



Nonprofit governance and accountability : broadening the theoretical perspective

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NONPROFIT GOVERNANCE AND ACCOUNTABILITY: BROADENING THE THEORETICAL PERSPECTIVE

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Drawing on comparative case studies, this article critiques the positioning of accountability as a benign and straightforward governance function. From a critical management studies perspective, I offer a conceptualization of the relationship between governance and accountability in which issues of power, beliefs about the nature of organizing and social relations are integral features. The paper clarifies how principal-agent governance assumptions, based on a central logic of unitarism, can drive narrow compliance-based interpretations of accountability. Such an approach appears at odds with the values embedded in the social missions of many non-profits in so far as they prioritize small sections of powerful stakeholders over sustained periods of time. Conversely, a pluralist logic appears to create space for broad accountability to multiple stakeholders. Here, expressive, values-based accountability is seen as a source of legitimacy and can produce complex relationships, which challenge the instrumental orientation to social relations that principal-agent theories assume.

Numerous governance theories – including agency and stewardship theory – address principal-agent relationships (Tosi et al., 2003; Caers et al., 2006; Hernandez, 2012). Essentially, such relationships explain the behavior of actors within a hierarchical order in so far as agents are expected to act on behalf of principals and in pursuit of principals' interests above their own. While some scholars have questioned the foundations and applicability of principal-agent governance theories to non-profit governance (see Cornforth, 2004; Steinberg, 2010), such theories remain popular as a way to explain relations between organizational actors within non-profits and between non-profits and external stakeholders (see Olson, 2000; Caers et al., 2006; de Andrés-Alonso et al., 2009).

This paper adopts a critical management studies perspective, which generally involves skepticism about the moral defensibility and social sustainability of dominant models of organization (Adler et al., 2007). Viewed through this frame, consideration is given to how different governance theories shed light on the prioritization and marginalization of internal and external accountability relations. It is posited that agency, stewardship, democratic and stakeholder theory are useful lenses to expose implicit assumptions about the nature of work and organization, which have significant implications for forms and processes of accountability. Specifically, I address the question, 'what implications are there for the nature of accountability in a range of governance theories and their associated practices?'

The article takes the following form. First, I review the extant literature surrounding theories of corporate governance and their implications for non-profit accountability. Second, the comparative case study methods and organizations are outlined in the second section. The third section presents and discusses key case study findings, exposing how – often tacit – assumptions about the nature of work organizations act to shape governance practices and constructs of accountability within non-profits. The orientation of the four cases is explored to compare and contrast prevailing unitary and pluralist logics to governance and accountability. The fourth section concludes the paper.

1 Theories of Corporate Governance: Assumptions about Work Organizations and Accountability

Governance is of central concern to non-profits, yet theories of nonprofit governance are underdeveloped in comparison with corporate governance (Cornforth, 2004; 2012). Morrison & Salipante (2007) specifically suggest that knowledge of governance practices to achieve broadened accountability to multiple and diverse stakeholder groups has lagged. To develop arguments in the spirit of critical inquiry, this section aims to expose and question the assumptions and asymmetrical power relations that are often taken for granted in particular governance theories. In doing so I challenge the notion of accountability as a somewhat benign and straightforward governance function and recast it as a challenging, complex choice.

Drawing on insights from institutional theory, I argue that different perspectives on governance are founded on distinct logics. Fundamentally, these logics constitute organizing principles based upon a set of belief systems and associated practices (Friedland & Alford 1991; Scott, 2001). One of the rudiments linking principal-agent theories such as agency and stewardship theory is that they are founded on what Watson (2006) refers to as a ‘systems-control’ approach to framing organizational realities. Essentially these approaches aspire to maximize control over human circumstances by presenting organizations as goal-based controllable systems. The central logic is thus one of unitarism; a perspective built on the assumption that everyone – employees, beneficiaries and the wider community – will benefit from decisions made at a senior level:

“As regards the role of the CEO, structures will assist them to attain superior performance by their corporations to the extent that [they] exercise complete authority over the corporation and that their role is unambiguous and unchallenged... the organization will enjoy the classic benefits of unity of direction and of strong command and control.” (Donaldson & Davis, 1991 pp. 51-52)

There are, however, departures between agency and stewardship theory in the assumed interests of principals and agents, which hold implications for associated governance practices, that are worth attention here. Within agency theory assumptions, people are individualistic and motivated by self-interest (Sundaramurthy & Lewis, 2003), there is goal conflict between principals and agents, and agents will not always act in the interests of principals (Jensen & Meckling, 1976). Here, a core organizing principle is that the board should ensure conformance through: safeguarding founders' interests, overseeing management and checking compliance within a principal-agent relationship (Cornforth, 2004; Letza et al., 2008). The board's role is thus to control or constrain the behavior of agents in order that they conform to principals' interests. Much attention within this tradition is therefore given to motivating agents to act in the interests of principals through selection policies and processes, monitoring and pay incentives for example (Davis et al., 1997; Tosi et al., 2003; Besley & Ghatak, 2005).

In contrast, stewardship theory (see Barney, 1990) assumes board members and managers either share interests (Sundaramurthy & Lewis, 2003) or that agents will at least be motivated to act in the interests of principals even in the presence of goal conflict (Davis et al., 1997). The approach is thus based on CEO-board partnership (Block, 1998), with some proponents of stewardship theory advocating CEO duality where the CEO acts simultaneously as chair of the board (Muth & Donaldson, 1998). Here, board members are often 'experts' whose role is to add value to top-level decision and strategy making (Cornforth, 2004). The CEO under this theory is not an opportunistic shirker and essentially wants to do a good job by being an effective steward of the assets (Caers et al., 2006). While some stewardship scholars take a broad view, acknowledging the interests of groups that extend to the broader community, the degree of this 'prosocial' behavior appears dependent upon manager's conceptions of beneficiaries, their emotional connection to beneficiary groups and their willingness to protect beneficiaries' interests (Hernandez, 2012). In this sense, power and control is retained by organizational elites.

Within the logic of unitarism, conflicting objectives are seen as dysfunctional and agents' accountability to principals takes precedence and is enacted through adherence to monitoring, accounting and auditing and the law (Davis et al., 1997; Sternberg, 1997; Jegers, 2008). Roberts (2001 p.1547) argues that such formal hierarchical accountability creates "a sense of self as singular and solitary within only an external and instrumental relationship to others." Here, we can draw parallels with narrow constructs of accountability presented in the non-profit literature where the relationship between non-profits and their evaluators constitutes a typical principal-agent relationship founded on instrumental, rule-based accountability involving explicit and objective standards of assessment (Morrison & Salipante, 2007; Knutsen & Brower, 2010). Indeed, Sternberg (1997) argues that accountability is only legitimate in circumstances where principals have the authority to hold agents to account and attacks stakeholder theory for "destroying" conventional accountability. In short, she posits that just because organizations are affected by and affect certain factors, such as the environment, does not mean they are accountable to them. Principal-agent theories thus cast accountability as "the means by which individuals and organizations report to a recognized authority and are held responsible for their actions" (Edwards & Hulme, 1996 p. 967). This may act to marginalize broader constructs of accountability based on 'felt responsibility' or taking responsibility for one's own actions (Cornwall et al. 2000 p.3), which would be central to critical management endeavors and their deliberate attempts to enhance empowerment and the voices of the less powerful.

Such broad notions of accountability have been debated extensively in the non-profit literature, not least due to the notion that non-profits will be driven by 'expressive' forms of accountability involving self-perceptions of their community roles and mission (Knutsen & Brower, 2010). Relations founded upon expressive or felt accountability are thus values-driven and negotiated, often based upon implicit, subjective standards of assessment (Morrison & Salipante, 2007); no external evaluator directly demands these accountabilities and there is no hierarchical authority. This approach is not unique to the non-profit sector, however. Governance theories such

as stakeholder and democratic theory were developed in the corporate governance literature, directly challenging the foundations of unitary, principal-agent theories. One of the key purposes of this challenge was to extend companies' responsibilities beyond those enshrined in law, which are often premised on minimal standards (Vinten, 2001).

Stakeholder and democratic theory are thus driven by what Watson (2006) terms a 'process-relational' view of work and organizations, characterized by the acceptance of multiple individuals and groups with divergent interests and priorities, requiring "continuous social, political... and moral processes" (Watson, 2006 p.52). The central logic is one of pluralism, where diverse groups' pursuit of disparate interests can produce conflict (Darwin et al., 2002), which is considered both inevitable and a possible driver of social transformation (Fox, 1966). There are, however, differences between the practices associated with stakeholder and democratic theory, which I will briefly draw out.

Stakeholder theory assumes stakeholders have different interests and it is therefore important that the governing board is made up of stakeholder representatives (Kochan & Rubinstein, 2000); there is a focus on how specific stakeholder groups exercise oversight and control over management. A core conviction is that organizations have more extensive duties to key stakeholder groups than is strictly required by law (Gibson, 2000). Vinten (2001) defines the stakeholder corporation as one which not only recognizes its direct legal and statutory responsibilities, but its need for a 'license to operate' and responsibilities to those indirectly affected by its activities and decisions.

Democratic theory is built on the premise that organization actors and the public have different interests and that democratic political order allows for protection of individual liberties/rights against the potentially corrupt and tyrannical power of the state (Moravcsik, 2004). Under this theory, good governance begins with implementing traditional democratic structures and focuses on the process through which decisions are made as a source of legitimacy (Dahl, 1999). Indeed, Gomez & Korine (2008) argue that all corporations must take into consideration society's

views on what constitutes a legitimate exercise of power based on the view that directors cannot govern the corporation in opposition to the values of the society in which the organization is embedded.

The board's role under a pluralist logic is thus political: to represent diversity of interests and balance stakeholder needs, to make policy and to control management (Cornforth, 2004). Indeed, those who address the underlying philosophical and relational issues in corporate governance argue that it is a social and dynamic process, rather than an economic, fixed and enduring 'reality' and therefore must be considered in relation to concepts of politics, power, culture, ideologies, modes of thought and social relations (Letza and Sun, 2004). Stakeholder and democratic theories require corporations to move beyond their legal and statutory responsibilities and this immediately broadens the scope of accountability, constructing it as a combination of being "held responsible" by external actors and "taking responsibility" for one's own actions (Cornwall et al., 2000 p.3).

Roberts (2001 p.1547) posits that "socializing forms of accountability... constitute a sense of the interdependence of self and other, both instrumental and moral." Similarly, in a non-profit context, commentators have suggested that staff, volunteers and trustees can require both instrumental and expressive accountability (Knutsen & Brower, 2010). As resource suppliers, these groups can expect returns for their contribution to the organization through implementation of human resource management legislation and practices, or networking opportunities for self-interested purposes (Morrison & Salpante, 2007; Knutsen & Brower, 2010). In addition, organizational actors may expect their treatment will honor the moral and social values the organization projects in its service work (Jeavons, 1992). This requires expressive, values-driven forms of accountability and this increases its complexity as organizations move away from rule-based accountability involving explicit and objectified standards of assessment towards implicit, subjective standards of assessment where no external evaluator directly demands accountability (Morrison & Salipante, 2007).

The theories reviewed thus represent distinct schools of thought on corporate governance, which are infused with particular and sometimes opposing assumptions about the nature of work and organization. This holds major implications for the treatment of stakeholders and the construct of accountability. Table 1 provides a summary of and integrates the key concepts evoked within the literature review.

[Table 1 here]

In a non-profit context, principal-agent assumptions, and the instrumental forms of accountability associated with them, can be problematic. This is particularly the case where non-profits are motivated to adopt alternative, democratic forms of organization in line with the societal change they aim to bring about and/or legitimacy in the eyes of the non-profit's host society is central to organizational viability. It is difficult to conceive of an environmental non-profit, for example, maintaining legitimacy if it did not account for its own impact on the ozone layer or natural environment simply because these factors are "not the sorts of things that can hold agents to account" (Sternberg, 1997 p.6).

2 Methods

A grounded, interpretive approach to comparative case analysis is used to answer the research question about the implications of particular governance theories and their associated practices for the nature of accountability. Such an approach builds on understanding the experiences of non-profit actors, rather than imposing a predetermined framework. Fieldwork included collection of different types of qualitative data from multiple sources across four non-profits in England. Engagement with theories of corporate governance and their implications for non-profit accountability took place following data collection through recursive cycling between data, emerging theory and extant literature.

The data presented here constitutes part of a wider program of research, incorporating five focus groups and an exploratory survey of 400 non-profits. The four cases discussed were chosen based on their potential to shed light on my area of theoretical interest in relation to governance and

accountability processes. Specifically, they highlighted challenges pertaining to relational dynamics (for example, between staff and trustees or between the non-profit and statutory agencies) within the earlier exploratory survey. Additionally, cases were selected to represent a range of organizational forms and purposes (including membership, advocacy and service organizations and a museum), adopting a variety of governance structures and practices. Table 2 provides a summary of the four organizations.

[Table 2 here]

Table 2 illustrates that the cases are heterogeneous with respect to their fields of work, income profile, level and nature of human resources, constitutional requirements for board composition and scale of operation. Yet the cases are homogeneous with respect to funding levels and non-unionization. It should be noted that the purpose of case selection is not to establish causal explanations for particular governance and accountability approaches, based on variables such as organizational size, field of work, scale of operation etc. Rather, they illustrate how different governance assumptions and practices can be seen to produce different accountability forms and processes. The relationship between these processes and specific organization forms and purposes are considered later in this paper.

2.1 DATA SOURCES

Fieldwork with the four organizations took place over a six-month period and data was collected from three main sources:

1. Interviews. Twenty-three interviews were undertaken with three categories of actors: board members, CEOs and staff. Seven interviews took place with board members (one from case A; three from case B; one from C; and two from D), four with CEOs (one from each case) and twelve with staff from various hierarchical levels (three from case A; two from case B; three from C; and four from D). Early interviews were largely investigative and resulted in emergent

themes that were pursued in subsequent interviews. Interviews with non-profit actors lasted between 40 and 120 minutes and had four foci:

- governance structures, processes and challenges
- the nature of relations between staff, volunteers and trustees
- the nature of inter-organizational relations and/or collaborative efforts
- how such relational dynamics affect decision-making and the setting and safeguarding of mission and values.

2. Documents. Four categories of information were consulted in the fieldwork period:

business/strategic plans; annual reports and accounts; minutes of board meetings; and promotional material. This allowed corroboration of interview material with formal text.

3. Observations. During field visits observations of organization activities were recorded in a field diary. This involved the observation of a board meeting at case A, informal coffee breaks involving all staff at cases B, C and D and at least one day of observing general daily activities at each case. Although these observations are not featured in this paper, they provided a useful context to aid understanding and theoretical development.

2.2 DATA ANALYSIS

My analysis followed established procedures for grounded approaches to theory building across multiple organizations (Eisenhardt, 1989; Miles & Huberman, 1984). It consisted of a series of steps, the first of which involved the coding of transcripts and documents for each organization. These codes comprised phrases, terms or descriptions, all revolving around the nature and dynamics of governance and accountability. Such descriptions included, for example, comments on honoring the organization's original purpose, stories of the organization's founding era, narrations of the importance of meeting legislative requirements, developing policies and procedures or involving service users. These formed first level codes, which were constantly compared across documents for possible conceptual patterns within each case.

The second step of the analysis involved looking for codes across interviews and documents that could be grouped into higher-level themes. For example, comments on founding eras and honoring the original purpose could be grouped under “Elevation of organizational history to socialize employees into sharing leaders’ beliefs, assumptions and vision for the organization”, forming a set of first-order categories. Importantly, a key analytical task in this and all subsequent steps was to juxtapose cases against each other for searching for similarities and differences.

The third step developed links among first-order categories in order to develop theoretically distinct clusters through a recursive process. For example, categories containing instances of actors emphasizing (a) the development of policies and procedures to control work, (b) conflict as illegitimate and/or dysfunctional and (c) organization history to socialize employees into sharing leaders’ visions were collapsed into a theme called “control and conflict”.

The fourth step involved organizing these themes into dimensions that eventually provided a basis for theorizing. The first theme is the logic of unitarism as a driver of narrow, compliance-based accountability; the second emphasizes pluralist logics as a driver of broad, expressive forms of accountability. Steps 2, 3 and 4, and the links between them, are depicted in Figure 1.

[Figure 1 here]

3 Findings and Analysis

In order to frame the empirical findings and address the question of what implications exist for accountability in various governance theories and practices, Table 3 delineates the potential consequences of diverse governance assumptions for the nature of accountability in non-profit organizations. Specifically, the implications of the governance theories foreshadowed in the literature review are linked to board composition and role, board-staff interests and the subsequent focus and nature of accountability relations. It should be noted, however, that practitioners do not necessarily operate consistently within a particular stance and often vary their approach within a specific context. Rather than claiming the taxonomy presented is exhaustive, I would point to its

heuristic value that exposes the possibility of diverse views of governance and accountability, thus illustrating the range of choices available to non-profit practitioners.

[Table 3 here]

Section 3 proceeds by discussing the analysis underpinning development of the above typology.

3.1 Unitary Theories of Governance and Conceptions of Accountability

This sub-section illustrates how agency and stewardship governance assumptions, based on a unitary logic, can produce particular effects on the nature of accountability. First, however, it is important to highlight the distinguishing features, which suggest the central logic of case A and B to be unitary (see Table 4).

[Table 4 here]

Both cases appear to be united by overarching unitary logics, where the goal for organization is harmonious, consensual entities that exist for common purposes. There are, however, differences in how they pursue this goal. Case A largely appears to operate within agency governance assumptions where relationships are viewed as nothing more than a series of implicit and explicit contracts with associated rights (Jensen & Meckling, 1976). Within such contracts, a key challenge is how to ensure agents will act in the best interests of principals (Turnbull, 1997). Within case A, the board – made up of long serving members – assumes its role in the monitoring and control of the Chief Executive Officer (CEO) in order to limit any divergence from their interests: “In terms of the board, it’s our job to make sure the CEO is properly monitored. I see him fortnightly for an hour, hour and a half, see he’s doing the job and I’m just trying to help him by holding him accountable” (Chair).

In contrast, Case B seems to adopt a partnership approach between CEO and board, indicating parallels with stewardship governance assumptions and the associated adoption of CEO duality (Muth & Donaldson, 1998). Though UK charity law generally prevents it, organization B developed

complex structures to allow the CEO to act as a trustee; the CEO simultaneously holds the position of Honorary (unpaid) Museum Director of the charity and Chief Executive of the wholly owned trading subsidiary, for which he is remunerated. The board obtained an Order from the Charity Commission to enable him to continue to be a trustee of the charity when he took on the role as CEO of the trading subsidiary. Despite a collectivized approach between board and CEO, however, the CEO exercises complete authority over the organization and his role is unambiguous and unchallenged by staff, thereby suggesting adoption of a unitary logic (Donaldson & Davis, 1991).

Although interpretation of the data signals case A and B start from opposite assumptions regarding the interests of the board (as principals) and CEO (as agent), they share the idea that control emanates from the top of the organization where elites rule: “You have, as Trustees, people who are eminent in their professions and skilled.. that’s where the expertise comes from. It’s assumed they’re capable and expert and they sit on the Trustees, showing their wisdom.” (Chair, case A). Thus, considering the relationship between board and staff more widely appears to illustrate that agents’ accountability to principals takes precedence and is enacted through adherence to monitoring and implementation of HR legislation, policies and procedures. Accountability thus acts as a constraint upon an opportunistic and self-interested human nature (Roberts, 2001). Roberts argues that such processes and practices of accountability create individualizing effects, which are associated with formal hierarchal accountability, and drive development of instrumental relationships. The associated monitoring and organization surveillance takes place within formal hierarchical accountability and, arguably, creates disciplinary effects (Rose, 1989) and processes that attempt to prevent circumvention of formal hierarchy.

At an informal level, there seems to be an attempt to “build strong cultures” where employees share their leader’s beliefs, assumptions, and vision for the organization (Martin, 2002, p. 8). Case A’s employees are socialized with the founding story of a visionary faith leader who identified the need and established provision for “the needy”, while within case B there is constant reference to the historical military links of the museum and maintaining an authoritarian approach consistent

with that tradition. In each case, the historical roots of the organization are used to legitimize the authority of a select group of leaders (principals) over a group of subordinate followers (agents) and to ensure the principal's goals are accepted as natural, unchallengeable and given. Table 5 illustrates the various ways in which cases A and B reinforce instrumental accountability within internal relations.

[Table 5 here]

Within such contexts, the construct of instrumental relationships at the individual level seems to reproduce at the organizational level, leading to the prioritization of instrumental, transactional relationships to external stakeholders. Roberts (2001) argues that dominance of external market mechanisms contributes to producing such forms of accountability and it is noteworthy that case B has the highest level of earned income and is run as “an attraction business”, while case A has the second highest proportion of earned income – albeit marginally – with the ambition to increase this type of income. Within both cases, references to “professionalization”, “amateurism” and “business” are prevalent within the narratives of senior organizational actors and compliance with legal and regulatory obligations seems to take priority. External stakeholders who lack the authority to bring about sanctions, such as service users, appear marginalized in decision-making processes in favor of viewing them as customers or consumers of services. Moreover, donors and other players in the external environment are looked upon as an instrumental resource to further the goals set by the organizations' elite (see Table 6).

[Table 6 here]

My analysis indicates that if missions, visions and goals are developed and governed solely by organization elites, it is their perspectives that become prioritized and legitimized at the organization level. Prioritization of principals' interests is not considered a problem if principals' appointments are assumed to be based on merit. They are assumed to be the rightful guardians of the overall purpose of the organization, that is pursued in the best interests of all members, whether they realize it or not (Johnson & Gill, 1993). As Table 4 suggests, rationality is “automatically

accorded to decision making of the leadership and the behavior of subordinates who might be recalcitrant or even resistant to such direction becomes deemed to be irrational” (McAuley et al. 2007 p.15). I find that in this situation, broader conceptions of expressive accountability based on moral foundations often can be marginalized in favor of narrow conceptions of hierarchical accountability within instrumental principal-agent relationships. By conceptualizing accountability in this way, the priorities of the majority of organization members and wider community stakeholders who are affected by the organization’s operation may be marginalized or excluded. Moreover, this narrow instrumental view of human nature can appear at odds with the values embedded in the social mission of many non-profit organizations.

3.2 Pluralist Governance Theories and Accountability

Before contrasting the above governance approaches and their accountability implications with democratic and stakeholder governance assumptions, Table 7 evokes the central logic of case C and D as pluralist.

[Table 7 here]

Though cases C and D appear to be founded upon pluralist logics, where organizations are constituted by diverse groups who pursue disparate interests, there are subtle but important differences which deserve attention. Case C seems to operate under the premise that to prevent the organization from adversely affecting stakeholders it requires governance processes that allow stakeholders to participate in decision-making. In a practical sense, this plays out formally through the election of trustees by case C’s membership and the co-option of other board members, representing statutory agencies, to ensure a sufficiently wide representation of stakeholder interest groups. The board, in turn, charges the CEO with the responsibility of stakeholder involvement in wider organizational endeavors: “The trustees usually give me a steer... a recent issue has been to what extent we build relationships with the private sector and how that is presented to members; we will also not compete to provide any service that our members could provide. The general

instruction I have from the trustees is that we want people in the tent rather than outside the tent and we should work to accommodate what they want” (CEO).

Case D appears strongly driven by the principles of democratic theory, built on the protection of individual liberties and rights (Moravcsik, 2004). Such ideological foundations are endemic in both the formal charitable objects of the organization, which talks of helping a particular section of society “obtain their full rights and privileges”, and its processes and practices:

“Because we go about changing things outside of the organization, it’s really important that we change things within the organization. We don’t just accept how things ‘should’ be; we’re always trying to change things and that thing about the process is really important... if we don’t get the process right then the end result is never right” (CEO).

Despite maintaining a structural separation of board and staff, a requirement of UK charity law and also often a strategy to reassure funders, regulators and other interest groups (Turnbull, 1997), the reality of organization life is very different. Much value, for example, is placed on locating decisions in democratic discourse (see dimension 3, Table 7), perhaps based on the recognition that transactions are “conducted on the basis of mutual trust and confidence sustained by... mutually obligated and legally non-enforceable relationships” (Hollingsworth et al., 1994 p.6). It is particularly notable that there is an element of ‘self-governance’ as appointment of trustees is conditional on prospective board members spending time with and receiving ‘approval’ from the ‘governed’ who are, in turn, often people with disabilities.

Despite these differences, actors within both organizations arguably display skepticism about the moral defensibility of dominant models of management and organization (Adler et al., 2007) and the automatic rights of organizational elites’ to govern and manage (Johnson & Gill, 1993). I find that such an approach often leads cases C and D to go beyond instrumental, hierarchical forms of accountability to a broader, expressive view of accountability involving ongoing social, political and moral processes (Watson, 2006) between internal groups. Roberts (2001) posits that such processes and practices of accountability create socializing effects often involving face-to-face

accountability between people of relatively equal power, in a cultural if not structural sense. The ability of trustees and managers to pursue organizational strategy in this context seems to require account to be taken of employees' perceptions of its legitimacy. Table 8 suggests various ways in which case C and D reinforce expressive accountability within internal relations.

[Table 8 here]

Within such contexts, the view that social relations involves moral, ethical and political processes is also applied to relationships with external stakeholders. Here, the focus moves beyond instrumental, upward accountability to those who have the authority to hold the organization accountable and can take on expressive forms based upon sets of relationships and understandings of community roles and mission (see Table 9).

[Table 9 here]

From the perspective of cases C and D, organizations appear to be viewed as social collectives, where, "through critique, reflection, debate and the development of democratic relations, the status quo might be challenged and alternative forms of organization developed that express the perceived interests of those currently excluded from a say in how organizations are organized." (McAuley et al., 2007 p.26). Such practices challenge a narrow view of accountability relations within and between organizations and their stakeholders as essentially instrumental and instead construct them as a potential source of legitimacy. This broad view of accountability, however, would come under attacked by those who adopt the assumptions of principal-agent relations as the 'best' way to organize. Here, the only legitimate form of accountability is to those who have the (legal) authority to hold agents to account (Sternberg, 1997).

4 Concluding Remarks

While theorization of corporate governance has become increasingly sophisticated, theories of non-profit governance are comparatively under developed (Cornforth, 2004; 2012). In the context of this paper, advances have been made regarding the effects of particular systems of governance on

processes of accountability within the corporate domain (see Roberts, 2001). In the non-profit arena, however, theoretical developments surrounding the nature of accountability transcend understanding of non-profit governance. In particular, understanding of governance to achieve broad accountability – as called for by numerous non-profit scholars – has lagged (Morrison & Salipante, 2007). Drawing on multiple governance theories and empirical work with non-profits from a critical management studies perspective, this article contributes a framework to deepen understanding of the effects of different governance assumptions and practices on the production of different forms and processes of accountability in a non-profit context. By addressing the underlying philosophical and relational issues in governance, the article frames non-profit governance and accountability as social and dynamic processes.

Each governance theory is infused with assumptions of how organizations work and the interests of the diverse parties involved. The analysis presented suggests that unitary logics tend to focus the work of principals on producing policies and procedures to control the work behavior of agents. The purpose of internal accountability is to constrain an opportunistic and self-interested human nature through trustees and, subsequently, senior managers, attempting to institutionalize their power over others. This can result in transactional or instrumental relationships governed by the ‘system’ created by those at the apex of the organization. Equally, organizational members often prioritize compliance with the formal rules of powerful players within the external environment who have the authority to hold the organization to account. Accountability can thus take on a narrow, hierarchical form.

In contrast, while pluralist logics do not reject the notion of control, they recognize that only partial control can ever be achieved. Organizations exist only through human relationships and whatever control is achieved is “brought about as much through processes of negotiation, persuasion and manipulation as through system devices like rules and official procedures” (Watson, 2006 p. 56). Similarly, external stakeholders are seen as part of social groups where interests diverge. Expressive, negotiable accountability to a broad range of stakeholders is often seen as

central to organizational mission and legitimacy within society. It has been argued that framing organizations as social collectives in this way is a “vital source of learning and can produce complex relationships of respect, trust and felt reciprocal obligation, which far exceed the purely instrumental orientation to action that agency theory assumes” (Roberts, 2001 p.1567).

The four governance theories reviewed thus represent distinct schools of thought, which are infused with specific and sometimes opposing assumptions about the nature of work and organization that hold major implications for the treatment of stakeholders through producing particular forms and processes of accountability. My intention is not to position any particular approach as inherently superior to another in economic or efficiency terms; indeed, all four cases demonstrated a growth trajectory over the 5-year period prior to this program of research. Rather, I am encouraging theorists and practitioners to be aware of, and explicit about, the value systems underpinning work organizations and the implications of their assumptions. In the context of increasing calls for broad accountability, a core question for non-profit scholars and practitioners is the extent to which treatment of internal and external stakeholders honors the moral and social values projected through the organization’s social mission.

Finally, it would be inappropriate to conclude such an article without situating my own position within the contested terrain presented given the importance I have placed on reflexive engagement with knowledge and practice constituting assumptions. My position inevitably brings its own limitations. Through the act of developing a framework located in a critical analysis of governance and accountability, I unavoidably undermine some of the schools of thought I have analyzed. By emphasizing the need to take into account issues of power, beliefs about the nature of organizing and the negotiation of social relations, I oppose the instrumentalist view of principal-agent theories. Equally, by attempting to interrogate how notions of governance and accountability might variably be conceived and the ensuing implications of this variability, postmodernist researchers may charge that I have presented a meta-narrative. The paper does not endeavor to provide prescriptions of ‘how to’ govern non-profits. Rather, I hope it exposes some of the various

views on corporate governance that exist precisely because different scholars investigate organizations from diverse viewpoints, cultural contexts, intellectual backgrounds and interests (Turnbull, 1997).

Notes

ⁱ It is important to note that non-profit scholars acknowledge the existence of multiple principals, that reside both inside and outside organizational boundaries (e.g. board members, funders, regulators), who possess the authority to hold agents to account (see Caers et al. 2006; Van Puyvelde et al., 2011).

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Biographical Paragraph

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Tables

Table1: Logics, governance and accountability

Dimension	Unitary Logic	Pluralist Logic
Theoretical perspectives	Agency; stewardship	Stakeholder; democratic
Organization best achieved through	Systems-control approach	Process-relational approach
Scope of accountability	Principal-agent	Stakeholders/organizational and societal members
Nature of accountability	Dominance of instrumental accountability Based upon explicit and objectified standards or rules Expressed through adherence to monitoring, accounting and auditing, and the law	Instrumental and expressive accountability Based upon explicit, objectified rules and implicit, subjective standards Involves negotiation based on self-perception of community roles and mission in addition to adherence to monitoring, accounting/ auditing and the law

Table 2: Case Organizations

Case	Field of work	Level and profile of income	Number of staff & volunteers / unionization	Number and recruitment of trustees	Scale of operation
A	Faith-based organization providing support for homeless/vulnerable people	Approx. £950,000 33.5% earned ⁱ 53% voluntary ⁱⁱ 0.5% investment ⁱⁱⁱ 13% other	Approx. 45 employees; 100 volunteers Non-unionized	9 trustees appointed on basis of faith and profession/skills Recruited through personal networks / recommendation	Multi site (main office plus hostels); single district coverage
B	Education of public through provision of museum and memorial	Approx. £500,000 87% earned 11.5% voluntary 0.5% investment 1% other	Approx. 15 employees; 135 volunteers Non-unionized	8 trustees appointed on basis of 'founder' status or profession/skills Recruited through personal recommendation	Single site containing charity and trading subsidiary; national coverage
C	Membership organization promoting offender rehabilitation	Approx. £700,000 3.5% earned 95% voluntary 1% investment 0.5% other	Approx. 14 employees Non-unionized	13 trustees At least 8 of whom must be representatives of member organizations Member	Multi site (1 northern, 1 southern office plus regional homeworkin

				representatives are voted onto board by membership at AGM; others are co-opted.	g); national coverage
				11 trustees	
D	Advocacy organization for people with disabilities	Approx. £500,000 31% earned 64% voluntary 0.5% investment 4.5% other	Approx. 20 employees; 10 volunteers Non- unionized	75% of board must have a disability or represent an organization for disabled people Recruited through organizational/ professional networks	Single site; national coverage

ⁱearned income includes resources received as payment for goods of services and grants that have conditions making them similar in economic terms to trading income

ⁱⁱvoluntary income includes resources generated from gifts, donations, legacies, general grants, membership subscriptions

ⁱⁱⁱinvestment income includes resources from dividends, interest and rents

Table 3: A typology of non-profit governance and accountability

Governance theory	Board composition and role	Interests and governance relations	Focus and nature of accountability
<p><i>Agency</i> <i>(Unitary logic)</i></p>	<p>Founder/member representatives ensure conformance through: safeguarding founders' interests; determining mission and purpose; ensuring programs, manager's actions and resource allocation is congruent with mission and purpose.</p>	<p>Governing boards and managers driven by different interests within principal-agent relationship. Relationship between board and staff largely conducted through Chair-CEO.</p>	<p>Primary focus is on instrumental accountability to resource providers. Accountability is founded upon principal-agent relationships and a rule-based view. There is a strong sense of expressive or 'felt' accountability towards organizational mission, but this is determined by (an often elite group of) board members.</p> <p>Conceptions of board-staff accountability: often transactional - based on returns for contribution made.</p>
<p><i>Stewardship</i> <i>(Unitary logic)</i></p>	<p>Board members are often 'experts', who act as stewards of the organization's assets and improve performance by adding value to top-level decision and strategy making.</p>	<p>Although a principal-agent relationship is maintained, the board partners and supports management on premise of shared interests. Relationship between board and staff largely conducted through Chair-CEO; there is sometimes Chair-CEO duality.</p>	<p>Board's focus is implementation of HRM legislation and formal practices, which promote upward accountability: the CEO holds staff to account for actions; the board holds CEO to account.</p> <p>Conceptions of environment-organization accountability: again has a primarily upward focus, prioritizing compliance with legal, regulatory and funding requirements.</p>

<p><i>Democratic</i> <i>(Pluralist logic)</i></p>	<p>Board members are often lay/membership representatives who represent member/public interests; make policy; and ensure implementation of traditional democratic structures.</p>	<p>(Organizational) members and the public have different interests. Organizational relations are conducted and control of management is achieved by the [democratic] process through which decisions are made.</p>	<p>Adopts broad view of accountability that moves beyond legal requirements. Accountability is seen as something which is values-driven and [continually] negotiated with internal and external stakeholders in order to balance upward and downward accountability pulls.</p> <p>Conceptions of board-staff accountability: moves beyond legalities and formal HRM practices. Expressive</p>
<p><i>Stakeholder</i> <i>(Pluralist logic)</i></p>	<p>Board is composed of stakeholder representatives who focus on balancing stakeholder needs and making policy.</p>	<p>Stakeholders and organizations have different interests. Organizational relations and control of management is achieved through explicit focus on how specific stakeholder groups should exercise oversight and control over management.</p>	<p>accountability involves ensuring that organizational members are treated in congruence with values expressed in the organization's service work, structures and processes.</p> <p>Conceptions of environment-organization accountability: again moves beyond basic requirement for instrumental, upward accountability to powerful external players (funders, regulators) and takes on expressive forms involving self-perception of community role and mission.</p>

Table 4: Features indicating unitary logics

Dimension	Case A	Case B
Restricted face-to-face contact between staff and board members	<p>“My predecessor suffered quite a bit from staff going to talk to trustees. I think he felt sometimes a little bit disempowered. That doesn’t happen so much now.” (CEO)</p>	<p>“I don’t particularly get involved with the trustee side of things.. obviously [the director’s] involved with that. What they’re doing tends to sit with the director.” (Manager)</p>
Strategic decision making by organization elites	<p>“When we had the strategic plan [staff] weren’t particularly involved with that. We were just given this bit of paper, and... it all looked a bit gobbledy-gook to me and to other people.” (Staff Member)</p>	<p>“Policy decisions are taken by the Board and they are enacted then by the director or his subsequent management teams.” (Trustee)</p>
Policy and strategy-making as a means of control	<p>“The purpose of strategic planning is to keep the Charity on track to achieve our goals.. help us organize effectively.. so you don’t have a lot of conflict.. it reduces conflict, stops bickering.” (Chair)</p>	<p>“We make sure they understand what the policies are and we control their work.. I particularly think we’ve benefited from some control being exercised on volunteers because volunteers can be tricky.” (Trustee)</p>
Conflict as illegitimate	<p>“The main challenge is bad relationships with staff. Occasionally you get someone</p>	<p>“Some of the stupidity with volunteers made me more determined. The thing was to</p>

who's not quite fitting and it
causes unhappiness. The
difficulty is it's hard to sack
people.. you might think
someone's the source of a
problem but you can't just say,
you're out. You've got a
procedure to go through." (Chair)

wheel out the
troublemakers.. because it's
like a dog that bites you
once, it will do it again. And
the problem is they spread
the poison amongst others."
(CEO)

Table 5: Mechanisms to reinforce hierarchical, instrumental accountability in internal relations

Dimension	Case A	Case B
Elevation of historical roots to ensure employees share leader's beliefs, assumptions, and vision for the organization	<p>“The founder of [case A] spoke these words 80 years ago.. it is as fresh and relevant today as it was then.” (Org. Document)</p> <p>“If you ask anybody, particularly the trustees, what the vision is they will return to two elements of the trust deed [1967].. But, you're not providing visionary leadership by simply trotting that out.” (CEO)</p>	<p>“There's been a large number of people from [the military] who were involved initially, and some of that has rubbed off on the way that subsequently people operate.” (Trustee)</p>
Creation of policies to control work and ensure staff (agents) act in the best interests of the board (principals)	<p>“I think one challenge is getting our procedures up to date.. tightening control and ensuring policies are in place”. (Chair)</p>	<p>“I think we have been at pains to produce policies and plans for most things and in particular, health and safety and employment practice. That forms the framework.. when people come here they are told what their requirements are and it's up to them whether they fit in with that and join us or not” (Trustee)</p>
Enforcement of hierarchy by negotiating	<p>“Oh dear, I'm not really sure [what the trustees bring to the organization], because I always</p>	<p>“It's a fairly traditional structure where you have managers in charge of teams and ultimately everybody</p>

internal relations feel that they're very distant.. I is responsible to the director and
through formal know we have the Staffing Sub the director then is answerable to
structures Committee and we have this the Board of Trustees.” (Trustee)
involving clear committee and that committee, but
separation of what they actually do? They're a
board and staff bit of a mystery.” (Staff member)

Table 6: Privileging of upward, instrumental accountability in external relations

Dimension	Case A	Case B
<p>Service users framed as customers but their voice remains silent/marginalized in decision-making processes</p>	<p>“[The change agenda] is actually driven by an understanding that people we’ve historically called service users are actually customers. So that means you remodel reception so it looks a little bit more like the Hilton than a prison; you remodel the drop-in centre so it looks more like Starbucks than a doss house.”</p> <p>“The board of trustees aren’t in the place that they should be in terms of service user representation.” (CEO)</p>	<p>“We exist as a visitor attraction through gate money and from corporate business that we can attract.” (Trustee)</p> <p>“[The board are] highly professional, highly experienced... and they all enjoy the kudos of being on the board and that’s the basis on which we recruit members.” (CEO)</p>
<p>External stakeholders who lack ability to bring about sanctions seen as an instrumental ‘resource’ upon which the organization can draw to further goals set by upper echelons</p>	<p>“[Financial] support comes from a variety of places. We’ve got individual donors, we have a lot of Christians and churches support us. When we had a financial crisis I wrote to them and said, “we’re in trouble” and the response was tremendous. Then you’ve got the corporates.</p>	<p>“We can survive within our own site and we see the way ahead is to build up the strength of what we have control, not on third party intervention.” (Trustee)</p> <p>“We have very good relationships with the other museums.. we have good contacts with the Parish Council</p>

They tend not to give money directly but they help in all kinds of ways. They provide food, expertise, we get pro bono help from Lawyers with all our HR stuff it saves us a fortune. So the challenge is being effective and efficient, you know, in each of those areas.” (Trustee)

and I think it’s always to the advantage of a business to keep in good contact with anybody who can be of help.” (Trustee)

“It’s important to be seen to be part of the museum mafia.” (CEO)

Table 7: Features indicating pluralist logics

Dimension	Case C	Case D
Open face-to-face contact between staff and board members	<p>“We have an agreement that for every management committee meeting, staff write and present a project report. I don’t edit those, I pass them straight on so there is a direct dialogue between staff and trustees.” (CEO)</p>	<p>“I realize how important it is that staff, volunteers and the board have really strong communication to each other. If this doesn’t happen, a director can have more and more power.” (CEO)</p>
Strategic decision making by all levels of organization hierarchy	<p>“The director is absolutely fantastic, he allows everyone to bring their views to the table.. he probably sees it as a waste of talent if there’s so many people with so much ability sat doing their own projects and not feeding into the wider organization.” (Staff member)</p>	<p>“If we start dictating to [staff], that’s when we’ll get a breakdown in terms of where they want to go, what they want to do and what they think is achievable. It has to be done in a way that people with disabilities also have the power, rather than just being told what to do.” (Trustee)</p>
Policy and strategy-making as a means of learning and development	<p>“We include everyone from the organization, irrespective of whether they are volunteers or national project managers. The organization really takes into consideration the views and perspectives of people who work for it. I don’t think I’d</p>	<p>“There wouldn’t be any point in doing a [strategic] plan without everybody.. there’s no interest there if you’re not involved, it doesn’t mean anything, it’s just another piece of paper. If the involvement is there.. there is</p>

work for an organization that
didn't." (Staff member)

ownership." (Staff member)

Conflict as
inevitable and a
source of
creativity

"There are lots of strong characters
in the organization. It's very
difficult to get away with a half-
baked idea.. almost everything you
say, someone's going to say, oh
really, and why do you think that?
All that excites me.. it's quite
creative and... open, it's always a
challenge and you've got to be on
your toes." (Staff member)

"Because we go about changing
things outside of the organization,
it's really important that we
change things within the
organization. It's trying to work
with people so the culture in the
organization is one where people
can.. say if they're not happy
about things." (CEO)

Table 8: Mechanisms to reinforce felt, expressive accountability in internal relations

Dimension	Case C	Case D
Deliberate opportunities to test and challenge own and others' views and assumptions through dialogue	<p>“The trustees bring a lot of expertise. They also act as our.. gatekeeper if you like. If we come up with silly ideas they will tend to be the people who knock them back. But they're such an incredibly intelligent bunch that sometimes they'll come up with things, problems in your strategic approach that you'd never even contemplated. And I think that's really key.” (Staff member)</p>	<p>“[The team meeting is] generally chaired by people with learning disabilities and we have an agenda up for about a week before so anyone can write whatever they want on it. It's trying to work with people so the culture in the organization and the atmosphere is one where people can.. it's really important to argue.. and say if they're not happy about things. It's about trying to get people to take responsibility that way.” (CEO)</p>
Ensuring treatment of organizational members is congruent with values expressed in service work	<p>“Despite the organization having a lot of disparate projects, internally we very much adopt a partnership approach. We have bi-monthly staff meetings where and that works very well. We have a knowledge management meeting where we focus on the organization's strategic aims and how our projects align with that to</p>	<p>“I was first attracted to work here because it is a political organization and I believe in what they're doing towards rights for people with disabilities. I like the way it works 'cause it works differently from other organizations.. it's empowering to people. We employ disabled and non-disabled people who are paired as co-workers and</p>

meet stakeholders needs.” (Staff member)

paid an equal salary.” (Staff member)

Promotion of direct contact between board and staff to build virtuous circle of openness and engagement

“Certainly in the early days when the staff was smaller things would informally definitely have been discussed and chewed round. As an organization gets larger and staff are dispersed, it actually then becomes practically more difficult to do that **unless** you make a specific decision.”

(Trustee)

“When the trustees are having a board meeting, they come early and we meet over lunch and its open for us to discuss things with them. It wouldn’t be a problem to say “look I’m concerned about his or that”. It makes the board less detached from the workers on the ground, because they’re not sat up in this hierarchy. I don’t feel like its all going on and I’m not contributing.. that out of control feeling.. and decisions are just being made. I feel that if it came to it, I could walk in there [the board meeting] and say “this isn’t ok”. I wouldn’t feel frightened to do that or intimidated.” (Staff member)

Table 9: Privileging of expressive, values-based accountability in external relations

Dimension	Case C	Case D
Meeting the needs of external stakeholders through mission driven activities as a source of legitimacy	<p>“There’s a challenge in maintaining enough credibility for grant giving trusts to fund us.. that credibility is gained from delivering services to organizations that are in our field. So we need to be seen to be doing our core duties. The other element of our work is reliant on how good our partnerships are with other agencies in the criminal justice sector. So we need to maintain our strategic partnerships and also be seen as an organization that isn’t necessarily biased, but is a just organization. That we will always work in terms of the interests of offenders.” (Staff member)</p>	<p>“Because we’re an advocacy organization not a service provider, what we tend to do is focus on what learning disabled people tell us are issues for them and they are usually learning disabled people involved with the organization as volunteers or workers but also within the national arena, we respond to and influence policy initiatives. So we respond in both ways, upwards in relation to what learning disabled people tell us are issues and I guess downwards in terms of what policy initiatives are coming out and how we can ensure that learning disabled people are involved in their implementation and their monitoring.” (Trustee)</p>

Collaborations and partnerships actively developed on basis of congruence of values and politics to ensure organization acts in best interests of social mission

“There was a small grant-giving trust.. and they were very keen to merge with us and bring their money with them. The board decided not to pursue that. There’s been a number of merger approaches, three in fact. The two that weren’t accepted; one was, in all honesty, a genuine lack of trust in the organization proposing the merge, the other due to a feeling that it just didn’t fit.” (CEO)

“There’s some voluntary organizations we wouldn’t work with. Because we feel that they would overtake our politics [name of leading national charity] being one of them. We've got some funding applications that we've done jointly with other organizations.. in fact we're doing one with [a local] University that's really successful. The reason is because it's with the Disabilities Unit. So the person we're working with there, who runs it, who's a disabled person, we have the same politics.” (CEO)

Consideration given to funding relationships’ ability to present adverse effects on less powerful stakeholders

“We won’t accept government funds for core funding. It all comes from grant-giving trusts, which can be a bit strained but it gives us the ability to lobby as an organization. It’s definitely a value-based decision, an ethical decision.” (Staff member)

“We’re pretty clear about who we are and what we are and that’s part and parcel of the bid so.. people will give us money on the basis of that but.. we don’t tend to make any adaptation as to who we are.” (Trustee)

Figures

Figure 1: Data Structure

