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Accounting, non-governmental organizations and civil society: The importance of nonprofit organizations to understanding accounting, organizations and society

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1. Introduction

This introductory essay sets the scene for the four papers in this Special Issue by illustrating how greater attention to non-governmental organizations (NGOs) and non-profit organizations can enhance our understanding of accounting, organizations and society.[1] These organizations are highly diverse and confront a multitude of accounting, management and governance challenges that are likely to resonate in organizational settings more broadly.[2] For example, some look similar to typical corporate organizations, adopting the same structures, systems of governance, and accounting and reporting practices. Others closely resemble and at times are indistinguishable from classic government bureaucracies. Thus, we should not draw too stark a distinction between organizations categorised into certain sectors, particularly given the increasing diversity in organizational forms (e.g., Jay, 2013; Miller, Kurunmäki, & O'Leary, 2008; Nicholls, 2009; Unerman & O'Dwyer, 2006a; Wry & York, 2017) and organizations operating across traditional sector divides.

Importantly, the non-profit or non-governmental character of NGOs can provide a fruitful context for increasing our understanding of a broad range of issues of concern to accounting scholars. Analogous to the selection of cases in field research, we argue that much can be learned about accounting and organising from examining the potentially atypical, unusual, or extreme contexts that can arise in NGOs. As Miller (1998) has argued, accounting can be most interesting at its margins because that is where we can see new calculative practices emerge and potentially become part of the everyday repertoire of accounting. For example, in the NGO context, we have recently seen the emergence of accounting techniques aimed at combining measures of economic and social value, such as 'blended value' accounting in community interest organizations (Nicholls, 2009) and social return on investment in social enterprises (Hall, Millo, & Barman, 2015). As these brief examples suggest, our understanding of accounting, organizations and society can be enriched through closer attention to and analysis of the contexts and characteristics of NGOs.

Interesting characteristics of NGOs include a dominance of social motives, values and goals over financial ones, a diversity of stakeholders, and an action-oriented rather than an administrative culture (Chenhall, Hall, & Smith, 2017b). Typically, the purpose of NGOs is not to produce a profit but is focused on social goals, be it poverty reduction, community development, sustainability, or health and social care. As a consequence, there is no institutionalised bottom-line like profit with which to evaluate the performance of NGOs. In addition, the mission of NGOs is typically directed at a particular group of clients or beneficiaries, such as a local community of individuals with particular health or social needs. This means measures of effectiveness and impact necessarily involve assessing how the organization has impacted on those groups, which also raises issues concerning the contribution the NGO has made to those outcomes. The measurement challenges arising in these contexts are not specific to NGOs but have implications for all firms with different objectives and rationales. This can include firms explicitly addressing multiple purposes, such as those pursuing a shared value approach, family firms, mutuals and cooperatives, and social enterprises, as well as any organization seeking to address multiple objectives, such as making a profit whilst also furthering positive social impacts, sustainability, corporate philanthropy or community investment concerns.

NGOs typically have no obvious primary stakeholder. Often it is claimed, typically by NGOs themselves, that beneficiaries or the client groups they seek to serve are the primary stakeholder. Yet providers of funds, such as donors, loom large in most NGOs, along with many other central stakeholders, such as volunteers, staff, regulators, governments, and other NGOs with which they work in partnership. NGOs thus often face the challenge of trying to meet the multiple and potentially

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[1] When we refer to non-profit organizations, we are referring to organizations *outside the public/government sector* who do not have profit generation as their primary goal.

[2] We acknowledge there are significant definitional issues surrounding the nature of an NGO. We do not dwell in depth on these issues here but our implicit categorisation encapsulates a broad range of organizations. For a more refined discussion of these definitional issues and their implications for NGO accounting and accountability, see Unerman and O'Dwyer (2006a, 2006b) and Vakil (1997).

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conflicting accountability demands from its diversity of stakeholders. Again, although potentially more prominent in NGO contexts, for-profit firms are also increasingly addressing the needs of multiple constituents (Mitchell, Van Buren, Greenwood, & Freeman, 2015) whether adopting a more explicit stakeholder or shared value approach (Kramer & Porter, 2011) or facing pressure from customers, regulators or even shareholders themselves to address a multitude of objectives. Thus, NGOs' experiences in dealing with the challenges of multiple stakeholders are likely to resonate more broadly.

NGOs can also be characterised by a focus on values such as justice, equity, empowerment, human rights, or community solidarity. In fact, these values are often central to the work of NGOs, forming their founding cornerstones where people attempt to live out these values through participation in such organizations. NGOs often have a complex workforce, with a combination of paid and unpaid workers, both at the boardroom level and at the local charity shop. The centrality of core values including extensive volunteering means many people involved in NGOs have a strong desire to be directly involved in helping clients and beneficiaries, sometimes referred to as a culture of action (Lewis, 2014). In these contexts, management and other administrative activities including accounting tend to be viewed at best as a distraction from 'real' activities or at worst a waste of time and money (Agyemang, O'Dwyer, Unerman, & Awumbila, 2017). Relatedly, there can be strong resistance or even outright rejection of attempts to use basic accounting procedures as part of attempts to operate NGOs like a 'business' (Chenhall, Hall, & Smith, 2010; Hall, 2017). Again, although potentially more prominent in NGOs, many organizations can face contexts where values are important, where organizational participants are likely to have a mix of motives, and where there may be resistance to and/or lack of understanding of accounting and control practices.

NGOs are also important to a full understanding of accounting, organizations and society because they are economically and socially significant players in their own right. Across Europe, the USA, the UK, Australia, and developing economies such as India and Tanzania, NGOs are significant economic players, employing millions of people, contributing substantially to GDP, and engaging significant numbers of volunteers.[3] And although economic size and scale is one indicator of the importance of NGOs, they are also centrally involved in addressing important societal problems. Across many issues such as poverty, social exclusion, mental illness, education, human rights, disaster relief, climate change and environmental degradation, NGOs are engaged in running essential programs and support services, providing new models for service delivery, and advocating for and raising awareness of excluded and underrepresented groups. Although not without their critics (Wright, 2012), NGOs are also increasingly playing a leading role in the operation and delivery of a wide variety of government programs including housing, homecare, disability and mental health services. NGOs are also central to many of our most enjoyable pastimes, such as cultural and community organizations, sporting clubs, and many activities across the arts including music, theatre, dance and fine art. More broadly, we can see the study of NGOs as an important example of a need for research to move beyond studying predominately large for-profit businesses or government departments. This links with the emergence of a greater focus on diversity in organizational forms, such as mutuals and cooperatives, family firms (Prencipe, Bar-Yosef, & Dekker, 2014), social enterprises (Hall et al., 2015), and cultural (Jeacle, 2012), sporting (Andon & Free, 2012) and platform organizations (Kornberger, Pflueger, & Mouritsen, 2017).

In the following three sections, we reflect briefly on a small selection of themes underlying the four papers in this Special Issue. These themes comprise: the connection between values and beliefs and control and accountability; the link between control, accountability and transformation; and the role of stakeholder engagement in control and accountability processes. We proceed to illustrate how these themes offer future empirical and theoretical research directions for accounting and accountability research in the NGO/non-profit organization domain and in organizations more generally.

2. Control and the connection to values and beliefs

The association between values and beliefs and control pervades all four papers, albeit in distinct ways. Chenhall, Hall, and Smith (2017a) seek to understand how performance management systems (PMSs) can adopt an expressive role by incorporating the viewpoints of employees. This assigns agency to employees who are seen to influence the design of a PMS in a way that allows them to express their individual values. A sense of 'felt responsibility' (O'Leary, 2017; O'Dwyer and Boomsma, 2015) among employees is embedded in the PMS by facilitating accessibility and playfulness in employee engagement processes. This creates a form of 'workplace democracy' where employees participate in processes of organizing, decision making, and governance. Kraus, Kennergren, and von Unge (2017) also illustrate how existing 'employee' values can be incorporated in a PMS (or management control system (MCS)). However, in their case this arises through a form of 'manipulation' relying on ideological control which targets (or enacts) as opposed to embraces employees' attitudes. While Kraus et al. (2017) and Chenhall et al. (2017a) operate at the organizational level, Martinez and Cooper (2017) concentrate on the meso-level. They demonstrate how the values driving diverse 'social movements' can be threatened by the necessity to embrace the accountability requirements of, what they refer to as, 'the international aid assemblage'. O'Leary (2017) outlines how values and beliefs attached to transforming beneficiaries' lives through empowerment (first generation transformation) and emancipation (second generation transformation)) were *embedded* in the design of accountability mechanisms. For O'Leary, these mechanisms, even those of a so-called conventional nature, offered a response to macro-societal issues whereby a promise underpinned by certain beliefs surrounding sustainable outcomes for beneficiaries was enacted.

3. Accountability, control and transformation

The entities studied in all four papers have an explicit change agenda focused on improving the lives of key beneficiaries (albeit the beneficiaries in Martinez and Cooper (2017) are broadly specified). The values and beliefs alluded to above are embedded in these change agendas. But, to what extent do the various accountability and control mechanisms enable the desired transformations? O'Leary (2017) specifies a role for 'conventional' accountability mechanisms in assessing and enabling the transformation of beneficiaries' lives. Chenhall et al. (2017a) and Kraus et al. (2017) also view formal PMSs and MCSs as assisting in improving beneficiaries' lives, not only in tracking changes

[3] For example, in Europe, the NGO sector engages an estimated 28.3 million full-time equivalent workers, accounting for nearly 13% of the European workforce, making it the third largest employer, lagging only manufacturing and trade, and five times greater than the financial services industry. In the US, recent data shows NGOs accounted for 9.2% of all wages and salaries, and in 2015 reported USD$2.26 trillion in revenues and over USD $5 trillion in total assets, making up USD$905 million (or 5.4%) of GDP. This economic significance is also mirrored in the UK, where NGOs have an estimated combined annual income of 197.8 billion pounds, and employ 2.3 million people or 7% of the total UK workforce, more than the NHS and the same as the construction industry. In Australia, NGOs contributed AUD$43 billion to GDP in 2006-7, employed almost 1 million people, and attracted around 4.5 million volunteers. Although the data is less systematic, NGOs are also economically significant in emerging and developing economies. For example, in India, there are over 16 million volunteers with the volunteer work valued at USD$1356 million, and in Tanzania there are over 2 million volunteers, with total private philanthropy accounting for 3.8% GDP. And contrary to the typical idea that NGOs' income is derived from donations and gifts, data shows that in Europe most of the income of NGOs (57%) is derived from private fees (e.g., memberships) and sales, with 34% from government and only 8% from private philanthropy. Similarly, in the US, most of NGOs' income is derived from fees for services and goods (72%), with other sources being private donations (13%) and government grants (8%). For further details, see Productivity Commission (2010), NCVO (2017), Salamon and Sokolowski (2016), McKeever (2015) and Lester, Salamon, Sokolowski, and Associates (2004).