntary reporting practice (Burrell & Morgan, 1979). Earlier studies within this domain largely focused on financial disclosure concentrating on the form and content of the financial statements (Connolly & Hyndman, 2001; Hines & Jones, 1992; Hyndman, 1990; 1991; Williams & Palmer, 1998) and finding that diversity in accounting practice resulted in difficulties in comparability (Ashford, 1989; Beattie & Jones, 1994; Connolly & Hyndman, 2000, 2001; Gambling et al., 1990; Hines & Jones, 1992; Williams & Palmer, 1998). More recently, it has been argued that traditional financial statements have a limited role in discharging accountability as they do not provide information on aspects such as success, performance, and impact (Torres & Pina, 2003). This has led to scholarly attention shifting with an emphasis being placed on examining voluntary performance[10] disclosure of NPOs (Connolly & Hyndman 2004; Connolly & Dhanani, 2009; Dhanani, 2009; Dhanani & Connolly, 2012; Hyndman & McConville, 2018a; Jones & Mucha, 2014). These studies have found many NPOs failing to meet even basic accountability requirements in their annual reports as evidence by both quantity and quality of disclosure, however the levels of disclosure do seem to have improved in recent times (Connolly & Hyndman, 2003, 2004; Connolly & Dhanani, 2009; Hyndman et al., 2004).

[10] Performance disclosure may be quantitative or qualitative. The focus of the latter is usually on providing narrative of performance. In the manuscript we refer to performance disclosure, when discussing both quantitative and qualitative disclosure and narrative performance disclosure when referring to only qualitative disclosure.

Given these findings, research has sought to understand if and how NPOs use alternative methods to voluntarily report, or, in other words, conduct alternative activities deemed to be of value to their stakeholders (Suchman, 1995). These studies examine website disclosures and more recently social media activity and find NPOs using these media to discharge more regular but less formal narrative accountability (Dhanani, 2009; Saxton & Guo, 2009). However, concerns have been raised that voluntary disclosure regimes are in themselves not an especially effective means of promoting public trust (Saxton et al., 2012), as often web-based accountability can become 'captured' by the most powerful stakeholders (Dainelli et al., 2013). Furthermore, research also suggests that such accountability disclosure is linked to size and reputation of an NPO (Tremblay-Biore & Prakash, 2014) and can therefore not be indicative of the wider practices in the sector. This leads Becker (2018) to argue for NPOs to provide externally certified voluntary reporting as a mark of higher reputation and perceived quality.

Furthermore, several functional studies have sought to explain what donors and funders need from NPO accountability (Connolly et al., 2013). McDowell et al., (2014) finds donors are more likely to require nonfinancial information, on areas such as NPO goals, outcomes, programs, and mission, compared to financial information. Whilst Yang et al. (2017), suggest donors and funders require a variety of background, financial and nonfinancial, information from NPOs. Earlier research by Hyndman (1990; 1991) found a relevance gap between the information provided by NPOs and the requirements of the users of such information. Subsequent research finds that although accountability disclosure has substantially increased from 1990, a gap still exists between what stakeholders expect to see in the reporting and what NPOs are predominantly disclosing (Connolly et al., 2013; Connolly & Hyndman, 2013; Hyndman 1991; Jetty & Beattie 2009). This is particularly significant for small dependent donors, who do not have the power to demand individualised information (Connolly et al., 2013). This is consistent with what Suchman (1995) describes as the need for pragmatic legitimacy to appease the most powerful stakeholders.

The three interpretive studies providing pragmatic legitimacy attempt to understand the fundamental nature of the legitimation processes at work. For example, Samkin and Schneider (2010) examining narrative reporting and accountability in a New Zealand public

benefit entity, finds the annual report plays an important legitimising role when NPOs are subject to extensive negative media publicity. Whilst, Dhanani and Connolly (2012), argue that NPO accountability practice is motivated by a desire to legitimise activities and present organisational activities in a positive light, thus affecting the type and levels of disclosure. Given this desire to gain pragmatic legitimacy, for Jones and Mucha (2014) a neglected aspect of voluntary disclosure in NPOs is sustainability assessment and reporting. They argue that such disclosures have the potential to significantly improve accountability and performance of organisations across the board.

Thus the literature has largely seen structural accountability as a functional endeavor, that is undertaken for the benefit of upward stakeholders, be that in the form of regulatory legitimacy (i.e. towards regulators and the government), or pragmatic legitimacy (towards donors and funders).

4.2 Studies of social accountability

Studies within the social accountability domain focus on how NPOs manage the meanings and perceptions of legitimacy at both organisational and societal levels. Studies identified as providing moral legitimacy, broadly engage with issues concerning the importance of oversight to provide sectoral legitimacy, and the importance and adequacy of stakeholder engagement. The literature categorised as providing cognitive legitimacy is still in its infancy, however, there have been some attempts to understand how NPOs manage societal perceptions and meanings of legitimation, through the fulfilment of mission accountability.

NPO oversight and the case for accounting harmonisation

An important aspect of moral legitimacy for NPOs is linked to the perception of adequate (or not) oversight within the sector. The functional studies in this area argue for the harmonisation of accounting and reporting regulation across countries to aid accountability (Breen, 2013, Mack et al., 2017). These studies find wide variation in reporting practice across different jurisdictions and call for reporting and accounting practice to be harmonised to aid comparability across countries (Breen, 2013, Crawford et al., 2018; Mack et al., 2017; McConville & Cordery, 2018). However, these studies also find that significant belief differences across key stakeholder groups will likely impact how the development occurs. In

this respect, Breen et al., (2018) suggest NPOs regulators in developing countries, may favour dominant Western approaches, at the expense of local knowledge.

Consequently, studies taking an interpretive approach consider the impact such moves are likely to have at both regional and national levels (Ryan et al., 2014). These studies find that a lack of accounting harmonisation could increase the load on preparers and users and may lead to lower levels of accountability (Cordery & Baskerville, 2010, Ryan et al., 2014). On the other hand, studies also find the process of harmonisation can be beset by contested logics, in respect to the purpose of financial reporting, comparability, and how reports should be prepared (Cordery et al., 2019). Thus whilst, Cordery and Deguchi (2018) suggest NPO regulatory regimes should be designed in the public interest, they also acknowledge this can be difficult in some jurisdictions where new disclosure regimes impose higher compliance costs than charities have previously borne (e.g. Australia, New Zealand, Japan, China). Thus, whilst there is considerable support in the functional literature for NPO accounting harmonisation to aid moral legitimacy, studies taking an interpretive undertaking suggest the diversity of the sector may be too great an obstacle for any meaningful changes to be implemented.

Further studies have also questioned if within state regulation is working, and if it should be increased or even decreased in particular contexts (Irvine, 2005). For example, a functional study by Phillips (2012) finds Canada's attempts at creating a co-governance system for fundraising regulation a largely positive experience as the focus is no longer on fulfilling the accountability needs of donors, but rather on making the NPOs and the sector itself stronger. On the other hand, Cordery (2013), examining the impact of a self-regulatory scheme in 300 small- and medium-sized charities in New Zealand, finds that rather than increasing accountability, it may be a likely reason for the lack of confidence that donors profess in the sector. Thus, non-state/ self-regulatory schemes have been questioned for their efficacy in delivering moral legitimacy for the sector. Building on this, some interpretive studies raise concerns that self-regulatory schemes lack transparency and can end up providing '*pseudoaccountability*' (Harrow, 2006) due to the limited evidence on their actual impact (Sloan, 2009). Phillips (2013) is particularly critical about the internal impact of reporting regulation, finding evidence that polycentric accountability demands have damaged

the Canadian charitable sector, as the regulatory style is being dominated by audit and sanction. These findings have important implications for moral accountability; they suggest the costs of expanded regulation are too great to ignore and urge caution in the face of increasing calls for more broader regulation of the sector.

Stakeholder engagement

Another thematic stream of research within the domain of social accountability has been the focus on better stakeholder engagement to bolster moral legitimacy of NPOs. The functional research within this arena examines whether specific NPOs are doing enough to reassure stakeholders that they are responsible with public resources (Milofsky & Blades, 1991; Vinten, 1997; Harrow et al., 1999). Whilst a recent stakeholder engagement exercise undertaken by the Charities Commission for England and Wales (Connolly et al., 2009) also highlights the importance of stakeholder engagement as a legitimation strategy in ongoing regulatory change processes (Connolly et al., 2013a).

Correspondingly, the interpretive literature highlights the importance of stakeholder confidence for the achievement of NPO organisational mission (Kreander et al., 2009; Jones & Mucha 2014) and consequently in gaining and maintaining moral legitimacy. Studies have sought to explore what accountability means for individuals working within NPOs (Laratta, 2011) and how this impact on their relationship with their key stakeholders (Morrison & Salipante, 2007). For example, Ospina et al., (2002) find organisational managers favour those mechanisms that help sustain community relationships over other accountability demands. Whilst Hendersen and Lambert (2017) find NPOs who are heavily reliant on grant funding, experience proportionately greater challenges to wider stakeholder engagement, partly because a substantial part of accountability efforts are directed towards funders, at the expense of other stakeholders. These concerns of mission drift have led Knutsen and Brower (2010) to argue that a balance of instrumental (formal) and expressive (informal) accountabilities is necessary to ensure confidence and thus legitimacy is maintained with all stakeholders. For Hyndman and McConville (2018b) and Tacon et al., (2017), flexible and adaptive means of communication is important in this engagement process. Similarly, Yang and Northcott (2018) suggest that closer 'conversations for accountability' (Fry, 1995) between the organisation and stakeholders may enable better alignment between different

accountability demands. In this regard, Chen (2012) argues that storytelling is a mechanism by which stakeholders can gain recognition and voice.

An emerging area of interest in the interpretive examinations of moral legitimacy is a focus on accountability to beneficiaries. Costa and da Silva (2019) suggest this type of accountability helps strengthen trust among members, and aids transparency, whilst Cordery and Baskerville (2010) find developing strong links with such 'salient' stakeholders can reduce fraud and thus increase trust. However, the literature finds discharging accountability 'downward' to beneficiaries is more challenging than 'upward' accountability to donors and funders (Connolly et al., 2013a) as it is dependent upon beneficiary power (Chen et al., 2020). Connolly and Hyndman (2017) find that beneficiaries are predominantly interested in the services they receive, rather than accounts of action, and donors should act as champions of beneficiaries' interests, reinforcing their claims as salient stakeholders. However, given the often-political nature of NPO funding, the extent to which this would deliver downward accountability is questionable.

The radical literature in this domain also focuses on this need to engage more proactively with beneficiaries to engender greater trust and moral legitimacy. Costa et al., (2019) for example suggest the higher the level of empathy in the organisation-stakeholder relationship, the more the stakeholders become close to the mission, and identify with the values of the organisation. Recent work also critically evaluates how participant evaluation (Kingston et al., 2019) can be better utilised to enhance accountability to beneficiaries. Thus, whilst the functional research focuses on communicating with stakeholders in a one-way conversation, the interpretive and radical research suggests creating variable opportunities for conversation between and across stakeholder groups, in order to maintain moral legitimacy, enhance social accountability, and go some way in helping build greater trust in NPOs.

NPOs and their role in society

There were only four studies that were categorised as providing cognitive legitimacy for NPOs, i.e. studies that helped build the conception that "*for things to be otherwise is literally unthinkable*" (Zucker, 1983, p.25). For Suchman (1995), this type of legitimacy is the hardest to obtain but also the most difficult to lose. For NPOs gaining and maintaining cognitive

legitimacy is vitally important to build enduring public trust in the sector. The studies analysed here focus on the unstated purpose that NPOs are useful to society or are in some way enhancing benefit to society for the greater good. Benjamin (2012), for example suggests focusing on the outcomes of NPO actions, through outcome measurement may be an important way to assess accountability. Whilst Coule (2015) argues values-based accountability can be an important source of legitimacy in this context, where NPOs adopt a pluralist logic which creates space for broad accountability to multiple stakeholders. On the other hand, specifically examining issues of trust, Farwell et al., (2019) find that the NPO sector is largely more trusted than the business sector in Canada. However, at the same time the perception of trustworthiness is positively associated with overall trust, in other words, individuals who generally trust their community leaders and the business sector are more likely to also trust NPOs. These findings question whether NPOs are truly facing a crisis of confidence due to lower levels of overall trust, or if the general lack of trustworthiness in society is creating the lack of trust in NPOs.

The only study which goes some way in critiquing the role of accountability in NPOs in the wider context of social impact was Everett and Friesen (2010). This study provides a radical humanist account of 'humanitarian accountability', i.e. accountability that is asked of and provided by humanitarian organisations. In doing so, they examine the accounts of a humanitarian NPO and two standard setters in the humanitarian arena. Using the template of a modernist performance, they argue the process of humanitarian accountability is reminiscent of a tragedy due to the many contradictions in the demands for and responses to accountability. In this way the paper questions the very premise of accountability in the humanitarian context and causes us to question the 'grotesque' nature of modern humanitarian assistance.

Overall, the literature on social accountability provides some positive inflections on the moral legitimation processes that NPOs undertake, however a focus on cognitive legitimacy is still limited. Whilst there have been a growing number of interpretive studies of social accountability, there is a marked lack of studies that seek radical change as defined by Burrell and Morgan (1979). We discuss this further in the next section.

5. Discussion and conclusions

In this paper we sought to analyse the empirical literature on NPO accountability, by categorising each paper within a specific legitimacy asset, as presented in figure 1 and discussed in section 2.2. Our framework suggests structural accountability is enriched through the effective management/navigation of regulatory and pragmatic legitimacy, whilst social accountability is strengthened through the effective management/navigation of moral and cognitive legitimacy. Taken together, both these types of accountability help build public trust, which forms the legitimating environment of the NPO sector. By mapping the current accountability literature against this framework, we can attempt to understand which legitimacy assets must be built on to strengthen NPO accountability and consequently engender public trust in the sector.

Strengthening structural accountability

The regulatory literature has identified the positive role of regulators in enhancing information accountability, yet a detailed understanding of regulatory processes is missing. We suggest there is a need to examine more carefully the interactions and processes of the regulator itself. For example, we have particularly scant understanding of the decision-making processes at the regulatory level and of the role of different stakeholders in this process. This is especially important given concerns that regulatory regimes are often subject to managerial and professional capture (Godfrey & Langfield-Smith, 2005) and thus some accountability frameworks promoted by the regulator may prove counter-productive (Messner, 2009; Roberts, 2009; Yasmin & Ghafran, 2019). This latter point is particularly important as the literature suggests compliance to regulation is an important factor in helping sectors increase public trust in their activities (Hyndman & McConville, 2018b) and it is the single most important objective of the Charities Commission for England and Wales (ibid).

In terms of pragmatic legitimacy, the literature has been overly focused on reporting and disclosure, finding NPOs expanding on voluntary disclosure methods and media to encompass narrative and performance information. Pragmatic legitimacy includes activities seen of value to powerful stakeholders (Suchman, 1995) and could potentially include all activities regarded as helping improve organisational governance (Hyndman & McDonnell, 2009). In this regard, there are substantial gaps in our understanding of, for example, the performance

management and measurement systems of NPOs and their internal control processes. There is also scope to understand how NPOs engage with assurance processes, both internally and externally. In addition, there is a considerable lack of research examining NPO efficiency and NPO financial vulnerability (for example, in times of crises) using both quantitative and qualitative research methods.

Strengthening social accountability

Whilst the literature on structural accountability is well developed, a focus on the social accountability of NPOs is only now beginning to take shape. In terms of providing moral legitimacy, the literature largely argues for consistency and comparability in reporting practice across countries yet fails to consider the implications of these policies in a developing nation context (except for Breen et al., 2018). We suggest this consideration is important for strengthening moral legitimacy, especially since the accounting regulation literature calls for greater sensitivity to the development of regulation in different national contexts (Humphrey et al., 2009; Reed, 2002; Siddiqui, 2010). Studies providing moral legitimacy also argue for greater stakeholder engagement through the process of beneficiary focused accountability. However, the literature provides a scant understanding of how downward accountability can be operationalised, especially given the diversity of the sector. Furthermore, demands of legitimacy communities may be directly opposed, such as to satisfy one may lead to the dissatisfaction of another and this can have implications for the organisation's responses to these competing claims. Further research is needed here to understand what beneficiary communities require from accountability and how best to engage with competing stakeholder interests. This is particularly important as Carson (2002) wonders whether the NPO sector's operational realities are dis-connected from the public's expectations of these organisations.

The literature providing cognitive legitimacy is very underdeveloped and as such much more needs to be done in this area if the social accountability of NPOs is to be strengthened. Cognitive legitimacy is only bestowed upon an organisation when stakeholders take the organisation and their activities/mission for granted (Suchman, 1995). In other words, where stakeholders feel an ideological or solidarity connection with an NPO, they are likely to consider the NPO to be more trustworthy. As cognitive legitimacy is the most enduring from

all the legitimacy assets, effectively navigating this form of legitimacy is vital for strengthening public trust in NPOs. To enhance the cognitive legitimacy of NPOs, research needs to consider broader questions about what accountability means in a world where NPOs exist, considering questions around social justice, poverty alleviation, human rights etc. and what this then means for the processes and mechanisms within which NPOs must act. By opening NPO research to such questions, a broader understanding could develop on what makes NPOs truly accountable.

Such an endeavour requires research to take more interpretive and radical foci. Interpretive research for example "*can delve into the depths of human consciousness and subjectivity in their quest for the fundamental meanings which underlie social life*" (Burrell & Morgan, 1979, p.32). An interpretive approach to exploring NPO accountability and legitimacy can help us understand how the public view NPOs and what they require from them in terms of trust creation. On the other hand, a greater focus on radical research allows explanations to emerge of "*deep-seated structural conflict, modes of domination and structural contradiction*" which characterise modern society (Burrell & Morgan, 1979, p.17). In this regard radical researchers are concerned with what "*is possible rather than with what is; with alternatives rather than with acceptance of the status quo*" (ibid). A radical approach would acknowledge deep-seated internal contradictions in NPO accountability itself as well as focus upon the structure and analysis of power relationships in this context. This requires researchers to bring in 'conversations' from other areas of research, including from psychology, social sciences and even theology. Whilst social analysis of organisations is predominant within the for-profit sector, a similar analysis is visibly lacking in NPO accountability research.

Contributions and limitations

We contribute to the debate on NPO accountability and legitimacy in several ways. Firstly, we present a unique framework which acknowledges the interrelationship between accountability, legitimacy, and trust. The framework provides a coherent attempt to bring together the notions of accountability and legitimacy in an analytical rather than conceptual manner. The framework reflects a growing understanding of how competing NPO accountability and legitimacy demands co-exist within a sector and how a focus on one type

of legitimacy, over another, can have implications for the type of accountability discharged and subsequently public trust. Secondly, our paper provides an up to date review of all studies that have considered NPO accountability and legitimacy in their research focus. In this regard, we highlight how studies have been overly focused on examinations of structural accountability with social accountability concerns only recently becoming more prominent. By focusing on the different legitimacy assets, we highlight where research has become saturated within each domain of accountability and where there is still a need for further exploration. This analytical approach allows for a structured understanding to emerge of what has been done and what more needs to be done in NPO accountability research. Thirdly, our paper identifies how research can contribute to engendering greater public trust through engagement with those legitimacy assets (i.e. moral and cognitive) that help provide social accountability. Fourthly, linked to this, our paper suggests there is a need to move away from functional research towards greater interpretive and radical perspectives. We argue whilst functional studies help enhance our understanding of the status quo they do not seek out the 'why' explanations, nor do they seek to shift the current discourse.

To end, we would like to touch upon the limitations of our study, linked to our search and keywords used. This search was not exhaustive and could have resulted in a study being missed. However, we tried to minimise this risk by doing an independent search of reference lists cited by the most recent articles found and looking more widely beyond the major publishers and on Google Scholar. These extra checks did not flag up any paper that we were not already aware of.

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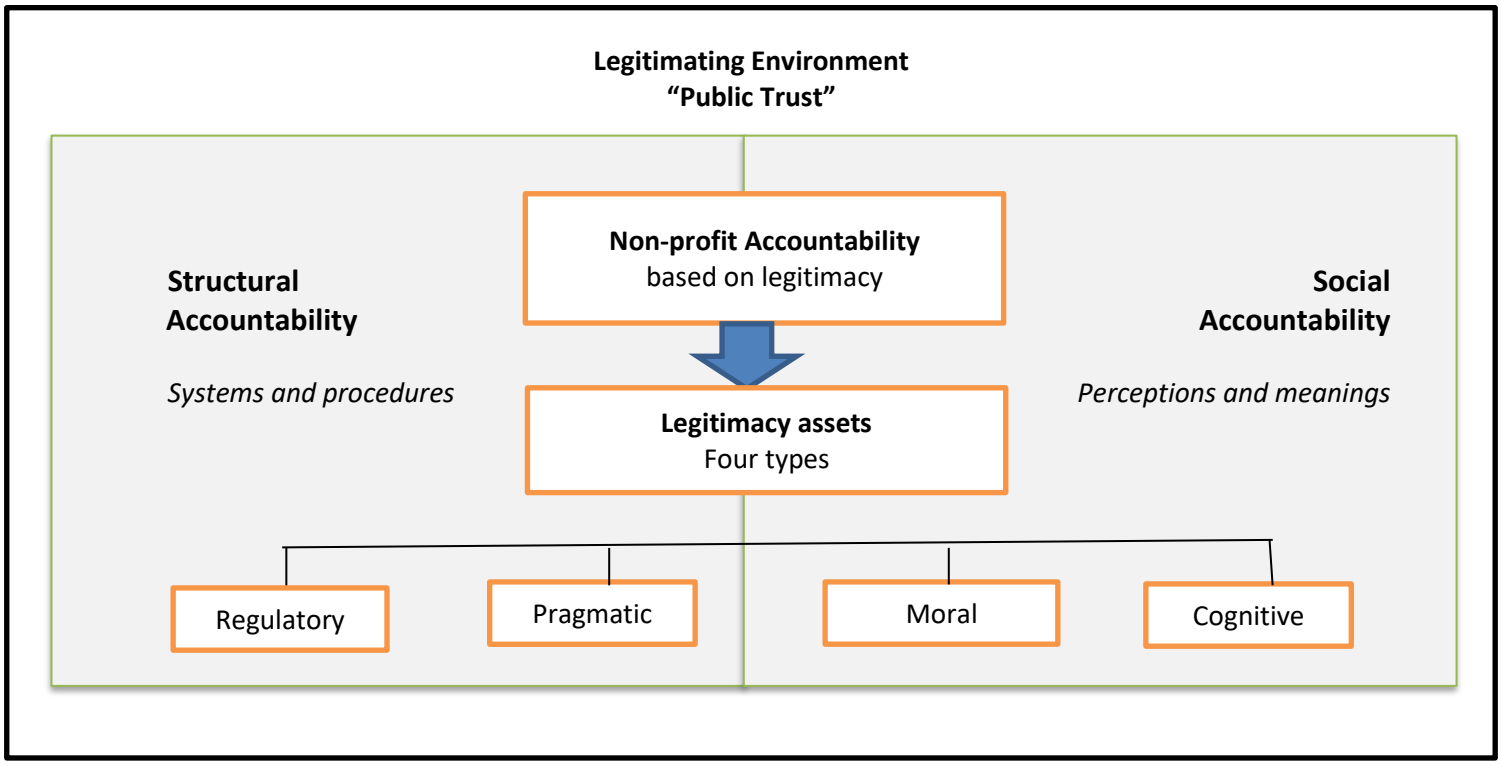
Figure 1: Conceptual model of non-profit legitimacy and accountability



(adapted from Jepson, 2005, Lister, 2003 & Suchman, 1995)

Table 1

Accountability	**Legitimacy assets**[1]	**Core themes**	**Paradigm of research***
Structural *(systems and procedures) (55/58%)*	Regulatory (31)	• Regulatory compliance	Functional (27) Interpretive (4)
	Pragmatic (24)	• Shifting focus to narrative disclosure	Functional (21) Interpretive (3)
Social *(meanings and perceptions) (39/ 42%)*	Moral (36)	• NPO oversight and accounting harmonisation • Stakeholder engagement	Functional (12) Interpretive (22) Radical structuralist (2)
	Cognitive (4)	• NPOs and their role in society	Interpretive (3) Radical humanist (1)

Source: authors

[1]Suchman (1995) and Lister (2003)
* Burrell and Morgan (1979)
() figures in brackets refer to the number/ % of papers reviewed that fall in-to each category including those that overlap with another legitimacy asset (footnote 6)