

Management Accounting at International Development NGOs

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DECLARATION

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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
CD	Country Director
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGMA	Chartered Global Management Accountants
CPA	Certified Public Accountants
DCU	Dublin City University
DFID	Department for International Development
ERP	Enterprise Resource Planning
FC	Financial Controller
GDP	Gross Domestic Product
GNP	Gross National Product
HIV	Human Immunodeficiency Virus
HQ	Headquarters
KPI	Key Performance Indicator
MAPS	Multi-Annual Programme Scheme
NGO	Non-Governmental Organisation
NIE	New Institutional Economics
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
OIE	Old Institutional Economics
PM	Program Manager
SORP	Statement of Recommended Practice
UK	United Kingdom
UN	United Nations
USA	United States of America
USAID	United States Agency for International Development

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The small town of Fort Portal in the Rift Valley of Uganda is, by most measures, an unusual place for an accounting PhD to emerge. However, living in rural Africa provides space; space to reflect. The research for this thesis included many memorable moments along the way, like a heart-stopping ride on a motorbike weaving through teeming Kampala to reach an interviewee sitting under the pleasant shade of an acacia tree on the shore of Lake Victoria. The research journey was eventually completed while living in the creative hub of Stoneybatter back in Dublin. Of course, no one can complete such a journey without the help of many people along the way:

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ABSTRACT

MANAGEMENT ACCOUNTING AT INTERNATIONAL DEVELOPMENT NGOs

BRENDAN CLERKIN

This exploratory study examines management accounting at international development NGOs. There is little extant literature, despite the large size and longevity of some such organisations. Given the lack of prior studies, preliminary interviews helped inform a working theoretical model which draws on new institutionalism and the concepts of stakeholders and loose coupling.

Based on three case studies of large international development NGOs, the findings reveal management accounting is overall broadly homogeneous, with some nuanced distinctions within and between the cases. The findings also reveal the scope of management accounting as limited (relative to comparable sectors); rarely extending beyond budgeting, monitoring spending variances and monitoring conversion ratios. This is despite their size, using complex accounting software, and having qualified accountants as staff.

The findings and working theoretical model lead to an explanatory framework. Due to a positive approach to stakeholders, accounting is largely shaped by coercive isomorphic pressures from external regulative forces. This leads to a focus on donor compliance that is loosely coupled with a focus on beneficiary impact. Accordingly, external accountability reporting to donors dominates the accounting function - crowding-out both the capacity and incentive to enhance management accounting.

This study provides an original contribution in the form of an explanatory framework for why management accounting is relatively limited and broadly homogeneous in the international development NGO sector. It thus reveals a relationship between the nature of management accounting and the contested merits of restricted funding. The study also contributes to our understanding of an institutional agent; in the cases no such agents were apparent. The study also highlights to practitioners, accounting standard-setters and large donors, a neglected interplay between accountability and efficiency.

CHAPTER ONE - INTRODUCTION

1.1 Background

I would say they [*finance and program priorities*] don't [*align*] at all. If you look at the strategic plan, there is nothing to do with finance, it is completely programmatic. [...] like the senior management team here, I [*as Head of Finance*] don't sit on it, and the majority of people are on the program side of things. So it is one of the things I personally struggle with. Yeah, these issues are never going to get addressed.

The above assertion by the CFO of one case study organisation (see Chapter 7) is representative of social conversations that sparked curiosity and led to this research work.

The initial interest for this study stemmed from practical experience working as an accountant with international development NGOs in Africa. From this experience, an observation was that the resources of finance departments of many NGOs focus on donor reporting. This was corroborated in social conversations with accountants and non-accountants in the NGO sector at the time. For example, some NGO accountants expressed frustration that the full potential of their roles was not realised. This in time led to researching relevant literature, and composing a research proposal on exploring management accounting at international development NGOs.

Most accounting research into NGOs focuses on external accountability (see Section 2.3). However, a possible over-emphasis by researchers on external accountability could be to the detriment of research on management accounting (see Section 1.2 and Chapter 2). Certain researchers allude to a dearth of knowledge on how management accounting is used at NGOs (e.g. Connolly and Hyndman, 2004; Harris *et al.*, 2009; Helmig *et al.*, 2009; Hopper and Bui, 2016; Jackson, 2009; Tinkelman and Donabedian, 2007). The present research draws on this

concern. The appropriate and optimum use of resources by NGOs is a heightened and on-going concern of the general public (Agyemang *et al.*, 2017; Connolly *et al.*, 2012). Thus, management accounting at international development NGOs is worthy of further research, and an exploration of it is timely - especially in light of the post-2008 global economic downturn and corresponding financial constraints. NGOs are also under increasing critical scrutiny (O'Dwyer and Boomsma, 2015), and face significant challenges in demonstrating value-for-money and identifying cost-effective ways of serving their beneficiaries (Harrington, 2011).

1.2 Research Objectives

This section briefly examines prior calls for research on management accounting at NGOs, and hence fashions the nature of the research objective. Accounting research in the NGO sector has not received the same academic interest as accounting research in the commercial sector (Charbonneau, 2009; Goddard and Assad, 2006). This has led to an under-representation of accounting research on NGOs (Unerman and O'Dwyer, 2006). Assad and Goddard (2010, p.276) use the term 'sparse' and note that much extant literature is normative. There is limited empirical research into accounting at NGOs in developing countries in particular (Goddard and Assad, 2006). What research there is has mainly focused on external accountability (see Chapter 2). Management accounting (see Section 1.2.2) at international development NGOs has not been explored in-depth previously, and this is detailed next.

1.2.1 Prior Calls for Research

The scale of existing literature on accounting (and management accounting) at international development NGOs has led to calls for further research studies. While Chapter 2 will provide a summary of existing literature, this section presents an initial analysis to guide the scope of the study. The literature reveals two main outcomes. Firstly, most research has focused on an inconclusive debate about the effectiveness of existing and proposed NGO external accountability measures (e.g. AbouAssi, 2012; Callen *et al.*, 2003; Candler and Dumont, 2010; Connolly and Hyndman, 2013; Dixon *et al.*, 2006; Ebrahim, 2005; Edwards and Hulme, 1995; Fowler, 1997; Morgan, 2013; O'Dwyer, 2005; O'Dwyer and Unerman, 2007 and 2008; Unerman and O'Dwyer, 2006). There are also concerns that expanding external accountability measures to extra stakeholders could become counter-productive.

Secondly, there is an underwhelming amount of empirical research discussing management accounting at NGOs. The literature that does discuss it does not have management accounting as its main focus. As a result, there is a sizeable gap of knowledge on management accounting (Goddard and Assad, 2006; Harris *et al.*, 2009; Helmig *et al.*, 2009; Hopper and Bui, 2016; Jackson, 2009; Tinkelman and Donabedian, 2007; Torres and Pina, 2003). Harris *et al.* (2009) argue the way that international development NGOs allocate resources and prioritise their activities has received little attention. They suggest this is due in part to a general assumption that NGOs simply respond to public development demand. Also, little research has been conducted into how NGOs are actually managed, and the non-profit sector is neglected in management literature (Jackson, 2009). Hopper and Bui (2016) echo this sentiment specifically for management accounting literature. Even though NGOs have grown internationally, their need to demonstrate efficiency by adopting conventional management

accounting controls is often difficult to reconcile with their social missions. While accounting is an essential cog in mechanisms of development, the absence of specific management accounting research into NGOs in developing countries is both ‘disappointing and surprising’ (Hopper and Bui, 2016, p.15).

Ebrahim (2003) and Hopwood (2005) urge accounting researchers to undertake more studies of NGOs. NGO managers and the accounting profession could both benefit by identifying measures of output, quality, and value (Tinkelman and Donabedian, 2007). Gray *et al.* (2006) remark that the international development sector (including NGOs) can learn from accounting literature which offers more developed insights. Similarly, Dixon *et al.* (2006) highlight two under-researched areas, namely international development NGOs and accounting practices in Africa. In fact, accounting matters of concern to developing countries are rarely addressed, with NGO management accounting research being especially ignored as noted above (Hopper and Bui, 2016).

In the context of the present study, Goddard and Assad’s (2006) research of indigenous Tanzanian NGOs is a relevant starting point. They noted that accounting played a minimal role in internal decision-making, and noted the primary purposes of accounting was its symbolic use in navigating legitimacy (Goddard and Assad, 2006) and as a device to obtain more funds rather than being something of ‘additional’ use to the NGO (Goddard *et al.*, 2016, p.22). As long as donors’ accounting requirements were met, there was little consideration for internal accounting needs. Accounting was virtually unemployed in internal decision-making processes, indicating that it was largely a tool for satisfying claims of highly salient stakeholders (Assad and Goddard, 2010). Notably however, Assad and Goddard (2010) do

not detail what type of accounting was being conducted, do not use the term ‘management accounting’, and their research methods and findings did not primarily arise from an internal accounting perspective.

Goddard and Assad (2006) also found that externally-initiated change had not succeeded in penetrating the culture of the NGOs. This, they maintain, demonstrates the influence of organisational culture in resisting accounting, even though accounting had ostensibly become much more visible and important at the NGOs. They note:

The ascendancy of accounting functions [...] was largely as a result of pressures for improvement exerted by providers of funds. The ascendancy of accounting was not able to penetrate and influence operational aspects. Accounting appeared to have had an inconsequential impact on internal decision processes [...] Accounting processes and outputs were only marginally relevant to internal accounting information needs (Goddard and Assad, 2006, p.395).

Goddard and Assad (2006) call for future and more extensive research to extend the understanding of these phenomena across a broader range of NGOs. For example, they suggest that ‘it would be interesting to compare the findings to those in Northern NGOs’ (p.397), and crucially in an academic context through the lens of a more ‘formal [*theory as*] a better understanding of this [...] might improve the effectiveness of this model [*the NGO sector*] of service provision’ (p.397).

This brief review of literature illustrates potential for research into management accounting at international development NGOs. In summary thus far:

- There is an under-representation of research into NGOs in the accounting discipline.
- Prior accounting research on NGOs has been predominantly normative rather than empirical or theoretical.

- Prior accounting research on NGOs has focused on external accountability rather than on management accounting.
- Management accounting plays an inconsequential role in NGOs, but heretofore has not been explored directly from a management accounting perspective.

The dearth of relevant literature reflects what Sandberg and Alvesson (2010) term neglect spotting, whereby a topic or area is identified where little or no academic research has been carried out. The most common type of neglect spotting is identifying an aspect of existing literature that has been overlooked, often despite a wealth of studies. This section highlighted there are studies of accounting at NGOs, but not specifically focusing on management accounting.

1.2.2 The Core Research Objective

Stemming from the prior calls for research, the core research objective draws on a specific comment by Goddard and Assad (2006):

What is missing is a deeper empirical understanding of how accounting is used in this setting and the purposes it serves. Such an understanding may lead to an improvement in such systems in the future (2006, p.379).

Another article by Assad and Goddard (2010), based on grounded theory, asserts that a stakeholder analysis does not explain all aspects of accounting practice and that ‘a deeper contextual and processual analysis is required’ (p.296). These two distinct calls (Assad and Goddard, 2010; Goddard and Assad, 2006) to examine management accounting at NGOs more systematically spawn the core research objective. Accordingly, the primary focus of this research is management accounting. Furthermore, as will be outlined in Chapters 5 and 8, drawing on theory which is well-established in accounting literature is important for such

research. Hence, this is an exploratory study, where established theory helps frame the interpretation of exploratory data (Stebbins, 2001). The core research objective is:

To explore management accounting at international development NGOs.

At this juncture, it is important to clarify what is meant by the term ‘management accounting’. Drury (2007, p.4) defines management accounting as being ‘concerned with the provision of information to people within the organisation to help make better decisions’. Horngren *et al.* (2007, p.5) extend the term further, stating that it ‘measures and reports financial as well as other types of information that are primarily intended to assist managers in fulfilling the goals of the organisation’. CGMA (2014, p.8) define it as ‘the sourcing, analysis, communication and use of decision-relevant financial and non-financial information to generate and preserve value for organisations’. While the CGMA (2014) definition could be interpreted as being too commercially-orientated for a study of non-profit organisations, the definition of Horngren *et al.* (2007) is suitably broad for an exploratory study but also traditional in primarily emphasising financial information¹. Therefore, it is adopted as the working definition of management accounting for this research.

Two sub-questions contribute to achieving the core research objective. Based on the prior calls for research, there is a need to initially establish:

How is management accounting used at international development NGOs, and could there be further uses?

This sub-question needs exploring due to the scale of existing literature on management accounting at NGOs. As part of this, preliminary interviews (see Chapter 4) will augment the

¹ Stebbins (2001, p.18) suggests that exploratory researchers should utilise appropriate ‘sensitising concepts’ that can help guide exploration without ‘contaminating’ the collection and interpretation of data.

literature and assist in guiding the study towards a suitable theoretical perspective - one of which is new institutionalism - as part of a working theoretical model. Drawing on the preliminary interviews, a second sub-question emerged:

How do institutional forces shape management accounting at international development NGOs?

By exploring how institutional forces shape management accounting, key influences on management accounting at international development NGOs can be identified. This eventually feeds into addressing the core research objective.

1.3 Research Approach

The core research objective is reflected in how the study is conducted. To understand any phenomenon well, a researcher should start by looking at it in broad non-specialised terms by first observing ‘the woods’ and then studying ‘its individual trees’ (Stebbins, 2001, p.viii). Academic research adopts certain philosophical assumptions, and typically a theoretical approach underpins the interpretation of empirical data. As will be outlined later (see Chapter 3), this thesis is adopting an idealist ontology, an interpretivist epistemology, and an interpretive methodology. The aim of interpretive management accounting research is to make sense of human actions and the meanings attached to everyday life contexts (Chua, 1986). As a result, a qualitative approach is used for the empirical research. This research is an exploratory case study of three large international development NGOs – Concern, GOAL, and Trócaire. A study of this nature requires interaction through a multiple case study to obtain a rich and detailed understanding of the subjective and contextual nature of organisations, processes, and people (Bryman, 2004; Yin, 2003).

Preliminary interviews were conducted at the case study organisations to augment the literature. This involved semi-structured interviews with key informants in Ireland and Uganda. The interviews covered finance and general manager roles. This contributed initial evidence about management accounting at the case study organisations (see Chapter 4). Simultaneously, a theoretical basis was considered. Preliminary interviews suggested that institutional theory, and in particular new institutionalism, may be useful (see Chapter 5). The synthesis of philosophical assumptions, literature, preliminary interviews, and theory led to a working theoretical model. The model then formed the basis for further empirical research to explore management accounting at the case study organisations.

1.4 Structure of Chapters

The research approach is reflected in the structure of the thesis. Following the present chapter, Chapter 2 is a literature review and comprises a comprehensive examination of prior academic publications. It reviews accounting and management in the wider non-profit sector, before concentrating on accounting and management at NGOs. Finally, the review specifically focuses on management accounting in the NGO sector. Chapter 3 details the assumptions on knowledge and methodology, describing the philosophical assumptions underpinning the thesis. It includes an outline of the methodological approach, including a description of the ontological and epistemological assumptions. Methodological traditions within management accounting are then discussed, as well as research traditions in the NGO sector.

Chapter 4 details the preliminary interviews outcomes. The chapter considers current management accounting practices and the focus of accounting at the case study organisations.

Other themes raised by interviewees are also presented. These outcomes subsequently feed into the choice of a theoretical approach which is addressed in Chapter 5. This chapter outlines new institutionalism, as well as the concepts of stakeholders and loose coupling. These are combined into a working theoretical model. Finally, two alternative approaches which were considered are outlined, those being structuration theory and a New Public Management approach.

Chapter 6 details the choice of research methods to achieve the core research objective. It focuses on the suitability of qualitative methods, and the merits of using the case study approach. The actual methods employed for this study, including the design of the analysis of empirical data, are also outlined. Chapter 7 details the findings and principal themes emerging from the main empirical stage. The first theme centres on a positive and ethical approach to stakeholders. The second theme focuses on regulative forces in the NGO institutional environment. The final theme draws out how management accounting is used at the case study organisations.

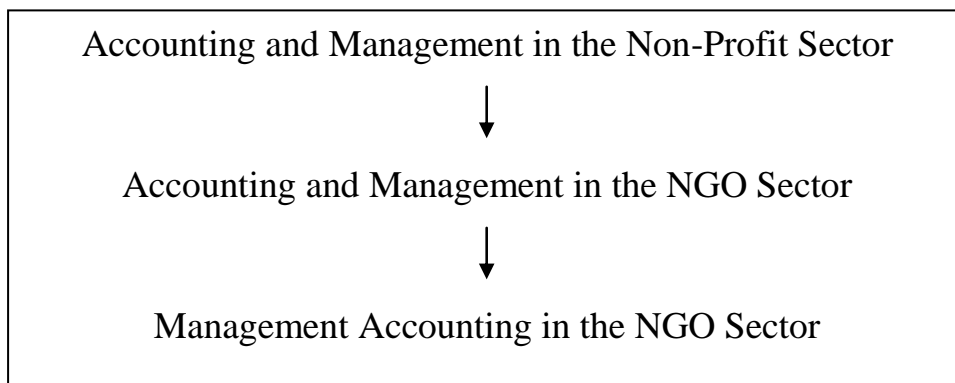
Chapter 8 interprets the findings of Chapter 7. It presents a new institutionalism-informed explanatory framework to understand management accounting at international development NGOs. It also suggests how the explanatory framework links with more prominent debates in accounting literature in the NGO sector. Furthermore, an extension of Scott's (2008) understanding of an institutional agent is proposed. Chapter 9 concludes and summarises the thesis. It outlines the main contributions to knowledge of the research. The general limitations are also noted. Finally, avenues for future research are signposted.

CHAPTER TWO - LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature relevant to exploring management accounting at international development NGOs. The review focuses on three areas: 1) accounting and management in the non-profit sector; 2) accounting and management in the NGO sector; and 3) management accounting in the NGO sector. The initial aspects of the literature review establish a broader context to position the study, before gradually focusing more on the core research objective (see Figure 2.1).

Figure 2.1 – Path of the Literature Review



A review of literature on accounting and management in the non-profit sector differentiates it from the commercial sector. A review of literature on accounting and management at NGOs provides an understanding for managing NGOs and accounting for the resources used. Such understanding creates a foundation for informing theory in Chapter 5. A review of literature on management accounting at NGOs focuses more closely on the core research objective. It provides initial information for the first sub-question in particular. This chapter is later

complemented by additional literature on methodology in Chapter 3 and on theory in Chapter 5.

2.2 Accounting and Management in the Non-Profit Sector

This section establishes a wide context for the study by examining the role of accounting in non-profits and the managing of non-profits. Accounting shapes organisational functioning by the key role it plays (Hopwood, 1987). Through assessing costs and benefits of actions, setting financial norms, reporting performance, and planning, accounting casts organisations in economic terms (Hopwood, 1983). Accounting is an influential component of modern organisational management. It concerns the management of resources, the creation of patterns of organisational visibility, the articulation of management structure, and the creation or reinforcement of power and influence (Burchell *et al.*, 1980). By offering economic representation to internal and external parties, accounting is associated with shaping organisational processes, hierarchy, control, and justification. Thus, modes of accounting have become difficult to disentangle from general functioning. Accounting is centrally implicated in the modern form of organising (Hopwood, 1983). What is accounted for can shape organisational participants' views of what is important. It creates a particular conception of organisational reality. It therefore functions as a cohesive mechanism for economic and social management (Burchell *et al.*, 1980). Accounting systems as modes of control arise from political processes within an organisation and with external agents. Accordingly, accounting systems can emerge out of decisions as well as precede them (Burchell *et al.*, 1980).

From this over-arching context, accounting in the non-profit sector is examined here. Research on the non-profit sector post-dates commercial sector research. Nevertheless, there is now a substantial body of literature (Jackson, 2009). Non-profit organisations include government bodies, charities, sports clubs, religious groups, community groups, and societies like trade unions (Cordery and Sinclair, 2013). The primary research focus heretofore has been the public sector. Only in recent years have researchers studied accounting in NGOs as a distinct field (Jackson, 2009). Accounting systems of non-profits are underdeveloped compared to commercial entities (Torres and Pina, 2003) and in response, non-profits are adopting many commercial sector accounting techniques due to competition for support (Assprondis, 2011; Keller, 2011).

Conditions for implementing internal and external controls such as accounting are different from commercial entities. Non-profits do not conduct activities in free markets, there are no clear ownership interests, objectives are often not clearly defined, and profit is not an indicator of success (Torres and Pina, 2003). Non-profits are typically structured around a mission that is not readily measurable (Amagoh, 2015; Speckbacher, 2003). Measurement is difficult because the needs of multiple constituencies can be heterogeneous. Commercial sector performance measurement is not readily transferable to non-profits, because the underlying economic model can be alien to their mission (Amagoh, 2015; Speckbacher, 2003). Accordingly, scope exists for research into combining financial and non-financial performance indicators (Parker, 2011). This section initially examines managing non-profits. A discussion on accounting in non-profits is then presented.

2.2.1 Managing Non-Profit Organisations

Examining features of managing non-profits helps establish a broad context by providing insight into the wider environment for accounting. Managing non-profits is a relatively recent consideration among researchers. In recent years, the focus has been on the applicability of commercial management practices to non-profits (Assad and Goddard, 2010; Jackson, 2009). Some researchers advocate commercial practices to improve efficiency, although others recognise non-profits' complexity by virtue of their different strategies, internal ideologies, and management styles (Assad and Goddard, 2010; Valeau, 2015). Such complexities can confound a simple transference of commercial practices. Opinions run the entire spectrum from complete disdain of commercial practices to uncritical acceptance of Western management principles (Jackson, 2009; Valeau, 2015). The changing emphasis involves a strategic departure from the traditional non-profit culture of socially-orientated non-financial mission (Dolnicar *et al.*, 2008; Valeau, 2015).

Some NGOs rush into importing the latest management techniques as a quick fix. Pressure from donors to adopt such techniques are considerable (Jackson, 2009). 'Professionalisation' emphasises the adoption of business principles as the foundation of 'good management' in NGOs (Valeau, 2015). There is a push for NGOs to become more business-like, reinforced by the global discourse on aid effectiveness. The push is underpinned by a 'managerialist' mode of thinking that emphasises means over ends (Claeye and Jackson, 2012). Such NGOs must demonstrate fitness for funding by adopting socially-legitimate behaviour, including quantifying their effectiveness (Cordery and Sinclair, 2013). However, the overall effectiveness of mission-driven organisations can rarely be measured by narrow quantitative metrics (Connolly *et al.*, 2013a). Hence, the adoption of commercial practices is not without

problems, and paradoxically it can compromise non-profits' missions (Dolnicar *et al.*, 2008; Valeau, 2015). The uncertainty of income streams for NGOs is a reason many commercial sector practices can be inappropriate for NGOs, and such practices have not always produced the best solutions (Tucker and Parker, 2013; Valeau, 2015). For example, many accounting policies recommended by external institutions or Western consultants fail because too often accounting is seen as an unproblematic transference of conventional technical systems, regulations, and concepts (Hopper and Bui, 2016).

The importation of commercial practices to NGOs has parallels with public-service orientated semi-state organisations. Semi-states came under similar pressures identified in the 'New Public Management' approach². For example, Dent (1991) criticised the bottom-line orientation of privatised rail companies. Dent (1991) argued that a short-term focus on the bottom-line discourages technological innovation and investment in operational capability. Such investment requires a longer-term strategic appreciation of time. It was illustrated by the public acknowledgement from rail companies of safety infringements and their inability to fund necessary investment. It eventually led to crises and conflict in the UK rail sector (Dent, 1991).

Such parallels with NGOs can also be seen in the comparable healthcare sector, where prior to the 1990s accounting was 'relatively underdeveloped' (Hopwood, 1990; Jones and Mellett, 2007, p.92). The 1980s resulted in budgets becoming more commonplace in hospitals, together with strengthening financial accountability, due to spiralling costs. Financial

² New Public Management will be detailed in Section 5.6.

considerations thus entered healthcare debates among stakeholders, such as prioritising resources, which relied on accounting systems generating quantifiable cost information. Accounting eventually moved centre stage in such debates. Underlying this shift was a gradual move from self-governed voluntary hospitals that were administratively and financially independent, to state-governed hospitals with increasing market-based mechanisms that were administratively bureaucratic and centrally-funded (Jones and Mellett, 2007). The influences of external stakeholders flowed from the wider social world into the health service. As hospitals became more dependent on remote funding, the accounting procedures adapted to provide the oversight demanded by funders. The result has been greater standardisation and detail in accounting at hospitals. Both ‘etatist’ control mechanisms like costing and budgeting, as well as market-based mechanisms like annual reports, have imposed external controls on initially self-contained organisations (Jones and Mellett, 2007).

The implementation of management accounting systems in the healthcare sector (often at the behest of external stakeholders), has met with both success and failure, for reasons that are not always clear (Fiondella *et al.*, 2016). However, Fiondella *et al.* (2016) found that the core involvement of clinical healthcare professionals in the process of management accounting change increased the chances of success, as it reduced their natural tendency to resist change and increased their commitment to the new ‘business culture’. This supported improvements in organisational performance in terms of efficiency, effectiveness, and quality of service. In the healthcare sector, management accounting systems are regarded as potential enablers of a positive reconciliation between cost containment, quality, and accountability (Ellwood, 2009), but often under-achieve without proper adaptation to clinical needs (Lapsley, 2008).

Another criticism of management accounting systems in healthcare includes the calculation of average costs, because inconsistencies can adversely affect benchmarking comparisons (Northcott and Llewellyn, 2003). The healthcare sector thus provides a useful reference point for accounting and management in a comparable sector to NGOs, both in terms of similarities and differences.

The main criticism of Western managerial discourse for NGOs (particularly in Africa) is that a managerialist straightjacket can be counterproductive for their goals (Claeye and Jackson, 2012). Humanistic approaches to management are articulated in Africa (Massey, 2010). Introducing change management methods from developed countries can increase anxiety among locally-sourced NGO staff. Nothing can be entirely replicated across geographical and cultural boundaries (Dar, 2014; Massey, 2010). Cultures that are less individualistic and more communal (e.g. in Africa) favour collective action, and consider it more effective than holding individual managers to account (Jackson, 2009). Broadly speaking, two perspectives exist on how environmental contexts affect organisational behaviour across cultures (Claeye and Jackson, 2012). The first is the culturalist perspective which assumes that differences are located in the beliefs and values of people. The second approach is the institutionalist perspective emphasising different institutional foundations for cross-national differences in management practices (Claeye and Jackson, 2012) - institutional theory is introduced in Chapter 5. From this discussion on managing non-profits, accounting at non-profits is examined next.

2.2.2 Accounting for Financial and Non-Financial Outcomes

Accounting for financial and non-financial outcomes at non-profits is examined here, to establish a wider context for accounting at NGOs. Access to adequate financial and non-financial information is important to donors. There is clear evidence that donors give more support to charities if provided with sufficient organisational information (Zainon *et al.*, 2012). However, performance reporting through annual reports by charities is weak (Breen, 2013; Dhanani and Connolly, 2015; Morgan, 2013). Performance reporting is far from universal, even in large charities. In addition, simple quantifications substitute for meaningful measures of effectiveness or efficiency (Dhanani, 2009). It concerned Connolly and Hyndman (2004) that the reason performance information is not in annual reports is that it might be unavailable in the internal accounting systems.

Financial statements yield little on whether a charity is fulfilling its mission (Morgan, 2013). The limitations of employing solely financial measures to judge non-profits have led to calls for more balanced assessment mechanisms that incorporate intangible social aspects (Amagoh, 2015; Tinkelman and Donabedian, 2007). Many in the non-profit sector view accounting-based performance measures as overly influential and counter-productive in evaluations (Arya and Mittendorf, 2015). Concepts of performance have restrained the imagination, intuition, and flexibility which had been the key to success for certain charities (Agyemang *et al.*, 2017; ICHRP, 2003). One possible way to address such constraints could be the 'Balanced Scorecard' (Kaplan and Norton, 1992). Kaplan and Norton (2001) recognised a deficit with their original balanced scorecard, because financial measures may not be relevant indicators of a non-profit delivering its mission. Instead, non-profits should place their over-arching objective at the top of their scorecard, for example 'reducing

poverty'. All other objectives are orientated towards this one overriding objective (Kaplan and Norton, 2001). By capturing non-financial measures, the balanced scorecard seems transferable to non-profits (Speckbacher, 2003). The component objectives most relevant for non-profits are: 1) legitimising support (which measures success in meeting objectives); 2) costs incurred (a measure of operational efficiency); and 3) value created (a measure of the benefit to people) (Kaplan and Norton, 2001).

While many stakeholders are more interested in performance-related information, the absence of reliable metrics leads to financial evaluation remaining prominent (Breen, 2013). Otley (2008) highlights practical difficulties with using the balanced scorecard. Although accountants know about the reporting of financial performance measures, there are new challenges in collecting and reporting non-financial data. It is difficult to design robust information gathering systems that are not susceptible to manipulation by the managers assessed on reported results. Otley (2008) is sceptical that accountants have such expertise. Additionally, measures of performance need to address different stakeholders. Measures will undoubtedly differ in different parts of a non-profit. The concept of performance is inherently multi-dimensional. Organisational adaptation and viability are therefore vital (Otley, 2008).

2.2.3 Summary and Outcomes

This section examined accounting and management in the non-profit sector. Accounting at non-profits is less developed relative to comparable-sized commercial organisations. Accordingly, non-profits face pressure to import management practices from the commercial sector. However, organisations where financial success is a secondary objective require

complementary non-financial performance measures. Such issues are examined further by focusing next on accounting and management specifically at NGOs.

2.3 Accounting and Management in the NGO Sector

The literature on accounting and management at non-profits provides context for similar research on the NGO sector. This section progresses the previous discussion with extra depth. Distinctions between non-profits, NGOs, and charities are often imprecise. ‘Non-Governmental Organisation’ (NGO) has increasingly become a catch-all term. A standard definition of ‘NGO’ remains elusive (Amagoh, 2015; Awio *et al.*, 2011). NGOs exhibit considerable heterogeneity in size, function, views, standards, and tactics. Any definition should accommodate this diversity (Gray *et al.*, 2006; Valeau, 2015). For example, Kamat (2003) divided NGOs into ten distinct categories: culture, education, research, health, social services, environment, law and policy, religion, defence, and politics. A straightforward description is a non-governmental, non-profit development organisation (Edwards and Hulme, 1996). It is the definition used for this research. This is a negative definition whereby NGOs are defined by what they are not (Gray *et al.*, 2006).

Since the 1980s, NGOs are increasingly integrated into an international aid system for delivering interventions (Claeye and Jackson, 2012; Lewis and Opoku-Mensa, 2006). They have become an important link in the aid chain as a conduit for development aid (Harris *et al.*, 2009). Accordingly, NGOs are prominent global actors in contemporary society (Scott, 2001). ‘International development’ NGOs (e.g. Trócaire) are often viewed as distinct from NGOs involved in environmental protection (e.g. Greenpeace) and human rights (e.g.

Amnesty International). International development NGOs are usually evaluated against goals like impact on rural poverty (Allen and Thomas, 2000; Amagoh, 2015; Dhanani and Connolly, 2015). However, the perception that NGOs are more efficient service-providers, more democratic, and more effective at reaching the poor exists in spite of a dearth of evidence (Ebrahim, 2002). Therefore, this section initially outlines accounting for NGO stakeholders. It then describes the on-going debate around NGO accountability. Following this, staffing challenges at NGOs are examined and finally, management control in NGOs is discussed.

2.3.1 Accounting for NGO Stakeholders

Non-profits such as NGOs have to satisfy many diverse stakeholders simultaneously. Each stakeholder judges performance in different ways (Otley, 2008). Discussed here is who are the stakeholders, what are their needs, how are their needs met, and what issues result. NGO stakeholders include members, beneficiaries, donors, government bodies, the general public, media, staff and volunteers, partners, allies, referral agencies, boards of directors, and regulatory bodies (Candler and Dumont, 2010; Hyndman and McDonnell, 2009; Tucker and Parker, 2013). Key stakeholders are those who make particularly large investments through long-term involvement that is important for fulfilling a NGO's mission (Speckbacher, 2003). The perceived rights of various stakeholders come largely from the liberal end of the political spectrum. Liberal perspectives align with the concept of stakeholders³, including responsibility to a broad range of stakeholders (Lehman, 2003). Underlying liberal accountability is stakeholder needs. Greater awareness of multiple stakeholders' needs means

³ The concept of stakeholders will be detailed in Chapter 5.

researchers are moving away from an agency theory approach which contends that ‘owners’ impose controls on managers to eliminate divergent interests (Davis *et al.*, 1997; Jegers, 2002). NGOs play the dual role of principal and agent with certain stakeholders (Alnoor, 2003). Rhetoric surrounding social accounting for stakeholder needs simplifies the complex nature of NGOs. It downplays concerns on how NGOs can empower stakeholders (O’Dwyer, 2005).

Assad and Goddard (2010) found that donors are the stakeholder with the highest salience in NGOs. Donors significantly influence accountability relationships, accounting processes, and accounting practices. Despite NGOs’ stated objective of improving the welfare of beneficiaries, there is little accountability to beneficiaries (Assad and Goddard, 2010). More creative ways of involving beneficiaries in decision-making can prevent mission-drift, provide useful feedback, and embed a mutual vision shared by all stakeholders (Connolly *et al.*, 2012). Nevertheless, Adams (2002) cautions that stakeholder engagement exercises are often management control devices used to assuage external pressures on key organisational objectives. Unless formal empowerment of stakeholder groups is permitted, managers can emasculate social accounting and displace accountability with effective control of stakeholder voices (O’Dwyer, 2005).

Regulatory mechanisms in the NGO sector include legislative rules, voluntary standards, and contractual agreements. However, the NGO sector in Ireland is relatively unregulated. Visible external accountability to all stakeholders is therefore needed (O’Dwyer and Unerman, 2006 and 2007; Unerman and O’Dwyer, 2006). Nevertheless, annual reports by NGOs do not reflect their activities and their ‘added value’ (Dóchas, 2008). Furthermore, Connolly and

Dhanani (2009) found no NGO considered traditional internal information significant enough for disclosure. A very small proportion provided efficiency and effectiveness-type disclosures. Forward-looking information was extremely limited. Two implications arise. As suggested by Wise (1995), the lack of disclosures reflects internal practices, indicating an absence of such information for managerial use. Notably, the 2005 Statement of Recommended Practice (Accounting Standards Board, 2005) recommends charities disclose information about achievements if measured internally. Secondly, from a stakeholder perspective, an accountability gap exists if NGOs fail to disclose available information that donors find most useful (Hyndman 1990). The availability and use of internal NGO financial and performance information would support the evaluation of accountability, planning, and controls. Robust accounting, accountability, and governance are therefore vital to support decision-making at NGOs (Connolly *et al.*, 2012).

Unfortunately, NGOs often fail to achieve core aims (Ossewarde *et al.*, 2008). Consequently, NGO legitimacy is regularly questioned. Increased transparency and accountability are oft-cited solutions (Goddard *et al.*, 2016; Ossewarde *et al.*, 2008). As a result of power relations and resulting pressures for accountability by stakeholders, NGOs experience a permanent struggle to reconcile their mission with requirements for regulatory, cognitive, and output legitimacy (Ossewarde *et al.*, 2008). The more that stakeholders press for increased organisation of NGO activity the more the core objectives of NGOs can become obstructed. Ossewarde *et al.* (2008) illustrate this with the post-tsunami humanitarian intervention of 2005, where this phenomenon occurred. Accountability to NGO stakeholders is therefore complex. Accountability is the most prominent issue for accounting researchers in the NGO sector. Hence, it is examined next.

2.3.2 NGO Accountability

The perceived importance and complexity of NGO accountability has led to a sizable body of literature. Such research examines the emergence and impact of NGO accountability mechanisms, and theorises the extent to which, and to whom, NGOs should be held accountable (Dhanani and Connolly, 2015; O'Dwyer and Boomsma, 2015). Accountability gives visibility to the previously invisible, providing stakeholders with information needed to react to others' actions (Gray, 1992). Essentially, it is 'the means by which individuals and organisations report to a recognised authority or authorities and are held responsible for their actions' (Edwards and Hulme, 1996, p.967), and is the definition used for this research. NGO accountability is classified into three dimensions (Connolly *et al.*, 2012). First is financial management which monitors sourcing funds, using funds appropriately to optimise value-for-money, and remaining a going concern financially. Second is operational accountability which measures a NGO's impact in relation to its charitable objectives. Third is the fiduciary responsibility of good governance and safeguarding a NGO (Connolly *et al.*, 2012). Dhanani and Connolly (2012) add procedural accountability for internal organisational operations concerned with *how* results have been achieved.

NGOs are demonstrating increasing accountability (Dhanani and Connolly, 2015). This increase is from: 1) a growing involvement with donors (Edwards and Hulme, 1995), 2) a shift in development discourse that favours long-term sustainable change, 3) a general emphasis for NGOs to explicitly demonstrate value, and 4) the 'managerialisation' of NGOs (see Section 2.2.1) (Harris *et al.*, 2009). Proper accountability and transparency by NGOs is critical for maintaining public and donor support (Connolly *et al.*, 2012 and 2013a). Access to relevant and timely information is vital to ensure internal and external stakeholders are

able to hold NGOs to account (Kovach *et al.*, 2003). After all, the essence of accountability lies in the relationships between a NGO and its stakeholders (Gray *et al.*, 2006). The diversity of stakeholders for NGOs means they have multiple accountabilities, including ‘downwards’ to beneficiaries and ‘upwards’ to donors (Awio *et al.*, 2011; Dhanani and Connolly, 2015). Donors, unlike beneficiaries, enjoy a direct means of imposing accountability (Gray *et al.*, 2006). Hence, NGOs focus primarily on meeting requirements imposed by donors, such as how grants are spent (Awio *et al.*, 2011). Likewise, most research on NGO accountability concentrates on formal upward reporting mechanisms, such as financial reporting to donors (Awio *et al.*, 2011), and thus references to accountability in this thesis can be interpreted in that context.

In support of greater accountability, Callen *et al.* (2003) note a statistical association between major donors sitting on the board of a NGO and the proportion spent on administration. Major donors monitor non-profits in a fashion parallel to the monitoring of commercial organisations by large shareholders (Fama-Jensen, 1983). Nevertheless, researchers have challenged the beneficial effects of formal accountability. The unintended consequences of NGO accountability are examined next.

2.3.3 NGO Accountability – The Unintended Consequences

Despite the importance of holding NGOs accountable, especially in light of charity controversies in Ireland (Lillis and Hogan, 2014; O’Callaghan, 2016), the efficacy of imposing top-down accountability is questionable (Awio *et al.*, 2011). The dominance of upward hierarchical accountability to donors creates concerns that NGOs’ accountability priorities are distorted, and has led to perceived negative impacts on aid effectiveness

(Agyemang *et al.*, 2017; O'Dwyer and Unerman, 2007). Accountability generates layers of bureaucracy. Bureaucracy can confuse rather than tighten accountability by producing 'a rainforest of rules regarding public access to information, and thereby reducing sunshine' (Light, 1997, p.3). Donor accountability requirements can undermine a NGO's own notions of goals and accountability (Everett and Friesen, 2010). Gray *et al.* (2006, p.335) argue 'it is often difficult to state with clarity what uniquely measurable performance should dominate an NGO's accountability'.

Donors will naturally remain concerned their money is properly used. However, unless discourse about empowerment and partnership is only empty rhetoric, donor interests should be the same as beneficiaries (Cronin and O'Regan, 2002). Unfortunately, this does not apply in all instances (Cronin and O'Regan, 2002). Partnership rhetoric central to promoting social accountability has not transformed into reality. The NGO-donor accountability relationship remains centred on control and justification, often through accounting (O'Dwyer and Unerman, 2007). As a result, donors often prefer projects that are administratively convenient and easily monitored. Physical infrastructure projects are most suitable. Projects seeking complex social change are least suitable (Fowler, 1997). Donor accountability encourages NGOs to focus on proven product-based approaches to development. It discourages innovative but riskier process-based approaches, such as broader social improvements (Agyemang *et al.*, 2017; Riddle, 1999). Information flows are dominated by NGOs reporting on the physical and financial aspects of their activities. Qualitative impact studies remain largely symbolic (Ebrahim, 2002). Hence, Edwards and Hulme (1995) stress NGOs should distinguish between short-term 'functional accountability' (accounting for resources and their use) and 'strategic accountability' (accounting for the impacts of actions on others and the

wider environment). Therefore, if NGOs are to develop systems attentive to the social impacts of their work, then donors need to ease off on the physical and financial components of reporting. Instead, donors should support simpler, qualitative systems (Ebrahim, 2002). Such issues described here mirror issues highlighted in management control literature regarding the application of traditional management control mechanisms where outputs are not easily measured, for example in the public sector (Modell, 2012, Paulsson, 2012; Verbeeten and Spekle, 2015; Wiesel *et al.*, 2010).

Similarly, Rahaman *et al.* (2010) highlight how accounting practices sometimes conflict in unintended ways with mission-driven activities. Accounting practices at times divert scarce resources away from operations, influence the type of services offered and their sequencing, and disrupt overall continuity of operations at NGOs. Accordingly, tensions can exist between financial and operational priorities. The political and social dimension associated with accounting means accounting can be used in both enabling and coercive ways (Rahaman *et al.*, 2010). The ever-present tension between global control and local flexibility, the associated costs of control, and balancing both enabling and coercive approaches, needs managing in NGOs (Agyemang *et al.*, 2017; Rahaman *et al.*, 2010). Accounting practices should support activities consistent with the over-arching vision, and permit local initiative to deal with unique contextual factors. Accounting can be particularly useful in these situations. The challenge is to creatively maintain the tension between social purpose and accounting practice so that neither comes to dominate the other (Rahaman *et al.*, 2010).

If NGOs are to survive and adapt they must provide socially-valuable results, have legitimacy, and have sufficient operational capacity (Brown and Moore, 2001). Assessing

these is complex. After a three-year period of dialogue with NGOs, Irish Aid introduced a more holistic accountability mechanism called the 'Multi-Annual Programme Scheme' (MAPS). However, within a short period of time it became redundant. Difficulties arose in developing a framework of performance measurement (O'Dwyer and Unerman, 2007). For example, problems with involving beneficiaries in accountability processes include 'tokenism', political correctness, and beneficiaries' capability to meaningfully participate because of their educational standards (Hyndman and McDonnell, 2009). Formal accountability for all stakeholders could compromise NGOs' over-arching mission by trying to meet a potentially (and paradoxically) narrow set of performance measures for each and every stakeholder (Ebrahim, 2005). Multiple accountabilities to multiple stakeholders could lead to over-provision of information (which may be costly) or alternatively under-provision of information if each stakeholder assumes another is monitoring (Edwards and Hulme, 1995). Too much accountability and bureaucracy can hinder NGOs' missions. A NGO could reject an appropriate project if managers are too concerned with meeting targets (Ebrahim, 2005). KPMG (2006) found many commercial organisations are rating managers against targets with marginal relevance to corporate strategy, which raises the spectre of correspondingly incongruent targets in the NGO sector. The risk is that important NGO activities which do not fit donor agendas lose out (Edwards and Hulme, 1996). Equally, inappropriate activities that attract donor funding but are detrimental to NGOs' overall missions become tempting (Ebrahim, 2005).

Dixon *et al.* (2006) examined tensions between vertical (formal and hierarchal) and horizontal (informal or internal) accountability mechanisms at a Zambian microfinance NGO. Tensions contributed to dysfunctional outcomes. Formal upward accountability was imposed

by a donor on a previously successful NGO. Loan officers resented the imposition of daily reports. Hyndman and McDonnell (2009) and Valeau (2015) warn against the extrinsic crowding-out of intrinsic motivation in NGO staff by overuse of accountability mechanisms. Time taken to comply with added bureaucracy was perceived as less useful than interacting with clients. Tensions between vertical and horizontal accountability translated into heightened stresses on the NGO and its staff. Excessive bureaucracy constrains overall accountability to other stakeholders and disguises other potential dysfunctions. Therefore, formal external accountability to all stakeholders is not always desirable (Dixon *et al.*, 2006). Ebrahim (2005) also challenges whether more accountability is necessarily better. Accountability often becomes characterised as separate sets of two-way relationships instead of viewing relationships as an interconnected web. Accountability encourages short-term rule-following behaviour instead of focusing on the *means* to longer-term social change (Ebrahim, 2005).

The quest for verifiable measurement mechanisms needs careful consideration, as it mistakenly assumes socially-orientated goals (e.g. empowerment or policy advocacy) can always be formally measured (Ebrahim, 2005). While NGOs favour holistic accountability mechanisms to a wide range of stakeholders, a hierarchical conception of accountability privileging a narrow range of powerful stakeholders dominates external accountability discourse and practice (O'Dwyer and Unerman, 2008). For example, managers in Amnesty Ireland paradoxically viewed greater external accountability as actually threatening the effectiveness of its mission attainment. Amnesty Ireland became focused on demonstrating effectiveness in a narrow range of performance measures. It was more problematic to define clear objective ways of measuring downward accountability to beneficiaries. Thus, it is

highly complex and potentially counter-productive to have a particular accountability focus (O'Dwyer and Unerman, 2008). Furthermore, Tassie *et al.* (1998) highlight subjectivity in NGO accountability. Three donor organisations came to different conclusions about the same two NGOs as a result of how donors framed their evaluations. Donors placed different emphasis on financial performance and non-financial performance (Tassie *et al.*, 1998). One common way that international development NGOs try to fulfil accountability expectations is by placing Western staff in key management positions in developing world offices (Zhu and Purnell, 2006). Such a practice is relevant for later empirical work, and is examined next.

2.3.4 Staffing Challenges at NGOs

International development NGOs must ensure adequate accountability standards across diverse global operations. Inserting expatriate staff in key management positions in developing world offices can be effective. It creates challenges too, and is discussed in more depth here. In managing multi-national organisations, headquarters and sub-units may have incongruent goals arising from conflict between global integration and local responsiveness (Zhu and Purnell, 2006). Headquarters has goals that take advantage of global efficiencies. Sub-units perceive opportunities unique to the local context. These distinct goals cause conflict. Hence, headquarters seek mechanisms to control behaviour. One mechanism is employing expatriate management (Zhu and Purnell, 2006). Accordingly, expatriates control sub-unit operations and strategy formulation and maintain a NGO's identity in the sub-unit. Expatriates are also a reliable information conduit back to headquarters. They develop or review sub-unit reports for headquarters and informally communicate knowledge to headquarters through colleague networks. Headquarter employee visitation further enforces control of the sub-unit (Zhu and Purnell, 2006).

However, expatriation is not always successful. Failure causes high costs associated with expatriate relocation. Tensions from global-local conflict and enduring cross-cultural difficulties contribute to expatriate failure (Dar, 2014; Zhu and Purnell, 2006). One of the most common challenges for NGOs is coping with high staff turnover and over-commitment (Sanginga *et al.*, 2007). Common to both expatriates and locals, NGOs attract committed employees because the lack of shareholders means their ‘selflessness’ is not enriching another (Speckbacher, 2003). The success of staff is directly linked to their intrinsic motivation and personal belief in their NGO’s values (Agyemang *et al.*, 2017). It leads to on-going commitment despite organisational and cross-cultural hardships (Zhu and Purnell, 2006). The inference is a greater alignment between staff motives and organisational motives compared to the commercial sector (Agyemang *et al.*, 2017; Jeger *et al.*, 2009; Saj, 2013).

A ‘felt accountability’ regime privileges intrinsic motivations in NGO staff and their sense of their own responsibilities (Agyemang *et al.*, 2017). ‘Felt accountability’ represents how staff voluntarily take responsibility for opening themselves to scrutiny and assessing their performance against their NGO’s mission (Ebrahim 2003a; O’Dwyer and Boomsma, 2015). Managers in NGOs are likely to have specific ideas about how best to deliver services, and hence prefer their own service-delivery to that of others (Brown and Caushin, 2009). There is a trade-off from the ‘ideologue’ manager who sacrifices production for greater ideological control over a donor, to the ‘warm-glow’ manager who foregoes a degree of ideological control for greater production. By the institutional environment becoming more bureaucratic, NGOs are likely to attract less ideological and more warm-glow managers (Brown and Caushin, 2009). Maintaining an effective mix of intrinsic and extrinsic motivations in NGO

staff and ensuring accountability by employing expatriates (Arya and Mittendorf, 2015), are both linked with management control. Management control is the final element of examining accounting and management in the NGO sector.

2.3.5 Management Control in NGOs

Management control systems are a set of formal procedures and processes that managers use to ensure employees achieve their own and organisational objectives (Bisbe and Otley, 2004). The purpose is to provide useful information for decision-making, planning, and evaluation (Merchant and Otley, 2006). Control systems are associated with both a benefit (organisational learning) and a cost (consumption of management attention) (Widener, 2007). Effective management control systems consider the needs of multiple stakeholders, measure efficiency, provide financial and non-financial outcomes, provide vertical links between strategy and operations, and provide horizontal links across the value-chain (Chenhall, 2003). NGOs with 'better' governance regimes develop more extensive internal systems to target, measure, and report performance, particularly effectiveness and efficiency (Connolly and Hyndman, 2004). While Tucker and Thorne (2013) suggest more research is required because of the increasing importance of both performance and control in the NGO sector, some valuable literature exists. For example, more effective NGOs have similar management practices, including structures and processes accepted as best practice within the sector (Soya *et al.*, 2004).

Simons' (1995) influential 'levers of control' posits that four control systems work together to benefit an organisation: beliefs (e.g. core values), boundary (e.g. behavioural constraints), diagnostic (e.g. monitoring), and interactive (e.g. forward-looking, management

involvement). All four must be present for management control to be effective. Underlying Simons' (1995) framework are opposing forces that manage tensions between freedom and constraint, empowerment and accountability, top-down direction with bottom-up creativity, as well as experimentation with efficiency. Tensions are managed by positive and negative control systems that reward and punish (Tessier and Otley, 2012). However, Simons' (1995) framework does not place emphasis on controls that exist at lower organisational levels. That includes informal controls, which Tucker and Parker (2013) emphasise are of greater importance in the NGO sector than formal systems. Control is exercised primarily through informal means in NGOs because of the distinctive culture prevailing in the sector (Tucker and Parker, 2013). Accordingly, organisational culture is a contextual factor that pervades an entire control system (Ferreira and Otley, 2009).

Otley's (1999) framework is another influential contribution to management control. It describes the key considerations as identifying an organisation's key objectives, formulating and implementing strategies, setting performance targets, and refining information flows to monitor performance. Another consideration is setting the organisation's reward system. Notably, Ferreira and Otley (2009) argue that intrinsic motivation can be undermined by extrinsic rewards. A weakness for NGOs in applying Otley's (1999) framework is that mission is not explicitly considered (Chenhall, 2003). Correspondingly, Tucker and Parker (2013) note that interaction between management control systems and strategy in NGOs has rarely been considered. Such interaction is of even greater importance for NGOs than commercial organisations (Parker, 2002). That importance is because donors require increasing accountability from the effectiveness and efficiency of NGO outcomes (Unerman and O'Dwyer, 2006). Accordingly, NGOs must manage diverse stakeholders (Tucker and

Parker, 2013). The onus is on NGOs to accommodate multiple, complex, and sometimes contradictory goals (Herman and Renz, 1999). The increasing focus on strategy and management control is because NGOs are importing commercial approaches (Tucker and Parker, 2013). Such management control practices cannot be easily transferred to the NGO sector, however (Herman and Renz, 1999).

NGOs face competition for funding, and must demonstrate efficient service-delivery, while simultaneously adhering to socially-orientated values (Chenhall *et al.*, 2010). Developing formal management controls could help NGOs develop networks with government bodies, donors, and other stakeholders. However, formal management controls potentially damage internal bonding between staff. Developing belief systems to incorporate financial concerns, along with socially-focused goals, would be a useful starting point towards managing in a more competitive NGO sector (Chenhall *et al.*, 2010). Management control systems have potential to help ensure effective and efficient delivery of services. Nevertheless, that approach is relatively new, and is at odds with customary informal controls. Traditionally, NGOs have relied on informal processes based on shared norms and values rather than coercive or formalised procedures. The use of many formal controls in a case study by Chenhall *et al.* (2010) had limited benefit as operational controls. It only helped demonstrate competency to external stakeholders.

The role of a belief system in shaping attitudes to the implementation and operation of formal controls is often overlooked (Chenhall *et al.*, 2010). Staff can view formal controls as being prioritised above service-delivery. Formal accounting practices are required to manage the benefits and costs of service-delivery. However, the adoption of financial controls must be

preceded by a change in attitudes among NGO staff concerning financial responsibility and efficiency. Developing an efficiency focus of beliefs among staff through training, before employing financial controls, could address resistance to formalised controls (Chenhall *et al.*, 2010). Management accounting has great potential to assist in planning and control when formulating proposals for funding (Chenhall *et al.*, 2010). Such potential involves clarifying the importance of efficiency as an organisational value alongside social values. It also includes linking operational performance to financial concerns. Many NGOs find it difficult to make the transition (Chenhall *et al.*, 2010).

The distinction between management control and management accounting is not always clear-cut (Byrne, 2010), and thus certain techniques such as budgeting could be viewed in either context. In addition, the measurement of outputs and outcomes is a challenge for management accounting in a NGO context, which is also a challenge for management control in certain sectors (Modell, 2012, Paulsson, 2012; Verbeeten and Spekle, 2015; Wiesel *et al.*, 2010). Although management control literature can therefore help inform the present study, the focus of this research is on management accounting. Accordingly, such techniques and practices are explored in that context, and leads to a review of literature on management accounting at NGOs next.

2.4 Management Accounting in the NGO Sector

This section narrows the focus of investigation. It reviews literature on management accounting at NGOs. This section will inform theoretical considerations and empirical research for this study. There is an underwhelming body of literature on management accounting at NGOs (see Section 1.2). Literature covering management accounting is often

an incidental finding to the main focus of such research. Examples include research on stakeholder salience (Assad and Goddard, 2010), accountability (Torres and Pina, 2003), organisational effectiveness (Lecy *et al.*, 2012), accounting manipulation (Trussel, 2003), strategic planning (Harris *et al.*, 2009), and financial vulnerability (Tuckman and Chang, 1991). The role of management accounting research in informing debates about NGO performance is limited (Tucker, 2010). Nevertheless, management accounting research can make important contributions (Tucker, 2010). The growing resources managed by NGOs increases demand for both financial and non-financial information, and meeting such demand needs development of management accounting systems (Torres and Pina, 2003). These and other related issues are explored here.

2.4.1 Management Accounting

The role played by management accounting is initially considered. Following this, management accounting techniques, and the outcomes of such techniques, are examined. Finally, the role of the management accountant is investigated.

2.4.1.1 The Role of Management Accounting

Assad and Goddard's (2010, p.276) study of NGOs found that accounting is virtually 'unemployed' in internal decision-making processes. It indicates accounting is largely a tool for satisfying claims of highly-salient stakeholders like donors. The role of accounting is to provide formal mechanisms for communicating to donors and justifying the use of funding. Although NGOs demonstrated significant improvements in their accounting practices, such improvement is driven by donors' financial reporting needs. Notably, even changes in accounting functions such as computerisation do not result in making accounting important

for internal decision-making. Instead, computerisation is a facility which expedites previously manual processes, such as reports for donors (Assad and Goddard, 2010; Goddard *et al.*, 2016). NGOs sometimes collect information because donors require it, but NGOs do not actually use it. It is not relevant to NGOs' needs (Ebrahim, 2005; Goddard and Assad, 2006). The lack of relevance could be related to accounting standard-setters devoting most attention to defining functional categories of expenses that donors and regulators find helpful (Tinkelman and Donabedian, 2007).

One common purpose of management accounting is to determine efficiency in an organisation (Drury, 2007). Efficiency is the relationship between outcomes or outputs to inputs (Connolly *et al.*, 2013a; Tinkelman and Donabedian, 2007). Measuring efficiency is considered important by NGO stakeholders (Torres and Pina, 2003). However, it is under-researched by academics, and additionally measures of efficiency are rarely reported by NGOs (Hyndman and McConville, 2016). The adequacy of current proxy measures of efficiency in the NGO sector is contestable. For example, there is no connection between the quality of outputs and resources used (Connolly *et al.*, 2012; Hyndman and McConville, 2016). A definition of efficiency is a ratio of the value of charitable goods and services produced (outputs) to the amount of revenue a NGO receives (Torres and Pina, 2003). However, there are difficulties in defining useful measures of outputs or outcomes, in determining how far they are measurable, and finding ways to measure the results in practice (Torres and Pina, 2003). The NGO sector requires more nuanced quantifications of outputs (Cordery and Sinclair, 2013). Accordingly, management accounting techniques are examined next.

2.4.1.2 Management Accounting Techniques

In spite of acknowledged shortcomings of economic efficiency approaches to measurement, NGOs continue to experience pressures to report in quantitative ways (Cordery and Sinclair, 2013). Tinkelman and Donabedian (2007) suggest that financial ratios are deemed important by donors, and given primacy by NGO managers, because they are readily available (though very partial) measures of performance. Such prominence is because no other thorough measures have so far been developed. Tinkelman and Donabedian (2007) suggest four separate factors for evaluating the efficiency of NGOs. The factors proposed are the proportion of revenues actually used in the current year, the proportion of expenditure allocated to programs, the units of output produced from that spending, and the value of the units produced. Combined, these four factors measure the value of units produced per unit of revenue received. For management purposes, only accrual accounting allows the measurement of the cost of services delivered and the results of operations by activity centres and by programs (Tinkelman and Donabedian, 2007). This issue is not always decisive within NGOs, but it is essential for carrying out rational management of resources. The implementation of costs, outputs, outcomes, efficiency, and effectiveness indicators are challenging for NGOs. Accrual accounting needs to be complemented with information about cost and performance indicators (Tinkelman and Donabedian, 2007). Correspondingly, Torres and Pina (2003) argue any new style of accounting for NGOs should embrace objectives, targets, financial outcomes, and non-financial outcomes.

In this regard, the ‘logical framework’⁴ has been particularly influential in the NGO sector since the 1970s. It has introduced among donors, NGO managers, and other stakeholders, a vocabulary and mode of visualising a project as a series of components and relations: activities, outputs, indicators, a hierarchy of objectives, performance budgets, and activity schedules (Hummelbrunner, 2010). The logical framework can be considered an accounting technology because it focuses on planning, measuring, and reporting performance using financial and non-financial indicators (Martinez and Cooper, 2012). The logical framework is an example of the transformative and colonising power of accounting technologies. This is because it has altered how international development is practised (Saravanamuthu and Tinker, 2003). The logical framework is a relatively simple tool that has undergone gradual evolution, while maintaining some basic features such as rows and columns. It is relatively ubiquitous in the NGO sector, and has altered how NGOs plan, monitor and evaluate projects, and articulate development (Martinez and Cooper, 2012). Donors attempt to embed it at their NGO partners, primarily through proposals for funding where the project objectives are designed in a matrix summary. This in turn becomes part of the ‘rules’ that inform subsequent activities. Together with other tools such as strategic plans, activity timetables, and budgets, the logical framework is now a required component of a NGO’s management and accounting controls (Martinez and Cooper, 2012). For example, Oakes *et al.* (1998) note how the logical framework introduced a language that NGOs had to learn and adopt to receive funding.

⁴ A logical framework is a tool for improving the planning, implementation, management, monitoring and evaluation of projects. It is a way of structuring the main elements in a project and highlighting the logical linkages between them.

As the logical framework illustrates, there are multiple dimensions of effectiveness in the NGO sector. The primary dimensions are management and program effectiveness. Management effectiveness captures the degree to which staff are successfully managed, and the degrees that management structures and processes generate sufficient resources to maintain operations (Soya *et al.*, 2004). The primary way of capturing management effectiveness is with objective measures of financial health (e.g. Tuckman and Chang, 1991). Management and program effectiveness are each composed of two sub-dimensions. One is capacity (processes and structures). The second is outcomes (Soya *et al.*, 2004). Both objective and perceptual measures are needed to fully capture the dimensions of effectiveness.

However, in the absence of clear measures of effectiveness, the public use overhead costs to assess NGOs (Connolly and Hyndman, 2004). Three overhead cost ratios are the most common measure of NGO efficiency (Callen *et al.*, 2003). These ratios are administration expenses to total expenses, fundraising expenses to total expenses, and program expenses to total expenses. The three categories derive from the Statement of Recommended Practice (SORP) for statutory reporting by charities in Ireland and the UK. They are proxy measures of efficiency known as ‘conversion’ ratios (Connolly *et al.*, 2013a; Hyndman and McConville, 2016). These measures are widely used by academic researchers, NGO boards, rating agencies, and media (Callen *et al.*, 2003; Connolly *et al.*, 2013a). The online homepages of Concern, GOAL, and Trócaire all show these three ratios (Concern, 2015a; GOAL, 2015a; Trócaire, 2015a).

In practice, NGOs use a wide variety of subjective cost allocation methods. The accounting profession has not specified any fixed method for cost allocations on indirect spending, such as a CEO's salary or office rent. The result is that NGOs can 'manage' the ratios (Connolly *et al.*, 2013a; Tinkelman and Donabedian, 2007). Ironically, one may not be comparing like-with-like from the three conversion ratios (Breen, 2013; Hyndman, and McConville, 2016). Accounting ratios are incomplete efficiency measures. They fail to include consideration of quantity, quality, the value of outputs, and ignore organisational strategy, size, and structure (Connolly *et al.*, 2013a; Hyndman and McConville, 2016; Tinkelman, 2009; Tinkelman and Donabedian, 2007). The inaccuracy, imprecision, and volatility of the conversion ratios is problematic (Trussel, 2003). Financial measures such as conversion ratios are incomplete solutions, hence Tinkelman and Donabedian (2007) urge NGOs to develop indices of the value of their outputs. Major challenges confront NGOs in developing meaningful measures of efficiency, including the multiplicity of objectives, outputs, outcomes, as well as the subjective allocation of overhead costs (Connolly *et al.*, 2013a). This leads to considering the outcomes of management accounting techniques next.

2.4.1.3 Outcomes of Management Accounting Techniques

The ubiquity of the logical framework in the NGO sector could be crowding-out longer-term organisational-wide 'indicators' that could contribute to continuous organisational learning. It perpetuates an ingrained 'project' mentality instead. Indicators are used internally by organisations to complement internal decision-making (Agyemang *et al.*, 2017; Alston, 2000). Indicators are essential for making budgets, for planning and forecasting, for evaluating financial needs, and for benchmarking against peers (Torres and Pina, 2003). Torres and Pina (2003) divide indicators into three categories. The first measures efforts

(financial and non-financial resources used to deliver services). The second measures accomplishments (achievements by outputs (quantity) and outcomes (higher-level goals)). Accounting reforms in the NGO sector depend on non-financial information adequately capturing accomplishments (Torres and Pina, 2003). The third measures the ratio of efforts to accomplishments (efficiency).

Lecy *et al.* (2012) argue for a broader concept of NGO effectiveness that encompasses goal attainment, resource acquisition to enable NGOs' continuation, and reputation among stakeholders. However, depending on the research field, effectiveness means the mobilisation of public opinion (international relations literature), the success at economic well-being (international development literature), or organisational effectiveness (non-profit literature). Across all fields, NGO effectiveness literature is primarily focused on advancing theory and lacks empirical analysis (Lecy *et al.*, 2012). Accordingly, internal performance management and measurement is neglected in accounting literature (Cordery and Sinclair, 2013).

The conjecture that donors focus on specific ratios can be rationalised from an institutional theory perspective (D'Aunno, 1992). Widely-held beliefs and rules in the institutional environment influence organisational structure and behaviour. Organisations whose outputs are difficult to measure face strong pressures to conform to expectations of behaviour (D'Aunno, 1992). Therefore, if conversion ratios are perceived as important, NGOs will adopt them as meaningful performance measures. Correspondingly, information collected can become important simply because it is available (Ebrahim, 2002). However, undue emphasis on conversion ratios induces dysfunctional behaviour in NGOs. An example is under-investment in the necessary organisational capacity to function effectively (Arya and

Mittendorf, 2015; Connolly *et al.*, 2013a; Letts *et al.*, 1998). Nevertheless, donations to NGOs are positively correlated with 'better' program-spending ratios. Donors use this ratio in making decisions (Tinkelman, 1999; Van der Heijden, 2013). NGO managers therefore have incentive to manipulate program-spending ratios (Trussel, 2003). For example, Tinkelman (2009) noted how a cancer research NGO sought to alter its accounting practices to improve its conversion ratios, and hence improve funding prospects. Potential accounting manipulators in the NGO sector have lower surplus margins, less deferred expenses, similar growth rates, more depreciation allocated to programs, less deferred revenue, and higher changes in program-spending ratios than those who are not potential accounting manipulators (Trussel, 2003). Nevertheless, the abandonment of information described for years as critically important is risky (O'Dwyer and Unerman, 2007).

2.4.1.4 The Role of the Management Accountant

The management accountant was traditionally described as having two distinct roles centring on control and decision-making (Hopper, 1980). After deficiencies were highlighted by Johnson and Kaplan (1987), the relevance of the management accountant was questioned, particularly in contexts where measurement is challenging (Chenhall and Langfield-Smith, 1998). Management accountants thus received criticism for their performance in multi-functional teams and for their contribution to organisational strategy (Byrne and Pierce, 2007). It resulted in attempts to redirect the focus of management accounting from number-crunching to strategic context and commercial awareness (Chenhall and Langfield-Smith, 1998). The conception of the management accountant subsequently broadened to one where the contemporary management accountant can be involved in an increasingly wide and complex array of information and issues, sometimes occupying a business partner role in the

management team (Paulsson, 2012; Pierce and O’Dea, 2003). However, despite a growing body of research, there is still a relatively incomplete and even contradictory understanding of the role and effectiveness of management accountants in organisations, and a fragmented body of knowledge exists (Byrne, 2010; Byrne and Pierce, 2007; Lambert and Sponem, 2011).

In this light, there is an absence of literature on the role of the management accountant at international development NGOs. Similarly, there is a dearth of relevant literature for closely comparable organisations. For example, Chapman *et al.* (2014) suggest that there is a need for research on management accounting roles in healthcare organisations. It indicates that either such a role does not exist in NGOs, or that it was not researched heretofore. Thus, it presents a research opportunity here. However, as the preceding paragraph notes, the management accountant can struggle to demonstrate a meaningful contribution even in the commercial sector. Nevertheless, this helps inform our understanding of such a role in the NGO sector, especially in light of added measurement complexities (see Sections 2.2 and 2.3). Overall, this section provides an indication of the role played by management accounting at NGOs. However, there is relatively sparse evidence on management accounting techniques used, and the outcomes of such techniques. For example, certain literature cited was not primarily researching management accounting, but instead management accounting findings were incidental to the main focus of study. In addition, there is an absence of literature about the role of the management accountant at NGOs. Accordingly, the outcomes of this review are presented next.

2.5 Summary and Outcomes

This literature review set out to examine prior research to provide an informed foundation for this study. Literature on accounting and management in the wider non-profit sector placed this research in a broader context. Subsequently, the review narrowed in focus to accounting and management specifically at NGOs, with a later emphasis on management accounting to directly address the core research objective.

The review initially reveals that research on the non-profit sector emerged later than commercial sector research. Managing non-profits is a relatively recent consideration among researchers, but there is now a substantial body of literature. Lately, the focus has been on the applicability of commercial management practices to non-profits, who are coming under pressure to apply such management techniques. Some researchers advocate commercial practices and Western management principles to improve efficiency, although other literature recognises and emphasises non-profits' complexity and distinguishing features (Assad and Goddard, 2010; Valeau, 2015). This importation of commercial practices to NGOs has parallels with public-service orientated semi-state organisations, for example railways or healthcare organisations (e.g. Dent, 1991; Hopwood, 1990; Jones and Mellett, 2007). However, organisational effectiveness in non-profit literature and NGO literature often lacks an empirical element (Lecy *et al.*, 2012).

Overall, there is an under-representation of research on NGOs in the accounting discipline. Only in more recent times are researchers studying accounting in NGOs as a distinct field (Jackson, 2009). This literature review reveals accounting practices in the NGO sector are less developed than in the commercial sector, but are evolving. Prior accounting research on

NGOs has been predominantly normative, rather than empirical or theoretical, with accountability the most prominent issue. The perceived importance and complexity of NGO accountability has led to a sizable body of literature, examining the emergence and impact of NGO accountability mechanisms, and theorises the extent to which, and to whom, NGOs should be held accountable (Dhanani and Connolly, 2015; O'Dwyer and Boomsma, 2015). Such research on NGO accountability concentrates on formal upward reporting mechanisms, such as financial reporting to donors (Awio *et al.*, 2011). While NGOs favour holistic accountability mechanisms to a wide range of stakeholders, a hierarchical conception of accountability privileging a narrow range of powerful stakeholders dominates external accountability discourse and practice (O'Dwyer and Unerman, 2008).

Most literature indicates that NGOs are demonstrating increasing accountability (e.g. Dhanani and Connolly, 2015), with some noting elements in support of greater accountability (e.g. Callen *et al.*, 2003; Fama-Jensen, 1983). Nevertheless, some researchers have challenged the beneficial effects of formal accountability. Many NGOs are facing challenges balancing the need for meeting external accountability standards to their donors with achieving their core mission and their responsibility to a variety of stakeholders (see Section 2.3). Overall, the literature suggests that there is unlikely to be universally applicable best-practice accounting or accountability mechanisms that are suited to all NGOs, as success depends on many factors related to the character of each NGO (Herman and Renz, 2008). Accordingly, O'Dwyer and Unerman (2006) suggest that flexible and informal accountability measures are most suited to situations of close relationships between NGOs and stakeholders.

Although a substantial body of literature exists on the role and effectiveness of management accountants in organisations (across all sectors), it is fragmented and often contradictory (Byrne and Pierce, 2007; Lambert and Sponem, 2011). In this light, and given the comparatively recent emergence of accounting literature on non-profits and NGOs compared to the commercial sector (see Section 2.2), the relative absence of literature on management accountants related to international development NGOs (or closely comparable organisations) was not unexpected. Notably in the context of this research, Hopper and Bui (2016) confirm that international development NGOs have been neglected in management accounting literature, whose absence is both ‘disappointing and surprising’ (p.15). As a result, the role of management accounting research in informing debates about NGO performance is limited (Tucker, 2010). This literature review indicates that accounting plays a minimal role in internal decision-making, and is not something of additional use (e.g. Goddard and Assad, 2006; Goddard *et al.*, 2016). Even though measuring efficiency is considered important by NGO stakeholders (Torres and Pina, 2003), it is under-researched by academics (Hyndman and McConville, 2016). This is despite common methods for measuring efficiency at NGOs failing to provide a comprehensive picture (see Section 2.4).

As financial measures of performance are less central for evaluating a NGO, many researchers suggest placing greater emphasis on non-financial aspects for assessing performance and for planning (see Sections 2.2 and 2.3). While Tucker and Thorne (2013) suggest more research is required because of the increasing importance of both performance and control in the NGO sector, some valuable literature exists and was noted in this chapter. Issues highlighted in accounting literature on NGOs can often mirror issues noted in

management control literature where outputs are not easily measured, for example in the public sector. Scope exists for research into combining financial and non-financial performance indicators (Parker, 2011), potentially in areas such as management accounting. NGO managers and the accounting profession could both benefit by identifying clearer measures of output, quality, and value (Tinkelman and Donabedian, 2007).

Two main conclusions emerge from this literature review. Firstly, there is an on-going inconclusive debate about the effectiveness of both existing and proposed external accountability measures in the NGO sector. This dominates accounting research at NGOs (see Section 2.3). Second, a sparseness of empirical research and literature on management accounting at NGOs was evident (see Sections 2.4). The focus by accounting researchers on accountability may be a contributing factor. Literature on management accounting is often an incidental finding to the main focus of existing research (e.g. research on stakeholder salience, accountability, organisational effectiveness, accounting manipulation, strategic planning, or financial vulnerability). The sparseness of relevant studies (e.g. the role management accounting plays, the techniques used, its outcomes, and the role of the management accountant) creates an opportunity for research, and additional research on management accounting is therefore required. However, the lack of extant research poses a challenge to select a robust theoretical approach. Accordingly, Chapter 4 will present the outcomes of eleven preliminary interviews conducted with key informants in the three case study organisations. It builds upon the outcomes of the literature review here. The preliminary interviews will help inform theory in Chapter 5, and assist in the design of appropriate research methods in Chapter 6. Before proceeding to that stage however, the next

chapter introduces the philosophical assumptions of this research, outlining the parameters of the study in terms of ontology, epistemology, and methodology

CHAPTER THREE - ASSUMPTIONS ON KNOWLEDGE AND METHODOLOGY

3.1 Introduction

This chapter describes the philosophical assumptions of the thesis. It emanates from the core research objective, the exploratory nature of the study, and the context provided by the previous two chapters to coherently underpin the later theoretical approach, research methods, and empirical interpretation. This chapter firstly outlines the ontological and epistemological assumptions. This is followed by a discussion on the methodological traditions of management accounting literature, focusing particularly on interpretive management accounting research. Methodological research traditions in the NGO sector are then outlined. The philosophical and methodological approach of this study is presented at the end of the chapter.

3.2 Methodological Traditions in Accounting Research

This section examines methodological traditions in accounting research. Every researcher should set out their ontological and epistemological beliefs. These beliefs are influenced by the researcher's own personal understanding and the nature of the research objective (Benton and Craib, 2001).

3.2.1 Ontology

Ontology is the study of being. It refers to the range of entities and relations in a field of knowledge. It is the philosophical study of existence, and what we discern to be 'real'. It considers how entities are grouped, related within a hierarchy, and subdivided by similarities

and differences (Benton and Craib, 2001; Ryan *et al.*, 2003). Ontological beliefs therefore govern what a person thinks can be known.

Accounting researchers should recognise the ontological assumptions underlying their work, question such assumptions, and consider whether alternative approaches are needed (Tompkins and Groves, 1983). Different sets of ontological assumptions imply different epistemologies and research styles, and fashion the research objective (Ryan *et al.*, 2003). Broadly speaking, there are two opposing positions of ontology: realism and idealism (Burrell and Morgan, 1979; Chalmers, 1999; Manicas, 1988). Realism asserts that the social world has a concrete existence independent of the cognition of any individual (Hopper and Powell, 1985). This is an objective view of reality (Bryman, 2004). Realism contends the things people have beliefs about are independent of those beliefs, and in principle are knowable (Benton and Craib, 2001; Chalmers, 1999; Manicas, 1988).

In contrast to realism, idealism portrays the social world as a product of those participating in it. Social order occurs through the interaction of individuals (Bryman, 2004). A social construction of reality requires a focus on how individuals interpret the social world (Ryan *et al.*, 2003). If a researcher can understand the language games of people, then one can understand their social life (Benton and Craib, 2001; Chalmers, 1999; Manicas, 1988).

3.2.2 Epistemology

Epistemology is the nature of knowledge and how to acquire it (Bryman, 2004). Three substantive issues determine the epistemological approach - the nature of belief, the basis of truth, and the problem of justification. Every researcher must establish the source of belief,

how one determines what is true, and how one justifies a belief (Ryan *et al.*, 2003). There are two opposing epistemological positions: positivism and interpretivism. Neither has all the answers, or is inferior or superior to the other. Instead, each is important in its own domain and for different purposes (Neuman, 2003).

Positivism advocates using methods from natural science to study social reality (Bryman, 2004). ‘What’-type questions often lead to a positivist perspective, where knowledge is gathered in an objective manner (Benton and Craib, 2001). Positive research constructs generalisable predictive laws of behaviour (Parker, 2003). It claims to give reliable and empirically sustainable answers, which policymakers regard as important (Ryan *et al.*, 2003). It requires a priori hypotheses, acceptable measurement, isolation and control of variables, and verification (Smith, 2003). Testing a particular hypothesis means positive research is structured and quantitative. Data sought is selective, and conclusions tight (Laughlin, 1995).

While a positivist believes an individual’s behaviour can be quantified, and in principle could be predicted, positivist theories cannot explain all individual behaviour (Ryan *et al.*, 2003). Cultural norms and values cannot always be disentangled from scientific knowledge-claims, as positivism suggests (Benton and Craib, 2001). Instead, interpretivism assumes understanding is gained by acquiring knowledge of the subject - for example people, groups, or institutions (Hopper and Powell, 1985). Interpretivism requires a different approach to positivism, one that reflects the distinctiveness of individuals (Bryman, 2004). Interpretive theory conveys another’s social reality, by revealing meanings, values, and rules of living used by individuals (Neuman, 2003). An interpretivist approach is less bound to measurement and more focused on meaning (Shank, 2006).

In this respect, individuals and groups possess self-consciousness, reflecting on themselves, their situations, and relationships. Life essentially consists of meaning, language, reflective thought, and communication (Benton and Craib, 2001). Themes like meaning and communication frequently reappear among interpretivist philosophers and social theorists. Examples are the intimate link between understanding and narrative, the importance of values and value choices, and the movement between individual subjectivity and collective objectivity (Benton and Craib, 2001). Society consists of individual actions in relation to each other. Meanings and relations are understood in the context of pursuing practical purposes in the world. The objects of study are conscious, reflexive beings that endow their actions with meaning. Values and past experiences mean that thoughts and actions are not independent or objective, as positivism suggests (Benton and Craib, 2001). The next section develops the ontological and epistemological considerations by outlining methodological traditions in management accounting research.

3.3 Methodological Traditions in Management Accounting Research

This section examines methodological traditions in management accounting research. It introduces the variety of research traditions, and expands upon interpretive management accounting research as a promising approach for this study. Finally, it examines the validation of interpretive outcomes.

3.3.1 Research Traditions in Management Accounting

Burrell and Morgan (1979) are often cited as the starting point for methodological traditions within organisational research, which incorporates accounting research. Burrell and Morgan (1979) present four paradigms of social theory based on two sets of opposing views. These

are a 'subjective - objective' dichotomy and a 'change - regulation' dichotomy (see Figure 3.1). It is based on philosophical assumptions that underwrite the frame of reference for social theorists. The paradigms are 'radical humanist', 'radical structuralist', 'functionalist', and 'interpretive'. There is internal consistency within each paradigm about individuals, groups, societies, goals of study, and forms of evidence. However, each neglects, excludes, or opposes insights generated by other paradigms (Burrell and Morgan, 1979).

Figure 3.1 – Burrell and Morgan (1979)

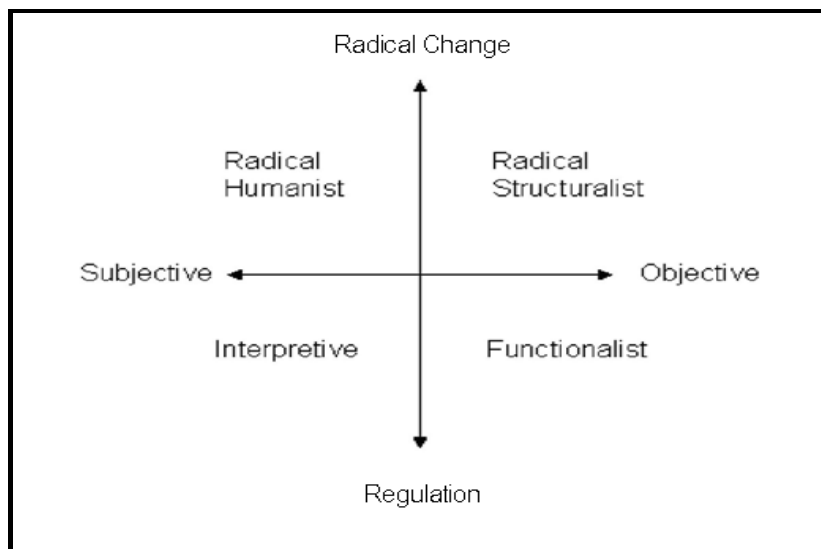


Figure 3.1 illustrates two dimensions in which the social world can be viewed, as per Burrell and Morgan (1979). The first is the subjective-objective approach to social science. It focuses on ontology, epistemology, and methodology. The subjectivist approach represents idealist ontology, an anti-positivist epistemology, a voluntarist view of human nature, and an ideographic methodology. The objectivist approach represents realist ontology, a positivist epistemology, a deterministic view of human nature, and a nomothetic methodology. This multi-dimensional conceptualisation encompasses a broad philosophical stratum about 'what is knowledge' and 'what is the world being researched' (Burrell and Morgan, 1979).

The second dimension is research that either reinforces social order or else ignites social change. Both outcomes can be conscious strategies or taken-for-granted assumptions. The sociology of regulation emphasises unity, maintaining the status quo, and explaining why society holds together. It concerns social order, integration, cohesion, solidarity, and actuality rather than potentiality. 'Interpretive' and 'functionalist' approaches both explain society as stable, orderly, and regulated - but from different perspectives. The 'interpretive' perspective stresses the subjective aspects, while the 'functionalist' perspective emphasises objective features (Burrell and Morgan, 1979). The opposite of regulation is research of radical change. This explains structural conflict, modes of domination, and emancipation from structures that limit individual potential. Again, the 'radical humanist' perspective stresses subjective aspects, while the 'radical structuralist' perspective emphasises objective features (Burrell and Morgan, 1979). The sociological framework of Burrell and Morgan (1979) subsequently became the foundation for other research fields.

In their seminal paper, Hopper and Powell (1985) built on Burrell and Morgan (1979) specifically for accounting research. Hopper and Powell (1985) identified three strands of accounting research: 1) mainstream research, 2) interpretive research, and 3) critical research (encompassing both radical paradigms). Hopper and Powell (1985) treated the subjective-objective dimension as a continuum rather than as a dichotomy. This allows subdivisions of schools of thought. Mainstream management accounting research falls within Burrell and Morgan's (1979) 'functionalist' category (Hopper and Powell, 1985). Functionalism combines an objectivist's view of the world with a concern for regulation. Theory and observation are independent of each other, and quantitative methods are favoured to provide a basis for generalisation (Chua, 1986). Research approaches include objectivist, positivist,

realist, instrumentalist, and conventionalist (Hopper and Powell, 1985; Laughlin, 1995). Thus, mainstream researchers adopt a scientific approach. While inequalities of power and structure can be observed, these are reconcilable towards a unitary goal. For example, quantitative methods detect variations between elements under investigation, but do not analyse why such differences emerge (Ryan *et al.*, 2003).

On the other hand, interpretive accounting research is concerned with understanding the social world (Hopper and Powell, 1985). It includes the social nature of accounting practices, and making sense of the social character of daily life. Theory is used to provide explanations for human intentions. Its adequacy is assessed by logical consistency, subjective interpretation, and agreement with the actors' common-sense interpretations. Human action is intentional, and has meaning grounded in a social context. As social order is assumed, and conflict mediated through shared meanings, accounting theory explains how social order is produced and reproduced (Hopper and Powell, 1985).

Similarities between the interpretive and critical approaches in terms of the subjective value of the social world are notable. However, the interpretive approach explains how accounting preserves the status quo, rather than asserting which ideological pressure is influential and which group interest is met by regulation (Hopper and Powell, 1985). Critical (or radical) research includes Marxism, German critical theory, and French critical theory (Laughlin, 1995; Ryan *et al.*, 2003). In general, critical theorists regard populations as consisting of conflicting components. These are subject to systems of power that lead to inequality and division. Critical research constructs understanding of the world while criticising the status quo (Hopper and Powell, 1985). The radical structuralist and radical humanist strands of

Burrell and Morgan (1979) are dialectical aspects. Critical research incorporates them into a single paradigm straddling the subjective-objective dimension (Hopper and Powell, 1985). The interpretive tradition appears most promising for the research objective of this study, and is detailed next.

3.3.2 Interpretive Management Accounting Research

From the variety of approaches outlined, interpretive management accounting research initially appears conducive for the research objective. Interpretive research is sometimes considered alternative as North American accounting research is predominantly functionalist (Baker, 2014). Nevertheless, interpretive research is as important as mainstream accounting research (Baker, 2014; Bhimani, 2002). Increasing numbers of management accounting studies now adopt an interpretive approach (Ahrens *et al.*, 2008). Interpretive management accounting research developed because researchers lacked detailed knowledge of prevailing accounting practices within organisations. The emphasis shifted towards describing and explaining the nature of management accounting practice (Scapens, 2006). It has much potential for understanding how management accounting is actually performed (Armstrong, 2008). There is now a considerable diversity of good interpretive management accounting research. A substantial body of literature exists from such studies (Ahrens *et al.*, 2008).

The aim of interpretive management accounting research is to make sense of human actions and meanings in everyday life contexts. This provides a better understanding of the social nature of management accounting practices (Armstrong, 2008; Chua, 1986; Ryan *et al.*, 2003). The objective is to develop a rich understanding of an individual situation. For example, interpretive researchers articulate how management accounting practices develop

over time, and seek to understand the broader context in which management accounting systems operate (Scapens, 2006). Historical, economic, social, and organisational contexts matter. Thus, a holistic orientation is preferred whereby accounting practices are studied as part of a unified social system (Ryan *et al.*, 2003). Interpretive research enables the construction of theories to understand the nature of social structures that shape social practices. Hence, it helps interpret management accounting as a social practice (Ryan *et al.*, 2003). A wide range of theories and methodological approaches have been integrated into studies of management accounting, extending the theoretical focus to include social and organisational theory (Scapens, 2006).

Interpretive research in management accounting is not exclusively subjective. It can also entail an important objectivist element, such as a theoretical contribution (Kakkuri-Knuuttila *et al.*, 2008). No paradigm exists in isolation, and only a minority of research fits neatly into one single paradigm. This is because no knowledge is concept-free or theory-free, and therefore Hodgson (1988) argues that no research is purely subjective. Thus, some aspects of other paradigms complement a researcher's primary paradigm (Kakkuri-Knuuttila *et al.*, 2008), including the use of validation criteria (Kihn and Ihantola, 2015). This leads to considering further the validation of interpretive management accounting research outcomes.

3.3.3 Validation of Interpretive Management Accounting Research Outcomes

Validation determines the robustness of research outcomes. Conventional validation techniques assume an objectively verifiable reality captured by measurement and modelling (Lukka and Modell, 2010). However, interpretive research examines meanings that people attach to things in social contexts. As a result, some academics disagree if interpretive

research is as valid (Lukka and Modell, 2010). For example, Gergen and Gergen (2000) suggest that due to the idealist ontology, traditional methods like triangulation are not applicable. A misplaced use of conventional validity criteria creates a quasi-foundationalist stance. The increase of alternative validity criteria reinforces a 'crisis of validity' (Lukka and Modell, 2010, p.462). However, interpretive management accounting research has largely ignored this issue (Lukka and Modell, 2010).

This raises the question of how to validate interpretive research outcomes in management accounting. Lukka and Modell (2010) argue that the bulk of interpretive research in management accounting does not neatly match idealist interpretive research. Instead, explanations capture dependency relations between things in the world. Such research stresses two aspects of explanations: counterfactual conditionals (i.e. what would be the case if 'X' were true) and contrastive classes (focusing on the phenomenon that requires explanation). Capturing people's meanings can help develop explanations. The strength of interpretive research for *how* questions precisely addresses the way alleged explanatory factors work in producing research outcomes. Hence, interpretive researchers in management accounting make sense of something by producing *thick* explanations (Lukka and Modell, 2010).

Validity should therefore be seen in the context of interpretive social science studies beyond management accounting. A theory is true if it makes sense and conveys a deep understanding of how others reason, feel, and see things (Neuman, 2003). Validity implies truthfulness. In this respect, interpretive researchers are primarily interested in authenticity (Neuman, 2003). Authenticity means giving a fair and honest account from the actors' viewpoint (Seale, 1999).

Most interpretive researchers concentrate on capturing an inside view, which creates new theory by blending empirical evidence and abstract concepts (Neuman, 2003). Authenticity typically applies abductive reasoning from surprising observation to most plausible explanation – in other words, inference to the best explanation. Abduction takes everything known into consideration. It does not occur in a theoretical vacuum (Lukka and Modell, 2010).

Instead of testing a hypothesis, outcomes illustrate evidence showing a theory or interpretation is plausible (Neuman, 2003). Validation is a constantly negotiated process. The key issue is the plausibility of explanations. Validation rests on convincing the reader of the authenticity of the account and the plausibility of explanations. Applying abduction, focusing on the explanandum (contrasting classes), as well as careful use of counterfactual conditionals, contributes to rendering explanations plausible (Lukka and Modell, 2010).

3.3.4 Summary and Outcomes

This section developed philosophical and methodological considerations for the present research. It firstly outlined research traditions in management accounting. It then focused on interpretive management accounting research. Interpretive management accounting research is subject to much philosophical debate. Interpretive studies treat people and context as integral and subjective factors, as opposed to given phenomenon. Theory is not rigidly imposed prior to data collection. Subjective aspects of an organisation are fundamental to the research. The rich detail of internal processes, individual actions, and institutional factors emerge in this manner (Hopper *et al.*, 2001). As this management accounting study is in the NGO sector, the next section will explore the research traditions of NGO literature. Hence, it

will position the present study relative to overall NGO research, even though this research primarily draws from management accounting methodological traditions.

3.4 Research Traditions in the NGO Sector

This section explores research traditions where NGOs are the focus of study. Previous research on NGOs can broadly be divided into two camps representing instrumental and critical perspectives (Harsh *et al.*, 2010). Instrumental scholarship focusing on NGO accountability has multiplied and become more sophisticated. It emphasises the normative approach of making NGOs ‘better’. Separately, critical perspectives observe the failed expectations of NGOs that inadvertently help reproduce social inequalities (Sending and Neumann, 2006; Tvedt, 1998). However, Harsh *et al.* (2010) argue for a replacement of both normative and critical approaches. If critical perspectives dismiss NGOs as fundamentally ineffective, it means NGOs are inherently unaccountable. Critical perspectives therefore generally avoid NGO accountability.

Similarly, new approaches to studying NGOs are advocated by researchers such as Hearn (2007), Mitlin *et al.* (2007), and Lewis and Opoku-Mensa (2006). Such reform is advocated due to the problem of the positionality of researchers. Researchers are often too close to NGOs and the aid system (Harsh *et al.*, 2010). For example, normative NGO literature often lacks theory and is susceptible to following the fashions of policy change (Harsh *et al.*, 2010). A challenge facing NGO research is incorporating research from a technical viewpoint (Tvedt, 2006). This includes accounting. The international development NGO sector can learn from accounting literature (Gray *et al.*, 2006). The challenge for accounting researchers is to study both how accounting works within the NGO sector and to apply insights from

accounting to NGOs (Gray *et al.*, 2006). The remainder of the section provides a brief history of the evolution of NGO research, and its future.

3.4.1 The Evolution of NGO Research

From its inception in the late 1970s, the NGO field was populated by researchers with an ideological mission (Tvedt, 2006). Dominant funding structures for research were an incitement for such studies. Research on international development NGOs was often financed by NGOs themselves or by donor institutions. Such studies often explicitly sought to promote NGO agendas (Tvedt, 2006). The political leaders of donor states had an interest in promoting this ‘independent’ image of NGOs. A conceived independence made NGOs useful politically and provided the aid system with legitimacy. As a consequence, the NGO researchers already within the aid system enjoyed a virtual monopoly on research outcomes (Tvedt, 2006).

The body of research on NGOs⁵ that emerged from the late 1980s focused primarily on NGO roles as development actors and their organisational attributes, but paid less attention to theory and context (Lewis and Opoku-Mensa, 2006). The ideological circumstance of post-1980s research formed part of a new interest in ‘alternative’ development and grassroots initiatives. It was a reaction to the perceived theoretical impasse of development studies pre-late 1980s, and often emanated from donor-funded consultancies written by academic researchers (Booth, 1993; Lewis and Opoku-Mensa, 2006). This dimension included beneficial aspects like studies being up-to-date and relevant. It also provided a sense of

⁵ The literature review of Chapter 2 focused primarily on accounting in NGOs, rather than concentrating on NGOs as part of international development.

engagement with grassroots and policy issues, such as empowerment and partnership. Yet, it was criticised for its normative focus and vulnerability to changing donor preoccupations (Lewis and Opoku-Mensa, 2006).

Extensive literature on NGOs has also appeared since 2000. There is wide research engagement with NGO roles in development and emergency work in a variety of geographical contexts. A growing critique of this literature has simultaneously emerged. It argues that NGO research exhibits key limitations (Lewis and Opoku-Mensa, 2006). One limitation is an over-emphasis on organisational case studies rich in detail but lacking in contextualisation. Another limitation remains a relatively weak theorisation of the NGO phenomenon. Both limitations stem from methodological problems around the positionality of researchers (Lewis and Opoku-Mensa, 2006). Researchers tend to celebrate the NGOs they profile, and research outputs reflect the self-understanding of NGOs (DeMars, 2005). Such concerns indicate that the theoretical foundations of NGO research can be strengthened by further studies. Theoretical insights from management accounting (where theory development is relatively robust) could contribute to a stronger theoretical dimension to NGO literature.

3.4.2 The Future of NGO Research

The historiography of research on NGOs can be summarised as a history of NGO activism, producing ideology in favour of a progressive NGO agenda (Tvedt, 2006). A combination of an over-identification with NGOs and a lack of theoretical-contextual analysis weaken the literature on NGOs (Lewis, 2005). A challenge for the study of NGOs is to move into a new phase, one that keeps abreast of changing policy on NGO practices and also does justice to the complexity and diversity of NGO forms and contexts (Lewis and Opoku-Mensa, 2006).

Opinions in the NGO sector have grown more complex and ambiguous, and the operational landscape is changing. The next wave of NGO research is underway. It emphasises theory, agency, method, and context. This wave has potential to consolidate NGO research into a stable and theoretically-grounded field (Lewis and Opoku-Mensa, 2006). For example, Claeys and Jackson (2012) suggest future research should address NGOs' response to managerialism. Notably, Harsh *et al.* (2010) observe that the establishment of the NGO field as a well-grounded specialisation needs to be based on accounting practices, resource flows, and social ties. To conclude, in setting out an agenda for NGO research, Lewis and Opoku-Mensa (2006, p.674) emphasise:

the importance of the structural context in which NGOs operate – and in particular that created by donor policies and practices – in relation to NGO organisational performance.

The next section outlines the approach that will be adopted for the present research.

3.5 Approach for this Study

This section outlines the philosophical choices for the present research. The philosophical considerations and corresponding methodologies draw primarily from the traditions of management accounting research (see Sections 3.2 and 3.3). Ryan *et al.* (2003) outline an idealist ontology which asserts that humans are continuously processing information, learning, and adapting to their environment. This approach lends itself to the study of subjects within their environment. This can involve modelling the interconnections between accounting practices and the environment. Such a model could be capable of simulating the behaviour of the constituent parts of the system⁶ (Ryan *et al.*, 2003). The core research

⁶ These issues are explored in greater depth during the theoretical discussion of Chapter 5.

objective of this study is to explore management accounting at international development NGOs (see Section 1.2). Therefore, this study is exploring the practices of people in a social group. Accordingly, an idealist ontology is adopted. Although not ubiquitous, there is growing support for an idealist perspective in NGO literature (Lecy *et al.*, 2012).

Interpretivist accounting studies permit a researcher to focus on the concerns of practitioners and give greater insight into everyday effects of accounting (Tomkins and Groves, 1983). To the extent that one is concerned with the use to which accounting information is put, the influence it has on human behaviour, and the human purposes for which it is produced, then an interpretivist approach is valuable. An interpretivist epistemology fits in with an exploration of management accounting at international development NGOs. The essence of studying behaviour induced by accounting information is acquiring an intimate knowledge of the behaviour in its natural setting (Tomkins and Groves, 1983). In so far as accounting research is concerned with the effects of accounting practices upon social action, whether that action relates to accounting users, producers, or other stakeholders, then there is a strong case for interpretive research (Tomkins and Groves, 1983). Accordingly, the present research adopts the interpretive management accounting research tradition.

The choice of ontology, epistemology, and methodology, combined with the outcomes of the literature review, typically guides a researcher to consider certain theories. However, because of the sparse literature on management accounting in the NGO sector (see Section 2.4), preliminary interviews were conducted to provide some initial data and insights. In turn, such insights will help inform potential theoretical approaches. The next chapter details the outcomes of eleven preliminary interviews.

CHAPTER FOUR - PRELIMINARY INTERVIEWS

4.1 Introduction

Although the literature review noted some useful studies (e.g. Assad and Goddard, 2010; Tinkelman and Donabedian, 2007), overall there is little literature on management accounting at international development NGOs. The absence of literature with management accounting as its direct focus presents a research opportunity, but simultaneously presents a challenge for a theoretical foundation to guide the study. To help overcome this challenge, eleven preliminary interviews were held with key informants in Concern, GOAL, and Trócaire. Data collection was supplemented by on-site reviews of management reports and finance manuals (see Appendix F), which corroborated data from interviews. This chapter details the outcomes of this data collection to augment the literature review.

Interviews were preferred to other research methods (e.g. surveys) as it fits with the ontology, epistemology, and methodology of the study (see Chapter 3). While Chapter 6 will describe research methods, the methods for the preliminary interviews are outlined here. The interviewees were the CEOs and CFOs in Ireland, and the Country Directors and Financial Controllers in Uganda. Unfortunately, one CEO was unavailable. Assessment occurred in five ways: 1) each organisation individually, 2) by head office across all organisations, 3) by developing country office across all organisations, 4) by general manager across all organisations, and 5) by finance manager across all organisations. All three case study organisations have their respective head office in Ireland, and field offices in developing countries. There are two levels of management: 1) at head office for higher-level

organisational issues, and 2) at developing country level for operational activities. At each level there are two further perspectives - the finance manager's perspective (CFO and Financial Controller) and the general manager's perspective (CEO and Country Director). This approach provides both a financial and an operational view. This is illustrated in Figure 4.1.

Figure 4.1 – Categories of Preliminary Round Interviewees

	General Managers	Finance Managers
Head Office	CEO	CFO
Developing Country	Country Director	Financial Controller

Hence, interviews can be cross-assessed against their counterparts in other organisations, and cross-assessed against their colleagues within their own organisation. The interview outcomes will therefore help inform theory selection and allow issues to be raised that prior literature has not addressed heretofore. The preliminary interview questions (see Appendix A) were composed with the first research sub-question in mind, and influenced by the (limited) body of literature and prior experience of the sector. The questions, and the structure of subsequent assessment, were based on three main headings: management accounting, broader accounting issues, and contextual issues (see Appendix A). Semi-structured interviews suited the exploratory nature of the research as open-ended responses capture the world of participants without predetermining their points of view (Patton, 1990; Saunders *et al.*, 2003). Interviewees in Uganda were a mixture of citizens and expatriates. Interviewee selection was based on organisational position without regard to nationality. All interviews

are recorded, and typed transcripts securely stored. To disguise each organisation, they are labelled A, B, and C.

This chapter begins by introducing the case studies. It is then structured by initially focusing on management accounting, before gradually revealing a broader context for management accounting. Firstly, it notes current management accounting practices. Then it explores wider accounting practices at the NGOs. Lastly, it outlines other issues raised by interviewees. Thus, this chapter focuses on the first research sub-question initially, and progresses to provide context to aid the selection of a theory for informing the study.

4.2 Concern, GOAL, and Trócaire

As Ireland is the developed world setting for the case studies, an overview of the Irish NGO sector is briefly outlined here. Research of the charity sector in Ireland by accounting academics is relatively scarce (Breen, 2013; Connolly *et al.*, 2012). Due to a relatively less regulated environment in Ireland, financial reporting by Irish charities lags behind their UK counterparts (Breen, 2013; Connolly and Hyndman, 2004). In light of charity sector controversies in Ireland in 2014, the full implementation of the Charities Act (2009) was fast-tracked to ensure greater accountability, enhance public trust, and increase transparency (Lillis and Hogan, 2014). Nevertheless, Ireland has a strong record of development aid derived from a long-standing missionary tradition of working in developing countries (O'Dwyer and Unerman, 2007). One reason Irish NGOs were selected for this study is Ireland's long and prominent tradition of participation in the developing world (O'Dwyer and

Unerman, 2007; see Chapter 6). In his budget speech for 2015, the then Minister for Public Expenditure Brendan Howlin, remarked:

Ireland has a very strong record in the area of international development. It has been recognised across the world that we have maintained our engagement in the fight against global poverty and hunger, even in the face of extraordinary economic difficulty at home (Irish Times, 2014).

The international development NGO sector in Ireland is dominated by Concern Worldwide, GOAL, and Trócaire. These three NGOs are the subject of the preliminary interviews in this chapter. The three case study organisations are introduced here with information primarily gleaned from their websites and annual reports (Concern Worldwide, 2011, 2012, 2013, 2014, 2015, 2015a and 2016; GOAL, 2011, 2012, 2013, 2014, 2015, 2015a and 2016; Trócaire 2011, 2012, 2013, 2014, 2015, 2015a and 2016). Figure 4.2 summarises income and expenditure by Concern, GOAL, and Trócaire from 2010 to 2015.

Figure 4.2 - Income and Expenditure of Case Study NGOs

		2015	2014	2013	2012	2011	2010
Concern	Income	182.2m	145.5m	127.3m	143.4m	160.2m	167.2m
	Expenditure	177.2m	138.0m	129.0m	147.3m	160.3m	150.8m
	Surplus / (Deficit)	5.0m	7.5m	(1.7m)	(3.9m)	(0.1m)	16.4m
GOAL	Income	209.6m	126.9m	65.4m	60.5m	61.0m	73.4m
	Expenditure	200.6m	108.0m	63.7m	65.4m	60.7m	68.5m
	Surplus / (Deficit)	9.0m	18.9m	1.7m	(4.9m)	0.3m	4.9m
Trócaire	Income	65.6m	58.2m	61.1m	60.3m	67.0m	63.0m
	Expenditure	65.7m	63.2m	64.2m	64.7m	61.4m	51.9m
	Surplus / (Deficit)	(0.1m)	(5.0m)	(3.1m)	(4.4m)	5.6m	11.1m

In annual reports covering 2010 to 2015, all three organisations allude to the post-2008 global economic climate affecting their resources. For example, substantial cutbacks in the Irish government's overseas aid budget, as well as simultaneous stagnation in public donations, forced Trócaire to 'review our activities and reduce costs' (Trócaire, 2011, p.8).

4.2.1 Concern Worldwide

Concern Worldwide (hereafter Concern) was founded in response to appeals from missionaries in Biafra in 1968. Based in Dublin, Concern works with poorer people in developing countries, seeking out those who most urgently need support due to poverty, hunger, and disaster. Concern has worked in over 50 countries, responding to major emergencies and supporting long-term development programmes. Their main areas of focus are health and nutrition, education, HIV / AIDS, livelihoods, and advocacy. Concern sources funds from individuals, corporate organisations, philanthropic foundations, and especially governments - including the Irish, British, and American governments, the EU, and UN. As of 2015, Concern employs more than 3,000 staff across 29 countries (Concern, 2015a).

Concern's relationships with developing world civil society partners are based primarily on mutual respect (Concern, 2015). Roles, responsibilities, authority, and access to assets are negotiated with their partners, and can be amended as the partnership evolves. Concern's partnerships, they explain, are important in four key ways:

- combining the respective skills, resources, and experiences of Concern and their partners
- capacity-building to improve Concern's partners' practice, governance, and sustainability

- building linkages between grassroots organisations and government so that marginalised people participate in social affairs
- knowledge gained from partners and communities informs Concern’s advocacy campaigns at local, national, and global levels (Concern, 2015).

4.2.2 GOAL

GOAL is an international humanitarian agency dedicated to alleviating suffering due to poverty. GOAL works towards ensuring that the poorest and most vulnerable, and those affected by humanitarian crises, have access to food, water, shelter, medical attention, and education. It was founded in Dublin in 1977 by sports journalist John O’Shea, who remained a high-profile CEO until retirement in 2012. Since 1977, GOAL has spent around €1 billion on humanitarian programmes in about 50 countries, and responded to every major humanitarian disaster. GOAL focuses on emergencies, health, livelihoods, education, water and sanitation, HIV / AIDS, and advocacy. Across GOAL’s operations in Africa, Asia, Central America, and the Caribbean, 2,500 locally-based staff are employed alongside over 100 expatriate colleagues. Financial support for GOAL mainly comes from the governments of Ireland, the UK, USA, Canada, Japan, Australia, the EU, UN, as well as charitable foundations and many individuals. Several sporting celebrities are prominent supporters of GOAL (GOAL 2015 and 2015a).

4.2.3 Trócaire

Trócaire is the official overseas development agency of the Catholic Church in Ireland. Precipitated by devastating floods in Bangladesh, it was founded by Irish bishops in 1973 to express the concern of the Irish church for the world’s poorest and most oppressed people.

The founding aims were to give resources to areas of greatest need in developing countries, and in Ireland to make people more aware (Maye, 2010). Trócaire supports long-term development projects and provides relief during emergencies. It also informs the Irish public about the root causes of poverty and injustice. It works through global Catholic networks. It builds long-term partnerships with local organisations in Africa, Asia, and Latin America. Trócaire supports communities in their efforts to improve their lives, meet their basic needs, and ensure their human dignity (Trócaire, 2015). Their most prominent fundraising activity in Ireland is the annual ‘Trócaire box’ during the Lenten period. As of 2011, Trócaire were funding 127 programmes in 39 countries. However, from 2016 they will only operate in 17 ‘core’ countries because of ‘the current funding context and quality imperatives’ (Trócaire, 2014, p.13). Their strategy henceforth focuses on six main areas: sustainable livelihoods, governance and human rights, emergencies, HIV / AIDS, gender equality, and environmental justice (Trócaire, 2015a).

4.2.4 Uganda

In recent years, the largest portion of Ireland’s bilateral aid funded Uganda (Irish Aid, 2010, 2011, 2012, 2013, 2014, 2015, and 2016). Uganda is one of Ireland’s key partner countries in development (Irish Aid, 2016). In 2015, it received €23 million in bilateral aid from the Irish government (Irish Aid, 2016), having reached a high of €55 million in 2008 (Irish Aid, 2010). Furthermore, Irish Aid will provide €83 million to Uganda from 2016 to 2020 (Irish Independent, 2016). As a result, significant activity in Uganda is supported directly and indirectly by Irish resources and Irish international development NGOs. Concern, GOAL, and Trócaire all have long-standing activities in Uganda (Concern, 2016; GOAL, 2015; Trócaire, 2016). Furthermore, it is arguably a prime example of how international aid and the NGO

sector can make a beneficial impact (Stiglitz, 2002). Uganda's economic success has conceivably had more influence on development thinking and international aid architecture than any other country in recent times (Kuteesa *et al.*, 2010; Stiglitz, 2002). Thus, Uganda is an ideal developing world setting for the present research (see Chapter 6 for research methods). However, despite recent progress, it is only ranked 163 out of 187 countries on the UN's human development index (Irish Aid, 2016). This chapter proceeds by firstly focussing on management accounting at the case study organisations, and subsequently broadening out to provide a greater context for it.

4.3 Current Management Accounting Practices

This section details current management accounting practices in the three NGOs, drawing on the 'management accounting' questions shown in Appendix A. Firstly, each NGO's structure of operations is given as background. Secondly, the use of management accounting in each organisation is detailed. Thirdly, efficiency measures used are revealed. Finally, the role that management accounting plays in stakeholder relationships is presented. This section supplements Section 2.4 in particular.

4.3.1 Introduction

Certain literature suggests management accounting plays a limited role in NGOs (see Sections 1.2 and 2.4). For example, Assad and Goddard (2010) note that, provided donor reporting requirements are met, there is little consideration for management accounting. However, such studies (see Sections 1.2 and 2.4) were primarily researching charity

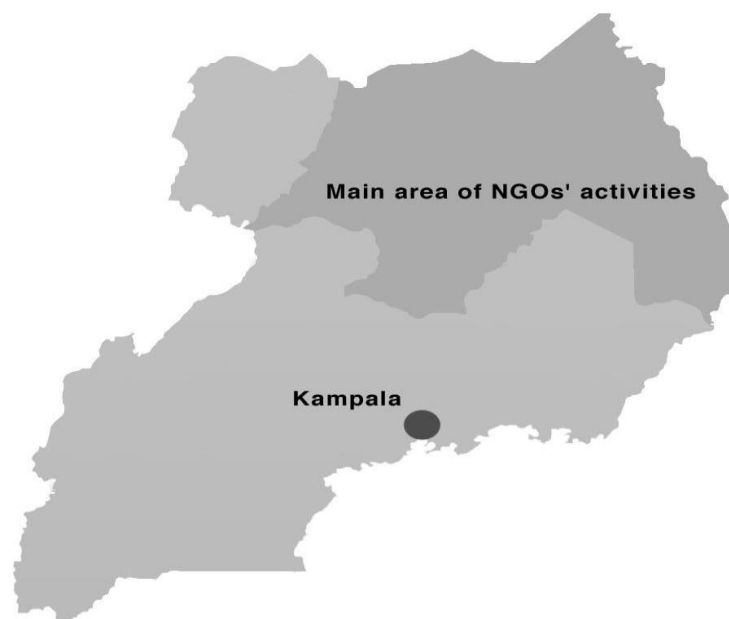
accountability, stakeholder salience, or strategic planning. By contrast, the primary focus of this section is how management accounting is used at the case study organisations.

4.3.2 Structure of the NGOs' Operations in Uganda

Before delving into management accounting, an outline of the structure of operations in Uganda at each case study organisation is presented, based on interviewee responses and additional artefacts (see Appendix F). It provides a background for the rest of the chapter.

Figure 4.3 is a map of Uganda showing the main area where the case studies are active.

Figure 4.3 – Map of Uganda



Organisation A operates in three sectors in Uganda, namely health, livelihoods, and emergency response. They operate field offices in three northern regions, with their main office in Kampala (see Figure 4.3). They operate directly-implemented programs and partner with local Ugandan NGOs. Organisation A maintains their accounting records on Great Plains software. Organisation B operates in three sectors in Uganda: livelihoods, HIV/AIDS,

and water & sanitation. They have three field offices, each covering a separate district, with their main office also in Kampala. All operations work out of the field offices. They operate directly through their own project-teams, and partner with local Ugandan NGOs. Organisation B maintains their accounting records on Sage software. The finance department of 60 people is divided into a grants management team, a 'core costs' accounting team which includes those in the field offices and has responsibility for monthly reporting, an internal audit team, and a donor compliance team. Organisation C operates in the three sectors of livelihoods, human rights & governance, and domestic violence. They closed their field offices, and only operate a main office in Kampala. They have linkages between all their partners based on thematic programs and geographic areas. Organisation C maintains their accounting records on Agresso software.

In summary, all three case study organisations operate along thematic lines by concentrating their resources on a small number of priority sectors. Two have field offices with responsibility for particular geographic areas. However, all three only focus on a limited number of defined regions to avoid spreading resources thinly (see Figure 4.3). All three partner with local Ugandan NGOs. Two also use their own staff for projects. Each organisation has a main administrative office in Kampala where the senior management team and finance department is based. Operational activities are remote from the Kampala office. Where partner NGOs are implementing programs on behalf of the case study organisations, accounting and accountability happen within this dynamic. Finally, operational activities are considered to be separate from one another within each organisation, either by geographic region or by thematic program. This is worth noting, because spending on each activity is

connected to a specific funding stream. Next, the uses of management accounting are outlined.

4.3.3 Uses of Management Accounting

Based on the preliminary interviews, the management accounting techniques used at the case study organisations are described here. Figures 4.4 and 4.5 present the techniques in use, assessed by manager position and by organisation respectively. These tables are based on unprompted responses and are not based on any preconceived template listing techniques. An ‘X’ indicates the interviewee engages with, or at least looks at, management accounting information noted in the left-hand column. All interviewees concern themselves with budgeting and monitoring spending variances. Other popular techniques are monitoring cash flows and the three conversion ratios discussed in Section 2.4 (e.g. Callen *et al.*, 2003). However, other management accounting techniques are barely employed. Examples could include cost per beneficiary for each local partner NGO, for each geographic field office, for each thematic program, or for different time periods.

Figure 4.4 - Management Accounting by Manager Position

	CEO			CFO			CD			FC		
	A	B	C	A	B	C	A	B	C	A	B	C
Budgets	X		X	X	X	X	X	X	X	X	X	X
Spending Variances	X		X	X	X	X	X	X	X	X	X	X
Proportion on Administration	X				X	X	X	X	X		X	X
Proportion on Program Expenditure (Direct and Indirect Expenditure)	X					X		X		X	X	X
Proportion on Salaries			X			X						
Proportion on Headquarters			X									
Proportion on Program Support Costs						X						X
Proportion on Partner Capacity Building						X						
Proportion on Training								X		X		
Cash Flow Projections			X		X		X				X	X
Reserves	X				X							
Income & Expenditure Statement					X						X	
Balance Sheet	X										X	X
Donor Status Reports					X			X			X	
Return on Investment of Fundraising			X	X								
Grant Income Trends					X							
Public Donations Trends					X							
Forecast Spend-Out					X						X	
Bank Reconciliations					X							X
Outstanding Cheques List					X							
Fixed Assets Spot-Checks Report					X							
Benchmarking Database of Spend per Beneficiary by Partner Organisations Broken Down by Themes								X			X	
Ad-Hoc Reports When Needed										X		
Program Budget Disbursements Compared to Activity of Partner Organisations												X

CEO = Chief Executive Officer (in Ireland)

CFO = Chief Financial Officer (in Ireland)

CD = Country Director (in Uganda)

FC = Financial Controller (in Uganda)

Figure 4.5 - Management Accounting by Organisation

	Organisation A				Organisation B				Organisation C			
	CEO	CFO	CD	FC	CEO	CFO	CD	FC	CEO	CFO	CD	FC
Budgets	X	X	X	X		X	X	X	X	X	X	X
Spending Variances	X	X	X	X		X	X	X	X	X	X	X
Proportion on Administration	X		X			X	X	X		X	X	X
Proportion on Program Expenditure (Direct and Indirect Expenditure)	X			X			X	X		X		X
Proportion on Salaries									X	X		
Proportion on Headquarters									X			
Proportion on Program Support Costs										X		X
Proportion on Partner Capacity Building										X		
Proportion on Training				X			X					
Cash Flow Projections			X			X		X	X			X
Reserves	X					X						
Income & Expenditure Statement						X		X				
Balance Sheet	X							X				X
Donor Status Reports						X	X	X				
Return on Investment of Fundraising		X							X			
Grant Income Trends						X						
Public Donations Trends						X						
Forecast Spend-Out						X		X				
Bank Reconciliations						X						X
Outstanding Cheques List						X						
Fixed Assets Spot-Checks Report						X						
Benchmarking Database of Spend per Beneficiary by Partner Organisations Broken Down by Themes								X	X			
Ad-Hoc Reports When Needed				X								
Program Budget Disbursements Compared to Activity of Partner Organisations												X

CEO = Chief Executive Officer (in Ireland)

CFO = Chief Financial Officer (in Ireland)

CD = Country Director (in Uganda)

FC = Financial Controller (in Uganda)

Figures 4.4 and 4.5 demonstrate that management accounting information is used at the case study organisations. For example, CFO A described the process of preparing their management accounts:

Each field will maintain its own general ledger, and should be doing the same thing for each cost centre in the field. So, it is basic budget and actual comparison, and that's really it [...] management accounts will be reviewed every month [...] but there isn't big decision-making coming out of those.

The management accounts are mainly for budget monitoring to provide 'early warnings' of problems, according to CFO A. For budgeting at an organisational level, both CEO A and CFO A were concerned that the uncertainty of funding is a problem for planning.

This uncertainty was echoed by CFO B emphasising that, from a head office viewpoint in financial terms, the sustainability of Organisation B is the primary concern. Management accounts in Organisation B centre on the 'donor status report' of budget variances on spending donor funds. This report is submitted to head office in Ireland every month for collating, along with other items (see Figure 4.5). FC B noted the challenge of working in the developing world:

I think it's very easy to forget that having accurate and regular management accounts is actually quite an achievement, because there are so many variables that it is a challenging operating environment.

Organisation C's accounting system was 'rudimentary' until 2009, according to CEO C. CFO C explained their new accounting system is centralised, transparent, and provides real-time information. Management regularly review management accounts (see Figure 4.5). However, upon further probing, reviewing management accounts does not extend beyond monitoring budgets. Budgets act as a control mechanism within Organisation C, as CEO C confirmed:

Decisions have to be taken regarding transferring of resources within the constraints of restricted funding.

From a head office perspective, CEO C repeatedly emphasised the overall stewardship of funds by appropriate management of resources, noting liquidity and risk.

The interaction with management accounts is mirrored at field level across all three organisations. CD A, CD B, and CD C confined their engagement to the various stages of budgeting (e.g. planning and monitoring). For example, all three country directors articulate that spend is the reflection of activity. In essence, they measure operational progress by spending levels. CD B limited the financial scope of the role to simply checking and approving the management accounts the Ugandan finance department prepare. Notably, two field finance managers (FC A and FC B) were dissatisfied with their current accounting systems. This includes not only their accounting software, but also the use of financial information in their respective organisations. Both asserted that more sophisticated information could be utilised to improve operations. This is constrained by the availability of resources, as CD B corroborated:

Any kind of analysis needs to be useful to the people; otherwise you just make your working day even longer than it usually is. So there are time constraints for all of us. It's about being sure that you can use that information before you start to commit; but I'm sure we can produce it [*information*].

This illustrates that Organisation B's accounting software is capable of capturing management accounting data, but nevertheless CD B believes it would not be worthwhile.

FC A in particular was frustrated, because information that would be useful for decision-making and improving the organisation is not produced:

One of the improvements we could make is to generate things from metrics like value-added and cost-benefit analysis. I'm very much for converting NGOs into businesses – I don't see value-for-money.

Such an assertion has parallels with Claeys and Jackson (2012) describing the emergence of managerialist modes of thinking in the NGO sector. Later, FC A continued:

We do allocations based on certain criteria like direct and indirect. It's all pre-formatted for us by Dublin [...] other than that we don't really use a great deal of management accounts [...] charity accounting is quite different. There isn't a great deal of management accounting techniques.

Interestingly, CFO B and CD B echoed this for constraints facing management accounting in Organisation B as well. Constraints facing management accounting are further discussed in Sections 4.5 and 7.3, while further uses are probed in Section 7.4.

There was consensus that development objectives are the priority at each respective organisation, with financial considerations being secondary. As an example, CD A and CD C assert that for long-term decisions the primary focus is on organisational objectives and on beneficiaries, from which the financial aspects flow. CD C explained:

If you look at emergency actors, they will largely go after the money [...] we don't operate on that basis. We make development priorities first.

Even the finance managers agree, with the financial numbers being 'an expression of that', in the words of FC B. FC B identified a focus on beneficiaries when making decisions, even though Organisation B only formally reports to donors. However, FC B also conceded 'emergency NGOs' (all three case study organisations have a global emergency response arm for humanitarian crises such as the Nepal earthquake in 2015) 'go to where the money is'.

CD B also emphasised the very competitive environment for funding. A competitive funding environment can lead to mission-drift (Connolly *et al.*, 2012). FC B remarked on potential mission-drift:

For me being relatively new to development, this is the perennial problem for NGOs. So are you donor-led or needs-led? [...] but I would say from my experience of the last 18 months that it's a blend of both [...] you have to be flexible to donor needs.

For government funding, which tends to be restricted funding, there is also an element of 'follow-the-money' according to CFO C:

I suppose there would be some Irish government influence on your decisions, because Irish Aid may be operational in certain countries that it would make sense for us to be also operational in those countries [...] they [*Irish Aid*] are taken into account in that it affects our strategy, whether we like it or not.

CFO C views this phenomenon as undesirable in both Organisation C and the wider NGO sector. CEO C concurred:

Discussions now are much more guided by financial considerations than purely the development quality that used to be what was driving it.

In conclusion, Organisation A's key management accounting activity could be summarised as field office reporting to head office on spending variances. Organisation B's key management accounting activity can be summarised as monthly spending variances, in order to ensure that donor funding gets fully spent in time. Organisation C is capable of quality management accounting information with their new global, real-time, transparent software system. However, even in Organisation C, the key management accounting activity is concerned with spending variances and controlling deviations. Notably, all three organisations also regularly monitor the overall proportion of spending on support activities, including administration. As such, the next discussion concentrates on one specific aspect of management accounting, that being measuring efficiency.

4.3.4 Measures of Efficiency

A popular ratio monitored by interviewees is the proportion of expenditure on administration (see Figure 4.4). The ubiquity of this ratio leads to examining it and wider issues of efficiency at NGOs. A review of artefacts (see Appendix F) revealed that global organisational budgets, the overall country budgets for Uganda, and specific program budgets in Uganda, include amounts allocated for non-program costs such as spending on administration. Such amounts are often embedded in the initial grant application to donors based on known donor guidelines or on NGO sector norms, which are subsequently incorporated into the various levels of budgeting in each organisation. Additional non-program costs are covered from unrestricted income in the annual budget (see Section 5.5). Non-program costs are then tracked by monitoring spending variances in the management accounts of the respective case study organisations.

Notably, Tinkelman and Donabedian (2007) contend that current accounting ratios on administration, fundraising, and programs, are incomplete performance measures. The ratios fail to include quantity, quality, the value of outputs, or organisational strategy. Similarly, FC

A noted:

I would like to see more of a graphical interface, more data metrics to benchmark against different projects, performance and cost-benefit analysis [...] if we could create a system that would combine the field information with the accounting information it would become more meaningful.

Nonetheless, current accounting ratios are regarded as important by NGO stakeholders (Tinkelman and Donabedian, 2007).

CFO B in particular emphasised efficiency:

Value-for-money is the key buzzword at the moment [...] everything you do is a showcase for going forward. There has to be little or no tolerance for inefficiencies because it can potentially impact your relationship with your donor.

While emphasising value-for-money, CFO B only mentioned the proportion spent on administration. Any NGO that demonstrates high program spending does not prove money was well spent, or if greater impact per euro is possible (Tinkelman and Donabedian, 2007).

At a field level, the picture is replicated. FC B stated:

We would sometimes do some kind of cost analysis, very rarely, but to see where we are getting better 'bang for our buck', how we're hitting more beneficiaries in some places than others.

CD B echoed this:

I would like more analysis, particularly on our directly-implemented programming [...] how much does it cost per beneficiary to do that? So the kind of thing we do with our partners, it would be very nice if we could do the same with our directly-implemented programs [...] we have a lot of financial information. I'm sure we could do a lot more with it.

Notably, one reason CD B cited for the level of analysis was the structure of funding in the NGO sector:

One of the problems is that with directly-implemented, it's more immediate funding, it's shorter-term funding. So you tend to be very busy implementing, and then 'oh, it's over!'

Overall, there was little evidence of internal measures of efficiency at the three organisations. The interviews revealed the three commonly cited proxy measures of efficiency used by external stakeholders - administration / fundraising / program expenses to total expenses (Callen *et al.*, 2003) - are also the measures monitored internally. Accordingly, relationships with external stakeholders appear important, as internal measures mirror those cited by external stakeholders. Therefore, NGOs' relationships with stakeholders are introduced next.

4.3.5 Stakeholder Relationships

Based on the preliminary interviews, several issues regarding stakeholder relationships emerged. This discussion builds on Section 2.3. At head office level, all three organisations noted the relevance of stakeholder relationships. For example, CEO C cited:

There is lots of changes in the development sector. In terms of governance, donors are changing their expectations, the public has become more demanding of what happens to their money, there is a need for greater transparency, [to] demonstrate impact.

Similarly, CFO B believed improving accounting for internal decision-making can increase overall credibility. Donors now review all systems, including support services such as accounting. This has a direct impact on funding. CEO A also echoed the view that donors are increasingly rating the quality of every aspect of an organisation, instead of just reviewing a specific project.

All participants contended that for internal decision-making there is a good balance between all stakeholders. Views of stakeholders are incorporated more for internal decision-making than for external reporting, for example in planning. However, the consensus is that stakeholders are not given equal weighting, even though their views are incorporated. CEO C elaborated:

I would say there is a healthy balance there now because the tendency in our staff is to always side with the beneficiaries, and their needs are most prevalent. Whereas that of management is that we need to keep these donors on board [...] I think it is a good tension to have.

CEO C added that management accounting could ignite reform of how Organisation C relates to stakeholders:

I think that we need to move with the times and be able to relate to all of our stakeholders where they're at – not where we're at. There is much beyond financial accounting and management accounting, but let us say that the truth that management accounting can reveal in stark terms about where the organisation is going, is one way of motivating people to start thinking afresh.

This assertion by CEO C leads to exploring broader accounting issues in the next section.

4.3.6 Summary and Outcomes

The purpose of this section was to establish an initial position on how management accounting is used at the case study organisations. It builds mainly on Section 2.4 of the literature review. It noted management accounting techniques used. Measuring efficiency was also examined. It also highlighted relationships with stakeholders. Broadening further from stakeholder relationships, the next section explores possible reasons for the scope of management accounting identified here. As such, it will augment Section 2.3 in particular.

4.4 The Orientation of Accounting at the Case Studies

The purpose of this section is to place the above discussion in a wider context. It builds on Section 2.3, and draws on questions of ‘broader accounting issues’ presented in Appendix A. This section firstly considers the orientation of the accounting system and accounting practices at the case study organisations. The orientation of the accounting system refers to it being designed for meeting statutory financial reporting, for donor accountability, and/or for management accounting. Later, the section addresses how interviewees engage with accounting information and financial management. Finally, it outlines the utilisation of financial information in decision-making.

4.4.1 Orientation of Each Accounting System

The orientation of the accounting system at each case study organisation is assessed here. The ‘accounting system’ refers to the accounting software employed and the organisational

structure and processes relating to finance. The scope of management accounting (see Section 4.3) can then be framed within a broader accounting perspective. All three NGOs installed standardised global accounting software and reporting packages in recent years. Previously, each country had its own individual software system. All participants agreed this was a positive step.

Organisation A uses Great Plains accounting software. It is primarily geared towards reporting to head office for consolidating accounts and budget monitoring. The field office in Uganda reports spending variances on a quarterly basis. Variances must be within spending limits on administration costs. Monthly management meetings in Kampala discuss spending variances, operational progress, and cash flow forecasting. Donor-compliance is a priority for all interviewees in Organisation A. Both CD A and FC A asserted their accounting system should be geared towards donor reporting instead of head office reporting. CD A stated:

I'm not gone on the package that Organisation A uses called 'Great Plains'. It just seems quite complicated for what's underneath that report. Also, it can't automatically generate donor reports from the system. These have to be exported to Excel, and from that we do the donor reporting [...] I don't feel this current one meets that need.

This demonstrates a need in Organisation A for a more adaptable accounting system. At present, donor reports are time-consuming. The two finance managers (CFO A and FC A) felt little importance is placed on accounting, other than for compliance and monitoring spending variances.

Organisation B uses Sage accounting software. A standardised finance manual is updated bi-annually. CFO B explained:

All our procedures, policies, forms, everything for reporting tools, templates - they are all standardised across all our fields [...] we have pretty rigorous and pretty standardised systems.

Accounting at Organisation B is primarily geared towards donor-compliance. An Excel-based 'donor status report' is prioritised. It tracks expenditure against donor grants monthly. CFO B noted:

We are developing a replacement management information system [...] and updating our IT system on to the 'cloud' [...] this will be a lot quicker and more efficient as we can run reports directly from the system.

Organisation C implemented Agresso accounting software in 2010. It caters for donor reporting, internal reporting, and statutory reporting. CEO C explained the background:

I would say that over the years we have certainly been under-resourced in terms of staff in the finance function.

Agresso is more transparent and uniform compared to previously fragmented systems, with greater ease of information generation and analysis. Accounting reports are accessible to people across the organisation. Uniquely among the case studies, the system can automatically generate most reports. CEO C explained:

We invested €2 million in it [...] since that has come on-stream, probably really only twelve months ago, we are now regularly reviewing management accounts at the senior management team, and increasingly looking at issues in relation to that in terms of our decision-making.

Separate to Agresso is a management information system that covers technical operational outputs. There is no link in Organisation C between operational outputs and corresponding expenditure as with an ERP system. CFO C noted how finance in Organisation C is 'quite decentralised' to field offices. At field level, financial reporting is mainly for donor-compliance and reporting to head office on spending variances. Monthly finance reports are

submitted to senior management in head office. Notably, there is no representation from the finance department on the senior management team.

Overall at the three case study organisations, managers in Organisation C are most cognisant of management accounting. Notably, they are also the only organisation not using an accounting software package aimed at commercial organisations⁷. There are also distinctions among finance managers - those in Organisation B spoke in terms of their role as a top-down activity, whereas those in Organisation C perceived it as a support role. Those in Organisation A were between these two positions. This leads to investigating engagement by managers with accounting and financial management. This aspect is explored next.

4.4.2 Managerial Engagement with Accounting and Financial Management

This discussion focuses on how managers interact with accounting and financial management. It assesses their familiarity with accounting, their use of accounting, and how important they regard accounting to be. As such, the investigation moves from accounting systems to the people using accounting. The CEOs regard sound financial management as vital to the on-going success of their respective organisations. They both feel comfortable understanding and discussing finance, despite only limited training. CEO A elaborated:

We have what I regard as a very important tradition of high-quality financial management [...] we have invested a lot in both financial systems and the whole process of procedures and policies.

CEO C echoed this:

I think it is about the culture of how the senior management team works. Everyone on that team is now aware of the financial basis on which decisions should be made, not

⁷ Agresso software is common in non-profit organisations.

solely, as there will always be a tendency in an organisation like this where people are very mission-driven and idealistic.

In general, all participants commented that accounting and financial information is useful. However, engagement with it is fairly limited. The primary purposes are monitoring, control, and compliance. Overall, general managers (i.e. CEOs and CDs) perceive it as more central than it might actually be. All three country directors are relatively satisfied with their accounting systems and information available. However, each talked mainly of budget monitoring. CD B contended:

We have a lot of financial information. I'm sure we could do a lot more with it [...] it would be more the kind of analysis of specific parts of our programs that would be interesting.

Notably, CD B described a system of benchmarking value-for-money with their partner Ugandan NGOs. There is no benchmarking for directly-implemented programs. While all three CDs appear competent in financial management, there was little interest in using financial information to operate differently. CD B instead stressed having a financial controller who can integrate finance with operations.

There was a perception in Organisation A compared to the others that management accounting is less central for decision-making. CFO A remarked:

I've never seen it have a huge role [...] what needs to be done tends to take precedence over accounting and finance generally.

FC A echoed this:

I personally think it's rather peripheral. A lot of the decision-making is really contingent upon our donors [...] so the management information is really just a record of what has been spent against that budget [...] it doesn't really aid decision-making.

However, such statements corroborate general managers perceiving management accounting to be more central than finance managers do. Finance managers assert that the potential of insightful financial information is not realised (see Section 4.3.4), whereas general managers suggest management accounting is central because of monitoring budgets.

Discussions in Organisation C have recently become more guided by financial considerations, because better quality information is available from Agresso. Nevertheless, CFO C noted a need for a cultural shift within the organisation. CFO C suggested the challenge is for people to begin utilising the capabilities of Agresso. Program staff and country directors are not as *au fait* as they could be, or should be, with financial information. CFO C repeatedly emphasised it is people, and not the system, that needs addressing. CFO C felt program staff need to meet regularly to discuss finance in more depth. This supports Chenhall *et al.*'s (2010) assertion that the adoption and use of financial controls must be preceded by a change in attitudes and values.

In summary, while CFO B, CD B, CD C, and FC C all regard management accounting as central in decision-making, the scope of management accounting looks relatively limited (see Section 4.6 later). For example, CFO B mentioned spending variances as their key performance indicator. Initial assertions by managers of deep engagement with financial information become more nuanced as they revealed further details. Overall, there is divergence between general managers and finance managers on whether management accounting is central or peripheral. Accordingly, decision-making in a financial context is considered next.

4.4.3 Decision-Making in a Financial Context

The discussion on managerial engagement with financial information leads to assessing how it contributes to decision-making. It progresses the section from considering what financial information managers are using towards how they are using it. It also examines if there could be further uses of management accounting.

All participants expressed interest in improving the use of accounting for internal decision-making, albeit by varying degrees of priority. While CEO C and CFO C are both energetic about this, there was comparatively less enthusiasm in Organisation A. CFO A remarked:

When I look at Organisation A I would say: how much is accounting information used to make decisions? I actually don't really believe it is. It's used to look at performance.

CEO A was more interested in financial information for the field level than for head office:

I am sure at a number of field levels we could probably do better.

CD A corroborated this, noting the accounting system is not user-friendly for the finance team to regularly present more detailed information at field level. Organisation A has won awards for their accounting, based on the quality of their financial statements and the transparency of their financial accountability. Such recognition is important for the goodwill of a charity. Management accounting is often more concerned with efficiency, though. CFO A would not invest resources in a system for management accounting:

I think our accounting information isn't really the problem to me. The problem is there is so much uncertainty. We're not great at predicting our spending, or our income for that matter.

This is consistent with Balsler and McCluskey (2005) noting how NGOs face unique uncertainties from the unpredictable timing and amounts of income from donors. In

Organisation A, the main use of management accounting is corrective action from spending variances. There was little imagination or desire for more uses.

By comparison, Organisation C made a €2 million investment in upgrading their accounting system. Managers feel it is paying dividends. All participants in Organisation C have sufficient accounting information for their internal decision-making. However, there is simultaneously a sense among them of not using it in an optimal manner. Prior to Agresso, managers could not gather useful information. CEO C explained:

If you had asked me this question two years ago I would have said ‘no’ [...] at this point we are probably 80% of the way there [...] it can be more fine-tuned to give us even clearer figures and a better idea on the figures we want, instead of a plethora of information.

This concurs with Harrow *et al.* (2002) warning about information overload for managers of charities.

The main criterion for ‘good’ information is the ease of presentation for non-financial managers, according to several participants such as CD A, CD B, and CEO C. FC A and FC B acknowledged the formatting of reports could become more understandable and interesting to other users. FC B explained financial information is routinely re-formatted to make it more readable. In this regard, CFO B suggested the move to a web-based system is very positive for Organisation B:

[*We are*] reforming and updating our IT system on to the ‘cloud’. This ‘management information system’ will have a direct link to Sage. It will be updated regularly with actuals by Sage, and it will hold the entire donor grants information that we need [...] so that’s a big step for us. We do have an existing system, but there is a lot more manipulation involved and uploading it onto Excel and messing around with it [...] we can run reports directly from the new system. So, that will be a huge plus and accessible to Organisation B worldwide, as it will be a web-based system.

The outcomes of this section are summarised next.

4.4.4 Summary and Outcomes

This section considered the orientation of accounting systems and accounting practices at the case study organisations. The purpose of it was to place management accounting at the case studies in a broader frame of reference. It augments Section 2.3 of the literature review. FC A summarised the orientation of their accounting as follows:

The process that we run is literally entirely packaged by Dublin. As the finance person you just do what is in the manual. There is not a lot of leeway for improvement or trying to improve things because it is dictated to me how I run it. From that point of view, I rate the management accounting information that I can give as not very good [...] it's a real number-crunching job [...] for head office's own internal reporting.

This quote echoes Agyemang *et al.* (2017) and Rahaman *et al.* (2010) suggesting that NGOs face challenges in balancing the need for global standardisation with the need for local flexibility. Similarly, FC B concurred, citing insufficient accounting information:

I think we have enough information to make day-to-day operating decisions, but I would like more of what I call 'management intelligence' where we cost what we're doing more cleverly, so we get better data and better financial information as to where we're putting our money, and where we're getting better bang for our buck [...] it's not something that any NGO really has, but I think there is a real need for it [...] we're just so busy all the time that it would be very hard to get anyone tasked to do that.

Overall, evidence here suggests that management accounting is relatively limited in scope (see Section 4.6 later). This echoes Sections 2.4 and 4.3. Finance managers note how the potential of their role is not being realised. General managers view accounting as important for monitoring and compliance purposes. There is little evidence of deeper engagement with management accounting. The final section will extend the context further and present an even wider environment for exploring management accounting.

4.5 Other Issues Highlighted by NGO Managers

This section outlines other themes raised by interviewees. It is primarily based on ‘contextual issues’ questions outlined in Appendix A. Such issues extend the context beyond accounting into the wider NGO environment. It augments Section 2.2 of the literature review. It also helps inform theory selection in the next chapter. The semi-structured nature of interviews allowed themes of importance to practitioners and NGOs to emerge. The first theme is the post-2008 global economic downturn, and a resulting increase in pressure to tangibly demonstrate impact. The second theme is the administrative burden from donor funding. The third theme is colleagues’ capacity in financial management. Each theme is detailed here.

4.5.1 The Recession and Impact Accounting

One prominent theme to emerge is how the NGO sector was forced post-2008 to respond to changing global economic circumstances. The global economic downturn, and Irish austerity, arose repeatedly with interviewees. It particularly exercised CEO C:

The biggest influencing factor on how we use [*financial*] information has been the recession [...] we are aware there is a structural deficit in the funding [...] we now need to start looking at other ways to save and continually cut fat out of the system [...] so, some of the decisions are pretty stark! [...] trying to manage our way through the recession having made those cuts, the new financial information [*from Agresso*] is absolutely critical.

CEO A and CFO B echoed this:

Part of the problem in the past couple of years is there were falls in income in comparison to what we were expecting. So we had to take corrective measures and cost-cutting measures in those circumstances. That’s where having a fairly close eye on the whole underlying finances of the organisation is critically important, because sometimes I think if you leave these things go and don’t take the decisions early enough, it’s going to lead to problems. (CEO A)

We're in recessionary times. It's very difficult to fundraise [...] the sustainability of the organisation in the long-term is the biggest issue at the moment [...] what we receive in terms of unrestricted or general funding is incredibly important for leveraging institutional donor funding. (CFO B)

Unrestricted funding for overheads and co-financing programs is vital to remaining a going concern. Notably, CFO C alluded to positive aspects from the changed financial climate:

I think finance is becoming more important in this place since the recession [...] Organisation C has a good finance system now which can help us manage those resources much better, and move resources around as needed, which wouldn't have happened in previous years. They're positive, I think in a way, because it ensures that we have better financial management.

One of the primary outcomes of the downturn is a greater focus by NGOs on demonstrating the impact of their work (see Section 2.4). CEO C remarked:

The project system is long gone, and you have to demonstrate impact with a focus and develop specialities. We work in five programs [...] how we're demonstrating impact in order to encourage people to continue to give [...] it is one that kind of goes against the grain of the kind of people who come into this sector.

CEO A framed impact beyond Organisation A to the whole NGO sector:

I would like to see increasingly 'impact accounting' where organisations would be obliged to say, or at least would choose to say, what impact their work is having; and not just that they spent the money in the way that they've said they spent it [...] the agenda that I would like to be moving towards increasingly is a debate about effectiveness in this area of impact, beyond finance. I think more NGOs need to start thinking about this.

CD B connected impact with management accounting:

[*It is*] by being comfortable that the level of investment is commensurate with what you are getting back out. But that's not just about financial information, that's also about analysing what you're doing and contextualising that in terms of what kind of impact is it having, and is that impact longer-term?

Overall, interviewees assert that NGOs will increasingly be required to tangibly demonstrate impact. Impact accounting is measuring the effectiveness of NGOs (Soya *et al.*, 2004; Tinkelman and Donabedian, 2007). CEO A and CEO C contend the whole NGO sector must

address impact. This illustrates a desire to explore avenues of measuring value-for-money, and engage in critical analysis of spending. It is also tentative evidence of external influences on the case study organisations. However, impact accounting could add another administrative burden. The administrative burden, especially from donor-compliance requirements, is the second major theme. This is presented next.

4.5.2 The Donor-Compliance Burden

Donor-compliance is demonstrating accountability, and reporting on funding received. Charity spending is regularly in the media, and is a concern for the public and NGO practitioners (Harrington, 2011; O’Callaghan, 2016). The level of resources required for effective donor-compliance was raised multiple times at interviews in all three NGOs. CEO A remarked:

If you don’t have proper accounts I think your reputation is at risk, definitely [...] We’ve gone through a very rigorous process in the last few years [...] I do think we’ve been through innumerable audits in the last year.

CFO B welcomes such audits to improve their standards, but also notes the resources used:

We have a financial controller and a finance team in all of them [*countries*]. Where it is warranted we have roving accountants where the fields have a large geographical spread, in most fields we have a national internal auditor. From a technical point of view we have a roving donor-compliance officer and a roving internal auditor and soon to be another, and two roving financial co-ordinators [...] They would hugely feed into the revisions of finance manuals and finance forms, like from a compliance perspective donors are always coming in with new rules or constantly changing rules, so that’s always kind of change there. But we’re always trying to improve and we’re also subject to continual audits.

The frequency of audits at Organisation B is noteworthy, as CFO B continued:

We have our own annual statutory audit, and an annual statutory audit in each of the fields, which feeds into the consolidated financial statements. But we’ve on-going audits with donors. This year in HQ alone we’ve had USAID, EU, Irish Aid; we’ve also had capacity assessments from our technical team, capacity assessments from

KPMG, from a grant assessment from DFID. We have audits going on in all the fields. It's continual, and out of those audits you'll get recommendations. We'll have to complete management responses. I mean you're never left alone!

This illustrates external influences on accounting in a case study organisation.

CFO A described the practical considerations for meeting donor requirements:

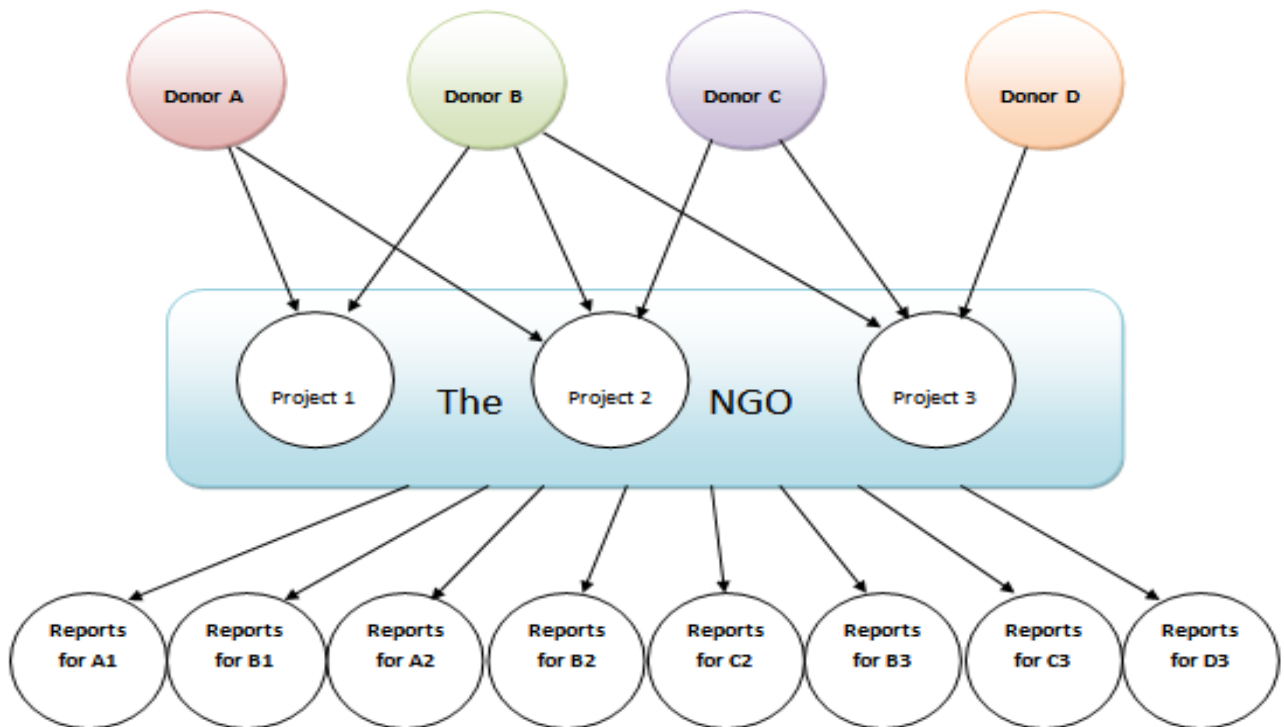
Donors are sometimes wildly unrealistic as to what is actually possible in those [developing] countries. I think with the compliance burden that people don't realise the amount of sheer donor obligations that are placed on you. It's much bigger than for commercial organisations that would be getting grants from the IDA [*Industrial Development Authority*]. I mean, the reporting requirements and the audit requirements for NGOs, who are working in slightly ridiculous situations, sometimes are way over the top!

Another illustration of external influences on accounting at a case study organisation appeared, as CFO A continued:

There is no integration of the demands of donors. They all have completely different reporting formats. They all have completely different rules as to how you can spend their money. They all have completely different audit requirements. Everything! So, you know, if you have a poor accountant in a country with six donors, they will in all likelihood have six different reporting periods, six different reporting formats, six different sets of rules as to how you can spend their money [...] if they could get a common standard and apply it, and streamline it a bit, it would be hugely helpful.

Such scenarios are common in the NGO sector (Assad and Goddard, 2010). An accounting system that incorporates organisational reporting and donor reporting is needed, according to CFO A, CD A, and FC A. The concerns of the interviewees are visually illustrated in Figure 4.6. Figure 4.6 demonstrates how a hypothetical NGO could have four donors supporting three projects in Uganda, which results in eight reporting streams.

Figure 4.6 - The Donor-Compliance Burden



Donor-compliance challenges were a prominent issue at field level. CD B explained:

We have a lot of financial oversight. We have a lot more financial oversight than we have programmatic oversight. We wouldn't be wanting anymore! [...] what we're about is really implementing programs. Your systems need to help you do that. Sometimes your systems can be a little bit over-burdensome [...] I think there's more oversight of the NGO sector than the private sector [...] I would certainly be pushing back against any more systems and any more compliance systems [...] I think more analysis would be beneficial. But then you also need the time and space to analyse that information so you can make decisions and change the way you do accounting.

This quote hints that external funding can shape accounting in NGOs. That aligns with O'Dwyer and Boomsma (2015) noting fears that narrow donor-focused 'imposed accountability' could crowd-out broader qualitative forms of accountability. Accordingly, it would leave NGOs powerless to determine the nature of their own accountability (O'Dwyer and Boomsma, 2015).

The donor-compliance burden is compounded by a practice prevalent in the NGO sector called ‘spend-out’. Funding must be spent in full within a specified time-frame. Otherwise, remaining money is returned, and additionally can jeopardise future funding. Spend-out targets in Organisation B are prioritised. FC B explained:

We have a responsibility to spend-out our grants. If we don’t do that, it may obviously have consequences for further funding [...] I think for me though, we’re trying to create a little bit of a mind-set change in Organisation B. Everybody is focused on spend-out and making sure you’re spending your grant out. For me that’s really only part of the picture. For me the big picture is whether we’re implementing as we’re supposed to be implementing [...] we need to focus on slow implementation – as opposed to slow spend. Because we’re here to implement projects. Whereas NGOs in general, and Organisation B are no exception to this, are almost exclusively focused on spend.

The donor-compliance burden poses the question of whether staff have the capacity for the work involved. Staff capacity in financial management is the third major theme.

4.5.3 Staff Capacity in Financial Management

The final contextual theme is staff capacity in financial management. This primarily relates to the capacity of finance staff in Uganda. However, a connected second issue is the financial literacy of country directors and program staff in Uganda. CFO C introduced the issue:

The organisation is not so rich with people who have that skill-set [*international development*] who have a finance skill-set as well.

Professional expertise is less likely to be available to NGOs than commercial organisations, because NGOs cannot offer comparable salaries (Tucker and Parker, 2013). The pool of potentially suitable employees with a breadth of operational and financial skills is therefore thin (Chenhall *et al.*, 2010). It has sometimes led to recruiting personnel with less than the required capacity (Parker, 2002).

CEO A set the tone:

It's not easy to get good accountants in many of the countries we work in. Especially given that we have nationalised [*i.e. local people*] most of these positions, nearly all of them [...] the quality of people across the 25 countries will vary somewhat.

This is one of the main organisation-wide challenges. CFO A was vocal that potential uses of accounting are constrained by the capacity of people in the field:

There is a reason for that. Capacity in the country isn't very good, and that's why we're there in the first place. Because we've country accountants on a contract, and then they tend to leave, or they get attracted to industry, or because they've been trained up they become more employable and off they go. It's really hard to sustain a good standard of accounting and reporting in the field.

CFO A asserts that this is a key constraint for management accounting in Organisation A.

Some NGOs resolve capacity shortfalls by hiring expatriate staff where local capacity may be lacking (see Section 2.3). CFO A later emphasised that frequent turnover by expatriate staff at the end of their fixed-term contracts leaves no easy solution. The CEOs and CFOs of both Organisation A and C state a preference for employing locally-sourced accounting staff. CFO C explained:

You go to some places and an accounting qualification means that maybe you studied accounting in school, like we would have done for Junior Cert and you can call yourself an accountant in some places. So, depending on the level of development in some areas, there can be capacity issues. But you can't hire expatriates as it's not in our cost structure to do that.

Investing in training and retaining credible local staff can pay dividends in the longer-term (see Section 2.3).

The challenges noted are leading to a disjoint between the respective finance departments in Uganda and finance departments at head office. CD A explained:

Sometimes I feel that our accounting package and the whole system is more geared towards Dublin than the in-country requirements [...] we're following all the

procedures at this level, but then you go out to our field offices and there may be a bit of a disconnect.

FC B echoed this:

I think there is always a challenge when you have a head office [*Ireland*] quite remote from the field, perhaps with a lot of people who have limited experience of the field, that they can fully appreciate where you're coming from. *Interviewer: It's not that they don't get the financial end, it's more they don't get the development side of things?* Yes, I think that it's always a challenge.

Notably, no finance manager had even a basic qualification in international development. Two CFOs never worked in a developing country. Several finance managers had prior work experience in the NGO sector, either at head office or in developing countries. The CEOs and CFOs in all three organisations displayed relatively superficial knowledge of activities in Uganda. Accordingly, a related issue is a separate disjoint observed between program managers and finance departments in all three NGOs. Such a disjoint can be viewed in the context of many finance managers or management accountants lacking effective engagement with operational, commercial, and strategic issues even in the commercial sector (Byrne and Pierce, 2007; Lambert and Sponem, 2011). FC C remarked:

The biggest problem we have had so far is a lack of co-ordination between the program staff and the finance staff [...] there's been a breakdown in the past.

Equally, CFO C stated:

People who are development-focused have difficulty with, or are challenged by, managing the finance side of things.

CD A echoed this:

One of the issues is staff capacity; because I'm not doing the budgets, the budgets come from the field office level [...] another thing we need to look at here in Uganda is the capacity-building of staff at mid-management. We need to do more capacity-building with them to interpret the reports, and know what action they should take based on the reports.

FC A concurred:

Lack of financial knowledge among the budget-holders is another factor. People aren't using that information to make internal decisions.

FC B and FC C also agreed that financial literacy could be improved among program managers. CEO C suggested mutual understanding is helpful:

I have been encouraging them [*program managers*] to say we have made the decision to leave country X, now what do we need to do to minimise the damage of this to those people, so that we manage the process of withdrawing [...] it's not just one size fits all. It's trying to get much more sophisticated thinking into this [...] and I think in the way our program staff and program managers are trained, they don't think like that. They are development people, not finance people.

CEO C continued:

There is one simple thing that we're pushing home to people now is that they need to sit down and meet on a monthly basis. So, the program officer needs to sit down with their country manager and their finance person, and they need to review the budget line-by-line [...] I see that as the way for us to begin financial management, is to actually start to talk about it.

FC A echoed such sentiments in Organisation A. There, decisions are reached without influential input from the finance department.

The accounting function isn't enterprise wide. It's too localised among a few people [...] other departments are not getting involved in it [...] it doesn't have any bearing on the projects [...] there is a disjoint between finance and the other departments. Finance is integral to everything that we do [...] people don't realise this, but if other departments got more involved in the system there would be much better communication and understanding, and therefore better information would be generated. After all, people generate ideas which generate information [...] a lot of people don't use it [*financial information*] properly, or they don't know how to use it, or they are not interested. In that sense, it doesn't really add value because of a lack of participation.

The capacity in accounting of local partner NGOs was another topic raised. CFO C remarked:

We have heavily resourced partners, but we haven't resourced ourselves in overseeing what the partner is doing, or assisting the partner from an Organisation C perspective.

The timeliness of partner NGO reporting was cited as a problem by FC A, CD A, and CD B. Accounting practices and financial literacy of many NGO partners are below recommended standards. CD C noted:

There are different levels of ability among the partners in terms of financial reporting [...] in terms of how they organise their finances and do their financial reporting [...] some of the audits are poor [...] I think what I'd like to improve and continue to work on is partner ability to improve their financial management.

Corruption, fraud, and deliberate manipulation by NGO partners were cited by nearly everyone. CEO A explained:

Working in the developing world brings added challenges. Even in terms of that we have to have very good control systems. Given the places we work in, there will sometimes be cases of fraud.

In summary, two main disconnects repeatedly appear. One is between finance staff in Uganda and finance staff at head office. Financial controllers cite finance colleagues in head office not appreciating developing country challenges, or not understanding the complexities of international development. In addition, participants at field level do not think reporting templates to head office meet field level needs. On the other hand, participants at head office perceive weaknesses in finance teams at field level. This observation correlates with challenges of managing tensions between freedom and constraint, empowerment and accountability, top-down direction and bottom-up creativity (Simons, 1995). A second disconnect is between finance staff and program staff. For example, FC B acknowledged the physical distance from Kampala to field sites. There is little evidence of people having a skill-set or background in both international development and finance, other than learned on-the-job. A summary of contextual issues raised by participants is presented next.

4.5.4 Summary and Outcomes

The preliminary interviews allowed themes to emerge that are important to practitioners or their organisations. This extends the context for management accounting to the broader NGO environment. This section noted the influence of the post-2008 global economic downturn through a corresponding pressure to tangibly demonstrate impact. It proceeded to focus on the reporting requirements of NGOs. Finally, it observed that staff capacity can be lacking at field level and there is a disjoint between finance staff and program staff. The next section concludes the chapter by summarising how outcomes from the preliminary interviews become inputs for informing theory selection.

4.6 Preliminary Interview Outcomes as Inputs for Theory

The outcomes of the preliminary interviews conducted, and artefacts examined in the three case study organisations, augment Chapter 2. They provide useful information for the first research sub-question, as current management accounting practices and the orientation of broader accounting systems were explored. The way such outcomes evolve into inputs for informing a theoretical approach is outlined here.

4.6.1 Preliminary Interview Outcomes

Overall, the preliminary interviews and corresponding artefacts examined showed that the key management accounting tools used at each case study organisation are budgets and monitoring spending variances (see Figure 4.4), essentially as a control device. The emphasis on budgeting is summed up by FC B:

Our ability to very regularly put a budget together, for example for a proposal, is vital. And you can only do that if you've got good accounting systems; absolutely vital.

This outcome concurs with Fiador (2013), who found that budgeting was the main planning and monitoring tool for two-thirds of Ghanaian NGOs. Techniques for measuring efficiency are not being used, other than versions of the three conversion ratios (see Section 4.3). Thus, in general, management accounting looks relatively limited in scope, as suggested by literature (see Section 2.4). Furthermore, it looks ‘relatively limited’ even to a comparable sector such as healthcare. For example, Padovani *et al.* (2014) note the use of more extensive financial and non-financial KPIs in a hospital, where cost and efficiency became an organisation-wide accepted goal of a new management accounting system. Similarly, Pizzini (2006) documents how activity-based costing informed better decisions in American hospitals, by the visibility of the process and entities under management that produced a range of performance effects. Indeed, Robson (2008, p.353) summarised the history of management accounting at UK hospitals as ‘a gradual evolution of cost information, an increasing number of cost-units and more intricate allocation processes’, while questioning the continued feasibility of collecting standard cost information for every hospital. The comparatively greater use of management accounting in healthcare (Chapman *et al.*, 2013 and 2014; Kaplan and Porter, 2011; Robson, 2008) has nevertheless still led to ‘minimum and maximum costs for certain kinds of procedures indicating an implausible degree of divergence’ (Chapman, 2015, p.403). As such, ‘relatively limited’ can be understood against the context of the comparable healthcare sector.

It is noteworthy that the respective accounting software systems used by the case study organisations are relatively external accounting orientated (Great Plains by Organisation A, Sage by Organisation B, and Agresso by Organisation C). The field office in Organisation A focuses on quarterly pre-formatted reporting to head office in Ireland. In turn, head office in

Ireland focuses on monitoring spending variances of programs and consolidating accounts. Corrective action subsequently occurs at field level based on spending variances. As donor-compliance is a priority for all interviewees in Organisation A, both of the managers in Uganda proposed that their accounting system should be designed around donor reporting instead of head office reporting. The field office in Organisation B focuses on monthly updating of the globally standardised donor status report for head office in Ireland, which monitors spending variances. Head office focuses on worldwide consolidation of all the donor status reports. Field offices in Organisation B update their forecasts for ‘spend-out’ of donor funds as part of this process. The field office in Organisation C also mainly focuses on monthly globally standardised reporting to head office of spending variances on donor funds and versions of the conversion ratios. Corrective action occurs at field level based on spending variances. Agresso is capable of more sophisticated management accounting information than Organisation C currently utilise (see Sections 4.3 and 4.4).

Interviewees at the head offices in Ireland of all three case study organisations highlighted how the increasing expectations for transparency by the public and donors are manifesting in donors regularly examining their accounting systems. Overall, all three organisations are primarily concerned with reporting to donors. However, this broad outward appearance of homogeneity belies certain distinctions. Internally, finance managers in Organisation B perceived their role as more top-down, with finance managers in Organisation C perceiving their role more as ‘support’, and finance managers in Organisation A were in-between. Furthermore, overall, finance managers perceive that management accounting is less central or useful to their respective organisations than general managers do. In addition, in terms of

overall engagement with and enthusiasm for management accounting, Organisation C ranks first with Organisation A last.

Despite assertions from some finance managers that more sophisticated management accounting could prove useful at their respective NGOs, other interviewees are content with management accounting for monitoring and control (see Sections 4.3 and 4.4). For example, all three country directors framed their respective engagement with financial matters in terms of budgeting and monitoring spending variances, with only weak interest in extending this. In this regard, CD B highlighted NGO sector funding structures as driving the design of financial analysis. However, two financial controllers in Uganda suggested financial perspectives could potentially contribute more to their organisations. The financial controllers' perception could be due to evidence in all three case study organisations of constraints on local flexibility for management accounting, because of the pre-formatting of reports by head office based on defined allocations and the recently introduced globally standardised accounting systems. Notably, both finance managers in Organisation A asserted that their management accounts do not contribute to decision-making. The consensus of all eleven participants was that financial considerations are secondary to development priorities. Notwithstanding this, both head office managers in Organisation C noted that financial considerations are more prominent because of post-2008 economic conditions, and correspondingly all interviewees in Organisation C demonstrated comparatively higher cognisance of management accounting, aided by better quality information from their new Agresso system.

Interestingly, participants expressed a need to demonstrate impact without directly linking back to measures of efficiency. Similarly, no organisation employs an ERP system that automatically links operational information with financial information. That disconnect between their systems is somewhat mirrored by a corresponding two-way disconnect between finance staff and program staff that is perceived to exist in all three case study organisations. For example, at field level, poor financial literacy exists among program staff, while finance staff fail to adequately translate financial reports for them. In addition, capacity of staff numbers and staff ability can be lacking in finance departments at field level, especially from the perspective of the head offices in Ireland, thereby potentially limiting the scope for management accounting. Nevertheless, the accounting software and professional expertise (at higher management levels in Uganda and at head office) exist in these organisations to extend management accounting. Yet, even though more sophisticated management accounting *can* be performed, it is not. What are the reasons for this? This links back to the two research sub-questions.

This chapter helps guide the direction of the study and supports prior literature, as it tentatively illustrates that management accounting at the case study organisations is limited relative to a comparable sector. Accounting is for maintaining relationships with external stakeholders (e.g. donors), rather than primarily for internal purposes. However, despite staff capacity challenges in Uganda, there is no technical reason for management accounting being relatively limited. There appear to be greater issues at play. For example, Assad and Goddard (2010) note how the computerisation of manual accounting in NGOs only facilitated the same processes and outputs being performed faster. It did not result in accounting becoming important internally. Assad and Goddard (2010) were primarily exploring stakeholder

salience, so reasons for this were not provided. The preliminary interview outcomes support this observation by Assad and Goddard (2010), suggesting other factors hinder management accounting becoming more widespread and insightful at the case study organisations. Incorporating these outcomes, the study begins to consider why. Accordingly, they become inputs for informing the selection of a theoretical approach in the next chapter.

4.6.2 Inputs for the Theoretical Approach

The outcomes of the preliminary interviews and artefacts examined provide clues that guide the study towards particular theories that may be useful for explaining greater issues at play. As an exploratory study, it is beneficial to maintain an open mind while reflecting on the most suitable theoretical approach. Exploratory researchers are ‘first and foremost’ theorists, and theory is the primary goal of exploratory research (Stebbins, 2001, p.51). For example, are internal influences or external influences on the case study organisations more conducive to providing comprehensive insights and plausible explanations? The interpretivist nature of this research embraces internal and micro perspectives. Factors known to impact on the role of management accountants, and potentially on management accounting by extension, include competitive environments, management expectations, culture, technological developments, cross-functional interaction, structural arrangements, physical location, accounting innovations, individual qualities, economic forces, and institutional forces (Byrne and Pierce, 2007). The added complexities for using management accounting at the case study organisations (see Chapter 2 and Sections 4.3, 4.4, and 4.5) could also indicate that a combination of perspectives could be more useful than adopting a potentially narrow single theory in this instance, especially as it is an exploratory study. Furthermore, there can always be competing theoretical explanations that are arguably equally plausible. However, prior

literature (see Chapter 2) combined with preliminary interviews and artefacts (see Section 4.6.1) can enable a more informed reflection in this regard.

For example, operational activities are designed with the beneficiary as the priority, i.e. operational activities are mission-driven. On the other hand, accounting is driven by compliance concerns with funding, with donors prioritised. There is evidence of tension and a separation between these two aspects of the case study organisations, which leads to nuances between that dichotomy (see Sections 4.4 and 4.5). Such nuances and tensions will be drawn-out further in upcoming theoretical considerations (see Chapter 5) and later empirical discussions (see Chapter 7). One of the reasons cited for such tension was that beneficiary and mission-driven concerns guide decisions more than financial concerns. Accordingly, exploring concepts around stakeholders could be useful (see Section 5.2).

The preliminary interviews and corresponding artefacts examined also hint that institutional forces are present in the NGO sector. For example, in spite of nuanced distinctions both within each organisation and between each organisation (see Section 4.6.1), there is a broad overall homogeneity in how accounting is used at the three case study organisations (see Sections 4.3 and 4.4). This could be related to Soya *et al.* (2004) finding that more effective NGOs have similar management practices, as well as structures and processes that are generally accepted as best practice within the sector. Thus, exploring how institutional forces shape management accounting at international development NGOs may provide worthwhile insights. New institutionalism in particular may be helpful, as it can explain homogeneity and isomorphism at organisations (Tucker and Parker, 2013).

More so than any other social category, the professions (e.g. accountants) function as institutional agents – as definers, interpreters, and appliers of institutional elements (Scott, 2008). Therefore, one might expect accountants to act in an institutional environment as follows:

The largest proportion of those who make up a professional occupation are those who apply professional principles to the solution [...] the more experienced clinicians do not simply apply mechanically their textbook remedies, but rather more or less creatively adapt their generalised principles to the specific problems confronted. In doing so, in a case-by-case incremental fashion, clinical professionals, like carriers, participate in the creative process of proposing new distinctions, measures and methods in a ‘bottom-up’ incremental fashion (Scott, 2008, p.228).

However, the outcomes of the preliminary interviews tentatively illustrate that accounting professionals are not acting in this manner. Instead, finance managers are pre-occupied with ensuring pre-formatted compliance reporting to head office and donors. Additionally, finance managers’ input into operations and strategy is relatively weak (see Section 4.6.1), distinguishing their role at the case study organisations from the modern evolution of management accountants into ‘business partners’ in many organisations (see Section 2.4). Finance managers find it challenging to integrate contributions beyond their own departments (see Sections 4.3, 4.4, and 4.5). Based on the clues from the preliminary interviews and corresponding artefacts examined, identifying the reasons why management accounting is relatively limited would benefit from follow-on probing through the lens of a theoretical approach (see Chapters 5 and 7). In this regard, it is particularly noteworthy that the use of management accounting seems quite rudimentary for organisations of such size and complexity, especially relative to the comparable healthcare sector (see Section 4.6.1). It is also interesting that common themes about the effects of donor-compliance, staffing challenges, and the broader economic climate emerged (see Section 4.5). Accordingly, it

requires further investigation to ascertain the influence of institutional forces in the NGO sector (see Section 5.3).

Additionally, if accounting at the case study organisations consists mainly of monitoring spending variances and donor-compliance reporting (potentially influenced by institutional factors), and yet operational and strategic decisions are mainly mission-driven (albeit more nuanced than this simple dichotomy), does this demonstrate the existence of a loosely coupled system? Loose coupling is a situation where elements of an organisational system are responsive but also retain separateness (Weick, 1976). For example, Goddard *et al.* (2016) note that loose coupling helps understand why accounting changes which could have enhanced internal decision-making at NGOs were not utilised. Thus, loose coupling could help explain how influences from the institutional environment manifest inside a NGO, i.e. at an intra-organisational level. Loose coupling is therefore discussed in Section 5.4.

Further theoretical approaches that could also be relevant for providing a basis for the next stage of empirical research are also considered, including structuration theory (see Section 5.6). Structuration theory attempts to reconcile the theoretical dichotomies of social systems, such as agency-structure, subjective-objective, and micro-macro divides (Cohen, 1989). Structuration theory has contributed to management accounting explanations before (Ahrens and Chapman, 2006; Baxter and Chua, 2003; Coad *et al.*, 2015; Jack, 2005 and 2007; Jack and Kholeif, 2008). In a context close to the present study, Scott *et al.* (2000) identified eight dimensions along which the structuration of fields may vary, based on a study of healthcare. Furthermore, structural constraint whereby contradiction is linked directly to conflict where perverse consequences ensue (Giddens, 1984) could possibly be related to the issue of

restricted funding and accountability in the literature review, along with the relatively limited nature of management accounting (see Sections 2.3 and 4.3).

New Public Management is also examined (see Section 5.6). Certain aspects of the literature review around measuring organisational efficiencies and improving accountability in NGOs (see Sections 2.2, 2.3, and 2.4) mirror the inspiration for new public management in the public sector. Both public sector bodies and NGOs can be non-profit, government-funded, socially-orientated organisations influenced by efficiency-driven pressures. The relatively limited nature of management accounting at the case study organisations (see Sections 4.3 and 4.6.1) could be mirroring the initial attraction for applying new public management to public sector bodies such as hospitals.

Having initially identified some potentially useful theoretical perspectives from the preliminary interviews, the next chapter discusses each one in more depth with a view to forming a suitably broad and plausible theoretical lens to pursue the core research objective.

CHAPTER FIVE - THEORETICAL APPROACH

5.1 Introduction

The outcomes of the preliminary interviews provided clues to inform a theoretical approach for this study (see Section 4.6). For any research, there can be a choice of viable theoretical approaches. In interpretive research, theory plays a central role (Neuman, 2003); it is both the input and output of the research process. Qualitative researchers use theory to gain an understanding of phenomena, unlike quantitative researchers who use theory to obtain predictions (Abdul-Khalid, 2009). In a case study (see Section 6.3), like the present study, there is an on-going relationship between theory and observation, and through such observations theory may be refined, modified, or even rejected (Ryan *et al.*, 2003).

In line with the ontology and epistemology of this study (see Section 3.5), accounting is not neutral, but instead privileges certain interests (Hines, 1988; Humphrey and Scapens, 1996). Accordingly, accounting is a social practice conducted by diverse social actors (Laughlin, 1995). A social theory can encourage a researcher to broaden perspectives, to ask different questions, to relax traditional assumptions, and to develop accounting knowledge by challenging existing claims (Humphrey and Scapens, 1996). Social theories can be divided into three broad groupings: micro, meso, and macro (Neuman, 2003). By their nature, organisations are placed in the meso-level which operates at an intermediate level between micro and macro. Organisations are therefore subject to pressures from external institutional actors, but are also vulnerable to the actions of its own actors who might at any point choose to do 'otherwise' (Jack and Kholeif, 2007, p.222).

Such pressures from external actors have been noted in the literature review and the preliminary interviews, which identified the influence of various stakeholders in the NGO sector (see Sections 2.3, 4.3, and 4.4). This chapter therefore begins by investigating the concept of stakeholders. Then institutional theory, and in particular new institutionalism, is explored. New institutionalism could help explain the broad overall homogeneity in management accounting across the case study organisations (see Section 4.3). Misalignment between the finance and operational functions is also evident (see Sections 2.3 and 4.5), and thus the concept of loose coupling is later presented. In due course, a working theoretical model to inform the main empirical research is developed.

However, the complexity of the international development NGO sector, and in addition the rather distinct nature of accounting and management accounting at such organisations (see Chapters 2 and 4), indicates that alternative theoretical explanations are also plausible. For any research, it is important to examine other viable theoretical explanations with an open mind, especially for an exploratory study (Chapman, 2015; Stebbins, 2001). Accordingly, the merits of using structuration theory, which bears some resemblance to institutional theory through its duality of structure, are considered. Similarly, the potential applicability of new public management for this research is also examined. Both approaches are outlined at the end of the chapter, including how each might be useful for exploring management accounting at NGOs (see Section 5.6), and an outline as to why they were deemed less suited to inform the present study.

5.2 The Concept of Stakeholders

The applicability of the concept of stakeholders in light of the literature review, preliminary interviews, and core research objective is considered here. Stakeholder considerations are common in NGO literature (Lecy *et al.*, 2012). Stakeholders of NGOs can include members, beneficiaries, donors, government, the general public, media, staff, volunteers, partners, allies, referral agencies, and boards of directors (Candler and Dumont, 2010; Tucker and Parker, 2013). The preliminary interviews suggested that operational priorities are guided by beneficiaries, with financial priorities guided by donors (see Section 4.4). Typically, the literature makes a distinction between taking an ethical or positive approach to stakeholders. These are now introduced.

5.2.1 Overview of Stakeholder Concept

The concept of stakeholders in organisations has its origins in Freeman's (1984) stakeholder 'theory'. Fassin (2009) states the most accepted definition of stakeholders is Freeman's (1984, p.46), 'any group or individual who can affect or is affected by the achievement of the firm's objectives'. The concept of stakeholders focuses on how management incorporates the interests of stakeholders, and establishes the principle of who or what really counts (Freeman, 1984).

While stakeholder theory is probably best considered a theory in the sense of corporate governance in the commercial sector (Donaldson and Preston, 1995; Freeman, 1984), stakeholder theory is not a theory *per se* in a wider sense. Stakeholder theory essentially consists of a set of propositions that managers of organisations have obligations to a group of stakeholders (Hyndman and McMahon, 2010; Kaufman and Englander, 2011). Stakeholder

theory proposes networks of stakeholders (Freeman, 1984). A network of stakeholders is applicable to the NGO sector, and has been captured by academics and policy-makers alike (Connolly *et al.*, 2013; Unerman and O'Dwyer, 2006). While stakeholders are likely to be influential in how NGOs operate (Hyndman and McMahon, 2010), they are not the main explanatory factor for how and why NGOs behave as they do (Assad and Goddard, 2010). The absence of shareholders in the NGO sector implies that other stakeholders influence managerial decisions (Hyndman and McMahon, 2010). Hence, it is an appealing lens for this research.

The issue of stakeholder management can be approached from either an organisational, stakeholder, or conceptual point of view. The first two view it from a meso-level, while the conceptual approach views it from a macro-perspective (Steurer, 2006). The organisational point of view focuses on how organisations deal with stakeholders. The stakeholder point of view analyses how stakeholders try to influence organisations. The conceptual point of view explores how particular concepts such as the common good relate to organisation–stakeholder interactions (Steurer, 2006). All three perspectives feature a normative, a descriptive, and an instrumental aspect. The stakeholder point of view is less relevant here, as this research is not trying to identify stakeholders or explain their behaviour. Nevertheless, the existence of dual perspectives at the meso-level means organisation–stakeholder interaction goes two ways. The organisational perspective is the most relevant to the core research objective. It is further sub-divided into an ethical approach and a positive approach to stakeholders (Dhanani and Connolly, 2012). The distinction between the ethical approach which posits that all stakeholders should be treated fairly, and the positive approach which posits that an organisation should ‘manage’ its stakeholders, is introduced next.

5.2.1.1 Ethical Approach

The ethical approach interprets the function of an organisation on the basis of underlying moral principles (Donaldson and Preston, 1995). This approach postulates that organisations have a responsibility to honour all stakeholders equitably, with genuine stakeholder democracy and participation. Where stakeholder interests conflict, it asserts that managers should seek optimal fairness between them (Dhanani and Connolly, 2012). The ethical approach suggests it is the responsibility of managers to optimally direct resources for legitimate stakeholders (Tucker, 2010). Distinguishing the different degrees of moral responsibility to various legitimate stakeholders is required. As a result, a normative identification of stakeholders is often a starting point (Kaler, 2003). This addresses values in managing an organisation (Philips and Freeman, 2003). It corresponds with an interpretivist epistemology. The normative identification of stakeholders leads to becoming stakeholders-in-ethics (Jennings, 1998).

Stakeholders-in-ethics include actors from civil society, business, and government who collaborate for common solutions to problems (Jennings, 1998). Problems approached this way can affect people across national boundaries, tend to be complex, and are not sufficiently understood (Roloff, 2005). Information is gathered, learning takes place, conflicts are addressed, and cooperation is sought. The ethical approach implies a commitment to open communication, fair interaction, and contributing towards a solution (Roloff, 2005). Consequently, stakeholders-in-ethics are individuals or groups who can affect or are affected by such solutions (Roloff, 2005). The normative base of stakeholder concepts is the key aspect, focusing on the identification of moral guidelines (Donaldson and Preston, 1995). However, an alternative is the positive approach to stakeholders, described next.

5.2.1.2 Positive Approach

The consideration of stakeholders was initially conceived to support strategic planning in the commercial sector (Jennings, 1998). The positive approach to stakeholders contends that if organisations engage with stakeholders on a basis of mutual cooperation, then those organisations would build reputation that provides a competitive advantage (Hyndman and McMahon, 2010). The positive approach is concerned with long-term survival and success. Concerned with preserving organisational interests, the positive approach encourages organisations to manage stakeholders to attract their approval. This encourages management to expend more effort on the more salient stakeholders who have power to influence organisational outcomes (Dhanani and Connolly, 2012; Mitchell *et al.*, 1997). It posits that organisations require the support of their stakeholders. To gain this support, management need to legitimise their activities to salient stakeholders. Management can obtain legitimacy through different accountability mechanisms that demonstrate that values and success are commensurate with stakeholder expectations (Dhanani and Connolly, 2012).

The differing saliency of various stakeholders in the positive approach led Mitchell *et al.* (1997) to compose a typology of stakeholders. It is based on the attributes of power (imposing its will), legitimacy (socially-expected behaviours), and urgency (the time sensitivity of stakeholder claims). Assad and Goddard (2010) suggest that Mitchell *et al.*'s (1997) typology can be refined for the NGO sector to include: 1) dominant definitive stakeholders, who have high levels of utilitarian power and an intention to use it (e.g. donors); and 2) subordinate definitive stakeholders who have mainly normative power (e.g. beneficiaries). Dominant definitive stakeholders can demand more significant changes to organisational processes than subordinate definitive stakeholders. The description and

explanation as to what and how managers pay attention in stakeholder interactions, has not received much attention (Assad and Goddard, 2010). Nevertheless, this descriptive component is a consideration for exploring management accounting at NGOs (Assad and Goddard, 2010).

Assad and Goddard's (2010) typology of differing levels of saliency pose issues. Potentially contentious relationships between stakeholders and organisations arise from incompatible interests (Friedman and Miles, 2002). The multiple and often conflicting demands of accountability central to the concept of stakeholders place extensive pressures on NGOs (Dhanani and Connolly, 2015). Some stakeholders will be more credible than others, and some will be more influential than others. In addition, stakeholders often evaluate performance differently (Tucker, 2010). Important stakeholders are frequently unclear about their basis for assessing NGO effectiveness, and thus their evaluative criteria change over time (Herman and Renz, 2008). Nevertheless, stakeholders' assessments are important in determining performance. However, organisational performance is broader than the operationalisation of the construct (Tucker 2010). For example, Dhanani and Connolly (2012) show that contrary to the ethical approach, NGO accountability is motivated by a desire to legitimise activities and present it in a positive light. The applicability of such issues to management accounting research in the NGO sector is explained next.

5.2.2 Stakeholders in NGO Research

The concept of stakeholders has evolved from a corporate-centric perspective into a more comprehensive research field. It addresses organisation–society relations from various points of view. Although most prior literature addressing stakeholder relations concerned the

commercial sector, it can be adapted for the NGO sector (Candler and Dumont, 2010; Connolly *et al.*, 2013 and 2013a; Hyndman and McConville, 2016; Lehman, 2003; Ossewarde *et al.*, 2008; Speckbacher, 2003; Unerman and O'Dwyer, 2006; Valeau, 2015). The consideration of stakeholders has made significant contributions to NGO research (Tucker, 2010). The absence of shareholdings in NGOs means the concept of stakeholders can explain dynamics within and between organisations with respect to accounting (Assad and Goddard, 2010). Unlike commercial organisations, the mission of NGOs is to provide a public service (Tucker, 2010). By their nature, these services are often intangible, difficult to measure, and sometimes conflicting (Forbes, 1998). This is due to the heterogeneous needs of the diverse stakeholders served by NGOs. Different stakeholders give different priorities to different criteria, making the possibility of a single measure of performance unlikely (Speckbacher, 2003).

Most stakeholder literature on NGOs has been concerned with NGOs being a stakeholder within a wider society (e.g. Fassin, 2009a), with less focus on the stakeholders orbiting a NGO (e.g. Hyndman, 2010). In terms of the latter, accounting in the NGO sector has changed enormously since the 1980s, with various stakeholders who orbit NGOs influencing this (Hyndman and McMahon, 2011). The preliminary interviews revealed the influence of such stakeholders, especially donors and beneficiaries. While some interviewees cited attempts to align their organisation's activities with potential donor funding, operational priorities overall are based on their mission (see Section 4.3). Notably though, robust accounting was viewed as key to an on-going healthy relationship with donors (see Section 4.5). Therefore, the descriptive component is useful for the role that accounting plays in relationships with stakeholders. For example, stakeholder salience is influential in understanding NGO

accounting practices (Assad and Goddard, 2010). Certain stakeholders (i.e. donors) exert substantial influence in Assad and Goddard's (2010) case study, often to the detriment of dependent stakeholders with little power who were accorded little attention.

5.2.3 Summary and Outcomes

The concept of stakeholders has been used as a foundation for appropriate accounting frameworks within the NGO sector (Hyndman and McDonnell, 2009). However, Assad and Goddard (2010) contend that stakeholder analysis does not explain all aspects of accounting practice. Whilst a stakeholder approach provides insights into how performance might be measured by different stakeholders, it provides only part of the answer for how these different viewpoints might be integrated (Tucker, 2010). A deeper contextual and processual analysis is required (Assad and Goddard, 2010). In this respect, literature has shown that a network of stakeholders can over time gradually develop into an institutional environment (Roloff, 2005). Thus, institutionalisation could be a fruitful avenue to inform a deeper theoretical approach, as stakeholders in the NGO sector interact as part of an institutional environment (Dar, 2014; Holcombe *et al.*, 2004). The next section will examine institutional theory as a possible theoretical lens, and in particular new institutionalism.

5.3 New Institutionalism

As the network of stakeholders in the NGO sector can form a distinct institutional environment (D'Aunno, 1992; Dar, 2014; Dolnicar *et al.*, 2007; Harris *et al.*, 2009; Holcombe *et al.*, 2004; Lewis and Opoku-Mensa, 2006; Ossewarde *et al.*, 2008; Roloff, 2005; Sanginga *et al.*, 2007), this section considers the potential contribution of institutional theory to this research. For example, O'Dwyer and Boomsma (2015) call for studies to

explore the implications of different institutional environments on NGO accountability. However, Scott (2001) suggests that the NGO sector is a field where institutional theory has so far not made any significant contribution to an understanding of institutions or institutional stability and change.

5.3.1 Introduction

The preliminary interviews revealed a broad uniformity of management accounting at the case study organisations (see Section 4.3). This suggests institutional forces are present, and shape the role accountants and accounting plays in the NGO sector (Scott, 2008). In management accounting research, institutional theory focuses attention on institutional forces that can impact on, and be impacted by, management accounting (Moll *et al.*, 2006). Therefore, in this section an introduction to institutional theory is initially provided. This is followed by a more in-depth examination of new institutionalism and its applicability to exploring management accounting in the NGO sector. New institutionalism has been utilised in recent NGO studies (e.g. Claeys and Jackson, 2012), and for studies of management accounting in non-profit organisations (e.g. Tucker, 2010). Overall however, little empirical research in the NGO sector is conducted through the lens of institutional theory (Claeys and Jackson, 2012).

5.3.2 An Overview of Institutional Theory

A commonly cited definition of an institution is that of Hamilton (1932, p.34), who defined it as ‘a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people’. This definition implies that the NGO *sector* can be viewed as an institution, with a NGO being an organisation operating in the institutional

environment of the NGO sector. Generally, institutions enable ordered thought, expectation, and action by imposing form and consistency on human activities (Hodgson, 2006). Institutions provide stimulus, guidelines, and resources for acting as well as prohibitions and constraints on action (Scott, 2014). Typically, an institution exists at a higher level of analysis than an organisation (Scott, 2001). Accordingly, institutions are composed of cultural-cognitive, normative, and regulative elements that provide stability to social life (Scott, 2001).

The web of cultural-cognitive, normative, and regulative pillars makes up the common meaning system embedded in an institutional environment. The pillars are differentiated such that each identifies a distinctive basis of compliance, mechanism of diffusion, type of logic, cluster of indicators, affective response, and foundation for legitimacy claims (Scott, 2014). The cultural-cognitive pillar consists of the shared conceptions that constitute the nature of social reality and the frames through which meaning is made. It includes ‘models of organising’ regarding expectations for how organisations should be structured and ‘institutional logics’ which constitute a field’s organising principles (Scott, 2001). The normative pillar consists of values and beliefs, including the informal rule systems that structure expectations and enforce mutual obligations. Normative elements are prescriptive, evaluative, and obligatory (Scott, 2001; see Section 5.5.1 later). The regulative pillar recognises the authority of certain bodies to formally constrain and enable organisational behaviour. Regulative processes involve the capacity to establish rules, inspect others’ conformity, and to sanction (Scott, 2001; see Section 5.5.1 later). Although researchers often emphasise only one pillar, all three exist simultaneously with varying degrees of influence (Caronna, 2004; Scott *et al.*, 2000).

Institutional theory has three main branches, namely: 1) Old Institutional Economics, 2) New Institutional Economics, and 3) New Institutionalism. These branches reflect differing levels of analysis of institutions. Old Institutional Economics (OIE) emphasises the micro nature of organisations. This includes rules, routines, and individual habits within an organisation (Hodgson, 1988). OIE rejects the neo-classical economic assumptions of rational economic actors. Instead, it contends that individual actors' preferences should be assumed to be socially-conditioned through institutional phenomena such as rules and routines (Hodgson, 1988). Thus, OIE focuses primarily on the intra-organisational level. The potential applicability of OIE is apparent from possible tensions between managers at head offices and managers of distant sub-units (see Section 2.3.4), which could influence how management accounting is shaped at the case study organisations. However, OIE is incapable of explaining the impact of environmental pressures (Wanderly *et al.*, 2011).

New Institutional Economics (NIE) adheres to neo-classical economic principles. NIE acknowledges the important role of institutions, but within the framework of neo-classical economic theory such as rational optimising behaviour (Williamson, 2000). NIE posits that institutions will exist where benefits exceed the costs of creating and maintaining them. In management accounting research, the focus is usually on the behaviour of individual organisations and of individuals within organisations. However, it is at this level of analysis that economists admit the limitations of neo-classical theory (Ryan *et al.*, 2003). NIE places little emphasis on individuals, stakeholder groups, or external factors which might influence institutions (Moll *et al.*, 2006), i.e. the institutional environment.

The 'institutional environment' embraces the significant effects of organising associated with wider social and cultural forces (Scott, 2001). Institutional theory can therefore be suitable for examining organisational performance in the NGO sector (Tucker, 2010). As NGO funding typically comes from external bodies, this dependency makes NGOs vulnerable to institutional pressures (Dolnicar *et al.*, 2008). Organisational culture and size are factors determining the response to such institutional pressures (Dolnicar *et al.*, 2008). As OIE and NIE exhibit limitations for this research, particularly their shortcomings at incorporating external pressures from the institutional environment into explanations, using new institutionalism to explore management accounting at NGOs is considered next.

5.3.3 New Institutionalism

The third branch of institutional theory is new institutionalism. The emergence of organisations as a recognised field of study led to scholars connecting institutional arguments to the structure and behaviour of organisations (Scott, 2014). It both built on and departed from the work of earlier institutional theorists, and has been labelled new institutionalism. However, it assumes quite varied guises across the social sciences. New institutionalism draws from a loosely-constructed framework stemming from cognitive psychology, cultural studies, phenomenology, and ethnomethodology. The newer conceptual models emphasise cognitive over normative frameworks. It has focused primary attention on the effects of cultural belief systems operating in the environments of organisations rather than on intra-organisational processes (Scott, 2014). For example, Meyer and Rowan (1977) emphasised the impact on organisational form resulting from changes in the wider institutional environment.

Influential contributions such as that of DiMaggio and Powell (1983) have elaborated the macro (environmental) perspective, which has become the dominant emphasis. DiMaggio and Powell (1991) clarified the differences between old and new institutionalism, whereby the old model privileged conflicts of interest, power processes, informal structure, values, norms, and social commitments, and saw institutionalisation as a process occurring within an organisation. In contrast, new institutionalism emphasises cultural and constitutive processes, routines and schemas, legitimacy processes, and formal structure, and views institutionalism as a process occurring in the environment of organisations, often at the field level. These distinctions continue to be widely employed, although there have been attempts to move beyond this dichotomy (Scott, 2014). In essence, organisations are not simply the product of increasing technical sophistication as had previously been argued, or even of increasingly complex relational patterns, but instead result from the increasing rationalisation of cultural rules that provide an independent basis for their construction (Scott, 2014).

A starting point for new institutionalism-informed studies is an assumption that intra-organisational structures and procedures (e.g. accounting) are shaped by external factors (Moll *et al.*, 2006; Scott, 2001). New institutionalism emphasises the macro nature of institutions, instead of a micro focus on individuals and habits (Modell, 2003). It focuses on the inter-organisational level (Wanderly *et al.*, 2011). Organisations which operate in similar environments are subject to comparable pressures of generally-accepted behaviour. Norms from the institutional environment shape the meanings that people attach to their financial information and accounting practices (Hussain and Hoque, 2002; Nor-Aziah and Scapens, 2007). New institutionalism has previously explained accounting practices in the public and private sectors (see for example Tsamenyi *et al.* (2006) and Lounsbury (2008)). New

institutionalism-informed management accounting research has focused on isomorphic pressures on the adoption of accounting systems, the interplay between institutional and technical environments, individual actor responses to institutional pressures, and organisational change (Hussain and Hoque, 2002; Jack, 2013). It is particularly relevant for analysing organisations with inherent uncertainties (see Section 4.5), which as a result compete for institutional legitimacy and market position (Tsamenyi *et al.*, 2006).

A focus on the centrality of cognitive systems forms the foundations for the sociological version of new institutionalism in organisations (Scott, 2014). Language (systems of symbols) and cognition mediated by social processes are crucial to the ways in which actions are produced, repeated, and come to evoke stable, similar meanings in the self and others. It emphasises the creation of shared knowledge and belief systems rather than the production of rules and norms. Cognitive frameworks are stressed over normative systems (Scott, 2014). A cultural-cognitive view points to legitimacy that comes from conforming to a common definition of the situation, frame of reference, or a recognisable role (for individuals) or structural template (for organisations). Adopting an orthodox structure or identity in order to relate to a specific situation is to seek the legitimacy that comes from cognitive consistency. The cultural-cognitive mode is the deepest level since it rests on preconscious, taken-for-granted understandings (Scott, 2014).

Cultural-cognitive literature stresses the importance of constitutive rules, asking what types of actors are present, how their interests are shaped by these definitions, and what types of actions they are allowed to take. Constitutive rules construct the social objects and events to which regulative rules are applied. Cultural-cognitive theorists therefore emphasise that

'games' involve more than roles and enforcement mechanisms, and instead consist of socially-constructed players endowed with differing capacities for action and parts to play (Scott, 2014, p.77). Cultural-cognitive perspectives also emphasise the extent to which behaviour is informed and constrained by the ways in which knowledge is constructed and codified. Underlying all decisions and choices are socially-constructed models, assumptions, and schemas. All decisions are a mixture of rational calculations and non-rational premises. At the micro-level, DiMaggio and Powell (1991) propose that a recognition of these conditions provides the basis for what they term a theory of practical action. This conception departs from a preoccupation with the rational, calculative aspect of cognition to focus on preconscious processes and schema as they enter into routine, taken-for-granted behaviour. At the same time, it eschews the extent to which individual choices are governed by normative rules and embedded in networks of mutual social obligations (Scott, 2014).

The concept of the organisational field is a key aspect of the institutional environment (DiMaggio and Powell, 1991). The organisational field is broadly a population of organisations operating in the same domain due to the similarity of their operations. It can also include different organisations such as donors and regulators (Moll *et al.*, 2006). Over time, powerful forces emerge that can lead these organisations to become similar. External societal factors cause them to follow the same rules and regulations, as well as emulate others (DiMaggio and Powell, 1991). Such isomorphic pressures can cause homogenisation among accounting practices (Moll *et al.*, 2006). The preliminary interviews revealed broad overall homogeneity in management accounting (see Section 4.3), suggesting isomorphic pressures from the institutional environment could be influential. Thus, isomorphism is discussed in more detail next.

5.3.4 Isomorphism

Isomorphism is the tendency for organisations in similar fields to adopt similar forms and practices (Goddard and Assad, 2006). Organisational isomorphism can be both a state and a process (DiMaggio and Powell, 1983). For example, Dolnicar *et al.* (2008) examined institutional isomorphism among NGOs in South Africa, and found it is shaping management practices. In the present research, the core missions of the case study organisations are broadly indistinguishable. Many of their operations are similar, and can overlap during ‘emergency’ responses (see Section 4.2). The stakeholders are similar (Candler and Dumont, 2010), and they operate in the same regulatory and media environment (Breen, 2013; Moriarty, 2012). They compete for the same funding, be it government, corporate, or public donations (Hudock, 2001; Van der Heijden, 2013). People are also mobile between organisations within the sector (Sanginga *et al.*, 2007). Accordingly, conditions for isomorphism are present (DiMaggio and Powell, 1983).

Organisations may experience three types of isomorphism - mimetic, normative, and coercive (Scott, 2001). First, mimetic isomorphism is a follow-the-leader approach whereby an organisation imitates another, believing it is beneficial (Scott, 2001). Mimetic isomorphism results from ambiguous goals or uncertainty (DiMaggio and Powell, 1983), such as the inherent uncertainty of donor funding for NGOs (see Section 4.5). An example is more NGOs publicly displaying conversion ratios in response to peer charities doing so (Hyndman and McConville, 2016). Mimetic isomorphism could explain why NGOs adopt particular conceptualisations of performance, because it demonstrates managerial competence. Best practice is a sign of effective management and legitimises a NGO with stakeholders (Herman and Renz, 2008). Mimetic isomorphism has empirical support (Tucker, 2010). For example,

NGO board members judge organisational effectiveness by perceived correct management practices (Herman and Renz, 2008). Similarly, some NGOs import commercial concepts of performance because it is perceived best practice (Tucker, 2010).

Second, normative isomorphism refers to professional pressures. Gaining accreditation from a standards agency is an example (Scott, 2001). Concerns for legitimacy create normative isomorphic pressures. Organisations are under normative pressure to ensure their performance and goals are congruent with societal values (DiMaggio and Powell, 1983; Parsons, 1956). Organisations in institutional environments that succeed in becoming isomorphic with such environments gain the legitimacy and resources to survive (Meyer and Rowan, 1977). In such a scenario, shared ideologies and forms of expression develop around certain occupations, such as NGO professionals. This includes NGO managers seeking to bring new rigor and develop standards to measure performance (Tucker, 2010). Normative isomorphism stems from the 'professionalisation' of a sector (DiMaggio and Powell, 1983). In the NGO sector, NGOs becoming more managerialist is driven by professionalisation, as NGO practitioners look to commercial practices to improve productivity (Tucker, 2010). NGOs exhibit a propensity to adopt commercial means of conceptualising organisational performance as a direct response to isomorphic pressures (DiMaggio and Powell, 1991; Tucker, 2010). However, Ebrahim (2002, p.106) discovered that professionals (e.g. accountants) hired by NGOs can evolve into instruments of resistance to external intervention by virtue of being 'experts'.

Third, coercive isomorphism refers to regulatory pressures (Scott, 2001). It occurs where external bodies impose changes on organisations (see Section 5.3.5 for more detail). Coercive

isomorphism results from dependence and from expectations in society (DiMaggio and Powell, 1983). The three types of isomorphism are not always empirically distinct. All three can be simultaneously active (Scott, 2001). For example, Goddard *et al.* (2016) found Tanzanian NGOs incorporating practices (e.g. adopting accounting software and using Big 4 audit firms) of other successful NGOs to secure funding. That is, engaging in mimetic isomorphism. Yet, it could also be explained as coercive isomorphism stemming from common donor conditions. In terms of how NGO organisational performance is conceptualised, new institutionalism suggests NGOs try to demonstrate pursuing the ‘right’ objectives in the ‘right’ way (Tucker and Parker, 2013, p.237). Performance expectations are a form of coercive isomorphism (Tucker, 2010). The literature review (see Section 2.3) and the preliminary interviews (see Sections 4.3 and 4.5) suggest coercive isomorphism is most relevant for uncovering how institutional forces shape management accounting, because of external stakeholder influences on accounting at the case study organisations. Sections 2.3, 4.3, and 4.5 note the accounting requirements of the most salient stakeholder, i.e. donors. Donors’ saliency regarding accountability could lead to coercive isomorphism at NGOs. Coercive isomorphism is therefore outlined in greater depth next.

5.3.5 Coercive Isomorphism

This research primarily concentrates on coercive isomorphism because external accountability is revealed as prominent in both Chapter 2 and Chapter 4. External accountability is connected to the positive approach to stakeholders (see Section 5.2). For instance, because donors wish to ensure NGOs deliver their interventions, interference in NGOs’ internal management may occur through frequent audits and site visits (Claeye and Jackson, 2012). Such actions are bounded by a shared cultural-cognitive framework through a

common regulatory system that constitutes a recognised institutional environment (Scott, 2001). Regulatory systems involve creating rules, inspecting conformity, and manipulating rewards and punishments to influence behaviour. Regulatory systems can operate through diffuse informal mechanisms or be highly formalised (Scott, 2001). Organisational change can occur in direct response to external regulatory systems in the institutional environment (DiMaggio and Powell, 1991). Such change includes NGOs having to maintain an expected standard of accounting (DiMaggio and Powell, 1991). To be effective, regulation requires clear demands, surveillance, and significant sanctions. Coercive mechanisms emphasise the supply-side (e.g. funding), noting the adequacy of information, inspection, and control systems (Scott, 2001). However, changes from bureaucratisation often make organisations more similar rather than more efficient (DiMaggio and Powell, 1983), and whether such managerialism is beneficial for NGOs is open to considerable debate (Claye and Jackson, 2012; Maier *et al.*, 2009).

The existence of a common regulatory environment, such as financial reporting to ensure eligibility for funding, may affect NGO behaviour (Dhanani and Connolly, 2015). This regulatory environment includes:

- the *Statement of Recommended Practice: Accounting and Reporting by Charities* (Financial Reporting Council, 2014). It is mandatory in the UK, but only best practice in Ireland (Mullen, 2015).
- the *Charities Act 2009* which established the Charities Regulatory Authority.
- the *Irish Development NGOs Code of Corporate Governance* developed by Dóchas in 2008.
- the *Code of Conduct on Images and Messages* developed by Dóchas in 2007.

- the *Statement of Guiding Principles for Fundraising* launched by Irish Charities Tax Reform in 2011.
- the *Code of Good Practice for Volunteer Sending Organisations* launched by Comhlámh (Breen, 2013; Moriarty, 2012).

As a result of a common regulatory environment, organisations can become increasingly homogeneous within given domains. They become organised around rituals of conformity to wider institutions. Under such circumstances, organisations often employ ritualised credentials and group solidarity (DiMaggio and Powell, 1991).

Similar to the effect of a common regulatory environment, for organisations of any particular sector the greater the centralisation of the resource supply means the greater the extent to which an organisation will change isomorphically to resemble that on which it depends (DiMaggio and Powell, 1991). This is because organisations that depend on the same sources for funding, personnel, and legitimacy will be more subject to the whims of resource suppliers than organisations that can play one source off against another. In such cases, a stronger party (e.g. donor) can coerce a weaker party (e.g. NGO) to adopt its practices (e.g. accountability mechanisms). Powerful stakeholders impose their will by sanctions or inducements (Scott, 2001). Hence, the greater the dependence of an organisation (e.g. a NGO) on another organisation (e.g. Irish Aid), the more similar it will become to that organisation in structure, climate, and behavioural focus through coercive isomorphism (DiMaggio and Powell, 1991). Additionally, the greater the extent to which organisations in a field transact with agencies of the state, the greater will be the extent of isomorphism in the field as a whole (DiMaggio and Powell, 1991). This could include each case study

organisation relying heavily on ‘restricted’ funding from Irish Aid (Concern, 2016; GOAL, 2016; Trócaire, 2016).

5.3.6 Summary and Outcomes

New institutionalism focuses on the wider environment outside an organisation. Organisations conform to institutional norms to legitimise their existence. Thus, an organisation’s institutional environment influences its choice of accounting practices (Tsamenyi *et al.*, 2006). Accordingly, and in light of Chapter 2 and Chapter 4, new institutionalism is a promising platform for a theoretical lens.

However, new institutionalism is subject to criticism. For example, it requires greater integration with micro explanations. It struggles to incorporate the interactive nature of institutional processes and actors (Moll *et al.*, 2006). Much institutionally-informed accounting research is characterised by the macro-micro divide (Modell, 2003), and new institutionalism alone is incapable of explaining intra-organisational behaviour (Wanderly, 2011). To explore how isomorphic pressures impact at the intra-organisational level, the concept of loose coupling is introduced. For example, Goddard *et al.* (2016) note that loose coupling helps understand why accounting changes which could have enhanced internal decision-making at NGOs were not utilised. Loose coupling could help explain how influences from the institutional environment manifest themselves inside a NGO, i.e. at a micro-level. The next section will therefore outline the concept of loose coupling.

5.4 Loose Coupling

This section examines the concept of loose coupling. Loose coupling may act as a coherent link from the macro inter-organisational level (the domain of new institutionalism) to the micro intra-organisational level (see Section 5.5 later). For example, organisations are driven to incorporate prevailing rationalised practices that are institutionalised in society, independent of the immediate efficacy of such practices (Meyer and Rowan, 1977). The corporatisation of some public sector organisations - which could conceivably be applied to NGOs also (e.g. Jackson, 2009) - has led to accounting practices being loosely coupled with other organisational activities (Nor-Aziah and Scapens, 2007). This is notable in light of the preliminary interviews uncovering evidence of operational priorities being mission-driven but accounting being focused on donor reporting (see Section 4.4). The preliminary interviews uncovered further clues of a related disconnect between program staff and finance staff (see Section 4.5). Thus, following a description of loose coupling, this section considers its applicability to the present research.

5.4.1 The Concept of Loose Coupling

Loose coupling is a situation where elements of an organisational system are responsive but also retain separateness (Weick, 1976). To preserve both rationality and indeterminacy in the same system, it becomes necessary to separate their locations (Thompson, 1967). At the intra-organisational level a technical system exists that is rational. At the inter-organisational level an adaptive system exists that responds to outside variables. Managers mediate between these two levels. Accordingly, organisations can actively manage tensions by operating a loosely coupled system. It is simultaneously open and closed, indeterminate and rational, spontaneous and deliberate (Orton and Weick, 1990; Weick, 1976). Loosely coupled systems

evolve as social constructs for managers, to allow organisations adapt in an institutional environment. Loose coupling in an organisational context can be triggered by power struggles, operating-level resistance, or coercive pressure from stakeholders (Goddard *et al.*, 2016). In complex systems containing multiple interacting variables, the characteristics of living systems emerge (Glassman, 1973). The feature of a living system is its independence from momentary environmental changes by its self-adjusting property. A system is stable in the face of environmental variation. The adoption of loose coupling by organisations is akin to the process of evolution in so far as form and behaviour adapt for survival and success (Glassman, 1973).

In this respect, loose coupling encourages researchers to simultaneously consider the interdependence of interactions among internal organisational elements and external stakeholders (Beekun and Glick, 2001). Organisations accountable to multiple stakeholders (e.g. NGOs) reduce potential conflict by providing multiple images of organisational performance (Modell, 2003). With integration avoided, conflicts are minimised, and organisations can mobilise multiple stakeholders. By adhering to the rationalities of the wider environment by maintaining cordial stakeholder relationships, an organisation maximises long-term effectiveness with loose coupling (Meyer and Rowan, 1977). As a result, loosely coupled systems have become pervasive by creating a path of least resistance for managers in minimising stakeholder conflicts (Brusoni, 2001). As such, loose coupling emphasises relational patterns among multiple stakeholders (Beekun and Glick, 2001), similar to Ebrahim's (2005) visualisation of the NGO sector as a web.

5.4.2 The Applicability of Loose Coupling

A shortcoming of a new institutionalism approach is an inability to explain how competing stakeholder interests can be reconciled (Collier, 2001). Loose coupling could help provide such an explanation for NGOs. Loose coupling recognises disparities within the institutional environment, the relative power of different stakeholders, and conflicts from relations of power (Collier, 2001; Orton and Weick, 1990). Accounting is implicitly involved in power relations (DiMaggio and Powell, 1983; Hines, 1988), and organisations respond to conflict between technical pressures by loosely coupling formal structures from actual activities to maintain ceremonial conformity. Loose coupling is encompassed within new institutionalism to indicate a separation between the systems used for external legitimacy and those used to internally manage activities (Meyer and Rowan, 1977). This provides an external aura of rationality, and acts as symbolic window-dressing. For example, Assad and Goddard (2010) found accounting was not used for aiding internal decision-making at NGOs, instead being used primarily to maintain legitimacy with external stakeholders such as donors, media, and government (see also Section 4.5). Mirroring this, the preliminary interviews indicate that accounting is mainly used for donor reporting (see Section 4.3), yet operational decisions are mission-driven (see Section 4.4). This suggests loose coupling between accounting and operations.

The interaction between loose coupling and new institutionalism can be illustrated by the example of financial controls. Here, a stronger party (e.g. donor) may coerce a weaker party (e.g. NGO) to adopt its practices (see Section 5.3.5). Chenhall *et al.* (2010) suggest that financial controls may have limited use in NGOs, but demonstrate a NGO's capabilities to stakeholders. Following the logic of new institutionalism, organisations incorporate financial

controls that are legitimised externally rather than which aid operational efficiency (DiMaggio and Powell, 1991). Correspondingly, Ferreira and Otley (2009) note omitted measures of performance can be as influential as actual measurements chosen - what is not measured often becomes irrelevant in an organisation. Accordingly, financial controls that are misaligned with operational priorities can lead to accounting practices in NGOs becoming loosely coupled with operations.

In this respect, donors influence the form, frequency, and format of accounting output - donors are the most salient stakeholder for accounting in NGOs (Assad and Goddard, 2010, p.295):

The role of accounting within NGOs appeared to be providing a formal mechanism for communicating and justifying utilisation of resources availed by donors.

Similarly, Goddard *et al.* (2016) note how, in a loosely coupled manner, accounting at NGOs is a legitimising device to obtain more funding rather than being of internal use. Notably, Ebrahim (2002) found that NGOs resist donor attempts to structure their behaviour through a series of strategies. Strategies include the symbolic generation of information to satisfy donor needs, the selective sharing of information to protect their core activities from unwanted interference, and the strategic use of professionals (e.g. accountants) to enhance legitimacy. It is through efforts to influence and resist one another that NGOs and donors reproduce their relationships and tensions, and subsequently cement the institutional environment (Ebrahim, 2002; Lounsbury, 2008; Roloff, 2005). Ebrahim (2002) found that certain information is collected by NGOs only symbolically, with the use of such information merely in the signals it sends to donors by gathering it, but not necessarily using it – which is loose coupling. The loose coupling of certain kinds of information from management considerations can be a deliberate buffering strategy, but can also reflect a NGO's inability to integrate such

information into decision-making. Alternatively, it could be a deliberate effort to limit what donors see, or reflect a general NGO inclination towards implementation rather than reporting (Ebrahim, 2002). Unfortunately, relatively little is known empirically in new institutionalism research about how loose coupling emerges, or its consequences for organisational performance (Nor-Aziah and Scapens, 2007). Certain studies emphasise organisational outcomes of loose coupling that suggest ineffectiveness (e.g. Lutz, 1982), whereas others suggest effectiveness (e.g. Covalleski and Dirsmith, 1983).

5.4.3 Summary and Outcomes

In summary, the concept of loose coupling can help explain the homogeneity of organisational forms and processes. Highly structured organisational fields provide a context where individual efforts to deal rationally with uncertainty and constraint often aggregately lead to homogeneity in structure, culture, and output (DiMaggio and Powell, 1983). Researchers are most likely to capture the nuances of loose coupling when viewed as an arena for complex on-going processes, rather than as a static system to be labelled loosely coupled. Case studies are more likely to capture these nuances (Orton and Weick, 1990). The lack of coupling by performance indicators to goals is a natural response to providing information to multiple stakeholders (Modell, 2003). This section suggests that the broad overall homogeneity of management accounting at the case study organisations (see Section 4.3) could be a result of the accounting function being loosely coupled with other organisational elements. The ideas presented in Sections 5.2, 5.3, and 5.4 are now combined to form a working theoretical model.

5.5 A Working Theoretical Model

Interpretive studies are often analysed through the creation of a theoretical framework (Saunders *et al.*, 2003; Yin, 2003). The role of theory is to make sense of and structure the analysis of empirical data (Humphrey and Scapens, 1996). Hence, a major challenge for any researcher is deciding which theoretical perspective is most appropriate, and to subsequently apply it in the empirical stage to confirm, modify, or reject it (Hoque *et al.*, 2013).

The preliminary interviews uncovered broad overall homogeneity in management accounting at the case study organisations (see Section 4.3). One possibility is that accounting practices are influenced by the external environment (see Section 4.4), and in particular by donor accountability (see Sections 2.3 and 4.5). As a result, the concept of stakeholders (see Sections 2.3, 4.3, and 5.2) and how NGO stakeholders form an institutional environment (see Section 5.3) were examined. From this foundation, this section builds a working theoretical model, drawing from the literature review, preliminary interviews, the concept of stakeholders, new institutionalism, and the concept of loose coupling. The diversity of institutional environments in the NGO sector is firstly discussed, building on Sections 5.2 and 5.3 to establish the institutional environment for accounting at NGOs, thereby providing context for studying management accounting at the case studies. The working theoretical model is subsequently presented.

5.5.1 The Diversity of Institutional Environments in the NGO Sector

The diversity of institutional environments in the NGO sector is outlined here. Institutional environments are never completely fixed, and dynamics are contested (Scott, 2001). The institutional environment responds to competing values, dissonant discourses, and conflicting

practices (Tucker and Parker, 2013). For example, coercive, mimetic, and normative isomorphic forces all shape management practices at NGOs (Claeye and Jackson, 2012). The literature particularly emphasises the importance of external funding for NGOs (Goddard *et al.*, 2016; Gordon, 2009; Lecy *et al.*, 2012). The way financial resources are channelled to NGOs, and the relationships forged in the process, determine NGOs' capacity and operations (Hudock, 2001). Crucially, NGOs are dependent on, but lack control over, their financial resources (Tucker and Parker, 2013).

Extant literature suggests external influences can affect NGOs, rather than the other way around (Lecy *et al.*, 2012). AbouAssi (2012) and Ebrahim (2003) argue donors can actually hinder NGO operations by imposing short delivery time-frames. In addition, many locally-based NGOs are now capable of raising funding, with donors by-passing established Western NGOs. This further illustrates the vulnerability of NGOs to shifting social, political, and economic trends (O'Dwyer and Boomsma, 2015). NGOs receive funding either from 'restricted' or 'unrestricted' sources (Financial Reporting Council, 2014). Restricted is where a donor specifies how money is spent, usually for specific locations or programs. Unrestricted is where management has sufficient discretion to use funds in the manner they deem most appropriate (Financial Reporting Council, 2014).

DiMaggio and Powell (1991) assert the greater the extent to which an organisational field is dependent upon a single (or several similar) sources of resources, the higher the level of isomorphism. The distinction between restricted and unrestricted funds may reflect this. There could be an expectation that the greater the reliance by NGOs on restricted funding, the higher the level of isomorphism. Over-reliance on restricted funding is a risk-management

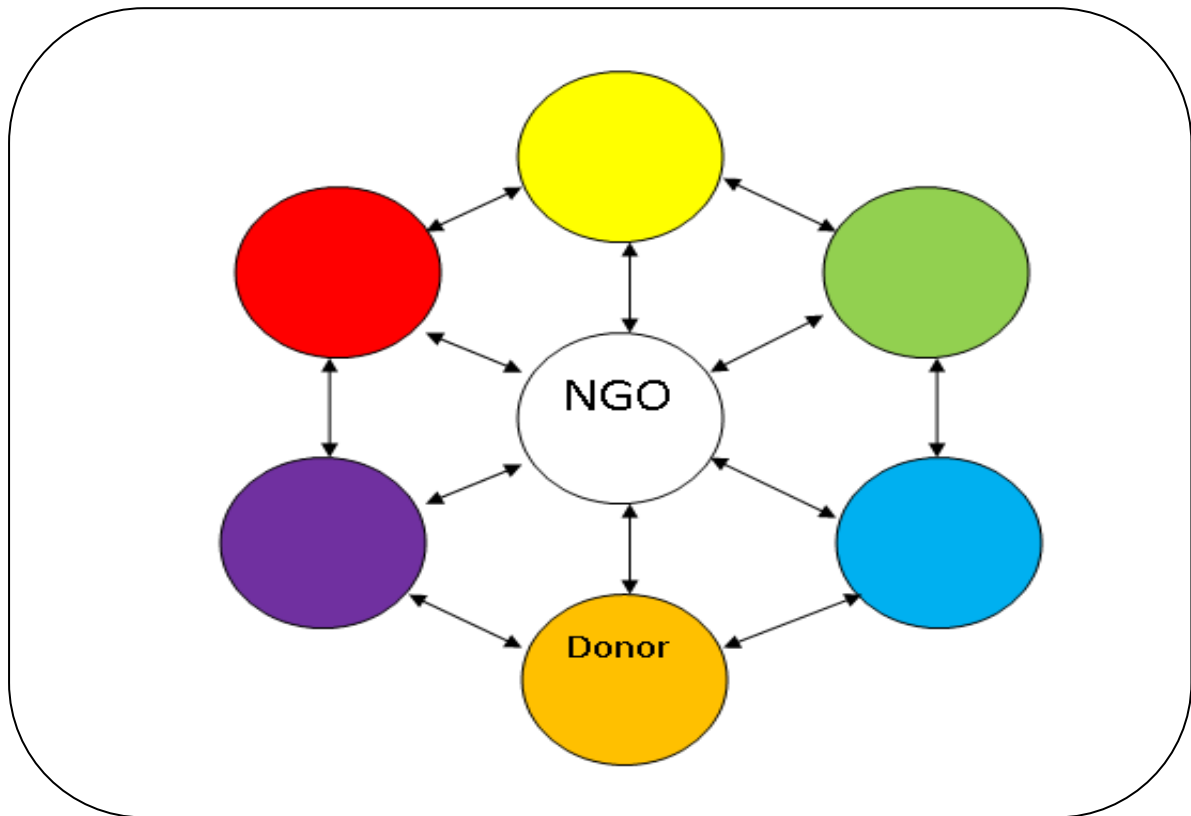
warning (Harrington, 2011). In practice, most international development NGOs source both restricted and unrestricted funding, as Figure 5.1 illustrates. The amounts of restricted and unrestricted income fluctuate each year at NGOs, with proportions of restricted income ranging from 48% to 95% of total income at the case study organisations between 2009 and 2014.

Figure 5.1 – Case Study NGOs’ Restricted Income

		2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
Concern	Res.	111.6m	77	96.4m	76	112.0m	78	126.5m	79	130.7m	78	85.4m	66
	Un.	33.9m	23	30.9m	24	31.4m	21	33.8m	21	36.5m	22	44.0m	34
GOAL	Res.	121.0m	95	62.2m	95	56.9m	94	55.1m	90	66.1m	90	59.2m	90
	Un.	5.9m	5	3.2m	5	3.5m	6	6.0m	10	7.3m	10	6.7m	10
Trócaire	Res.	36.0m	62	38.7m	63	41.7m	68	46.5m	69	41.3m	66	22.7m	48
	Un.	22.1m	38	22.4m	37	18.6m	32	20.5m	31	21.7m	34	25.1m	52

In light of the generally higher dependence on restricted funding (see Figure 5.1), the NGOs could be said to operate in a ‘hybrid’ institutional environment (Claeye and Jackson, 2012; Dar, 2014), which is now explored. Figure 5.2, where each circle represents a stakeholder (see Section 2.3), illustrates relationships where NGO managers adopt an ethical approach (see Section 5.2). An ethical approach posits that organisations have a responsibility to honour all stakeholders equitably and ethically (Dhanani and Connolly, 2012; Donaldson and Preston, 1995). It is conceptualised as a web, where there is relative parity and interaction among stakeholders (Ebrahim, 2005).

Figure 5.2 – The Institutional Environment Where NGO Managers Adopt an Ethical Approach

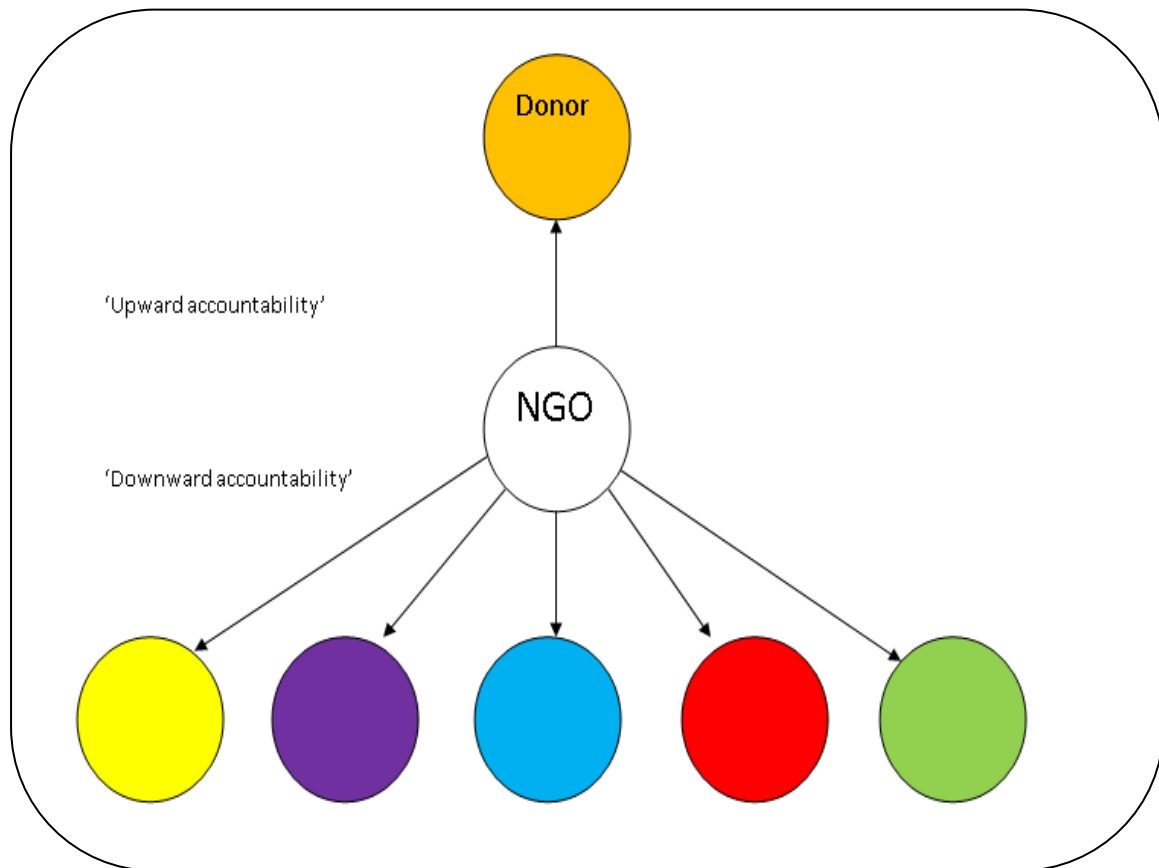


Boundary of the ‘organisational field’ encompassing multiple stakeholders

In contrast to Figure 5.2, Figure 5.3 shows the institutional environment where NGO managers adopt a positive approach (see Section 5.2). Organisations manage their stakeholders to attract their endorsement (Dhanani and Connolly, 2012). Figure 5.3 corresponds to Assad and Goddard’s (2010) contention that donors are dominant definitive stakeholders because they possess all three attributes of power over decisions, legitimacy as a stakeholder, and an urgent claim to being addressed (see Section 5.2). In this conception, NGOs practise upward accountability to donors and downward accountability to other stakeholders (Agyemang *et al.*, 2017; Awio *et al.*, 2011; Connolly *et al.*, 2012 and 2013; Dhanani and Connolly, 2015; Ebrahim, 2003a). Notably, this conception can result in an

institutional environment where NGOs become increasingly homogenised, because of a dominance of managerialist thinking (Srinivas, 2009).

Figure 5.3 – The Institutional Environment Where NGO Managers Adopt a Positive Approach



Accordingly, the NGO institutional environment is not uniform, as it may be envisaged as either Figure 5.2 or 5.3. To illustrate, operational staff are more concerned with their NGO's mission whereas finance staff are more concerned with donor compliance (see Sections 4.3 and 4.5). CEO C remarked:

There will always be a tendency in an organisation like this where people are very mission-driven and idealistic to always focus on the partner and the beneficiary in the field [...] they are development people, not finance people.

Variations in organisations, such as the divergence in priorities between operational and finance staff noted here, happen because of differences in the strength of cognitive beliefs, or by normative controls from the jurisdictional authority of oversight agencies (Scott, 2001). For example, the preliminary interviews reveal more financial oversight than operational oversight by external stakeholders (see Section 4.5). Therefore, operational staff could view their institutional environment as Figure 5.2, whereas finance staff could view it as Figure 5.3. Such a scenario illustrates institutional complexity in the NGO sector.

In their research on how NGOs respond to tensions emerging from institutional complexity, Claeys and Jackson (2012) by citing Etzioni (1975) emphasise how NGOs are differentiated from other organisational forms by their values-based orientation. NGOs' focus is on social goals instead of 'managerialism'. This offers a useful perspective for interpreting how NGOs negotiate different institutional logics. Managerialism emphasises commercial sector orientations, while the opposite is similar to an African humanist philosophy called *ubuntu*. *Ubuntu* offers an alternative discourse to the Western managerial values of individualism and economic growth. *Ubuntu* is values-driven and focuses on people's relations with one another (Claeys and Jackson, 2012). Both of these influences operate in the NGO institutional environment (Dar, 2014). However, as a consequence of isomorphic pressures (see Section 5.3), some NGOs are becoming more business-like due to managerialist thinking that emphasises instrumental rationality and means over ends (Claeys and Jackson, 2012). A managerialist approach aligns with the regulative pillar of new institutionalism, while an *ubuntu* mindset aligns with the normative pillar of new institutionalism (see Figure 5.4). The linkages between new institutionalism, Claeys and Jackson (2012), and Figures 5.2 and 5.3 are conceived visually as a table in Figure 5.4.

Figure 5.4 – An Illustrative NGO Institutional Environment

				SOURCE
Stakeholder Approach	Ethical Approach	v.	Positive Approach	Dhanani and Connolly, 2012
Institutional Environment	Figure 5.2	v.	Figure 5.3	Author
Orientation of NGOs	Values-Driven	v.	Managerialist	Claeys and Jackson, 2012
Accountabilities	Felt / Moral	v.	Imposed / Legal	O'Dwyer and Boomsma, 2015; Brown <i>et al.</i> , 2003
Pillars of Institutions	Normative	v.	Regulative	Scott, 2001
Basis of Compliance	Social Obligation	v.	Expedience	Scott, 2001
Basis of Order	Binding Expectations	v.	Regulative Rules	Scott, 2001
Mechanisms	Normative	v.	Coercive	Scott, 2001
Logic	Appropriateness	v.	Instrumentality	Scott, 2001
Indicators	Certification, Accreditation	v.	Rules, Laws, Sanctions	Scott, 2001
Basis of Legitimacy	Morally-Governed	v.	Legally-Sanctioned	Scott, 2001

Notably, as the table of Figure 5.4 highlights, Claeys and Jackson (2012) mirror other literature. For example, Brown *et al.* (2003) note multiple accountabilities to NGO stakeholders, by making the distinction between ‘legal’ and ‘moral’ accountabilities. Legal accountabilities correspond with the regulative pillar, whereas moral accountabilities correspond with the normative pillar (see Section 5.3). O’Dwyer and Boomsma (2015) highlight a similar distinction. ‘Imposed accountability’ regimes conceive accountability as formal oversight and control imposed on organisations. ‘Felt accountability’ regimes envision accountability as a voluntary sense of ‘felt responsibility’ to values motivated by ethical concerns of individuals within organisations (Dhanani and Connolly, 2015; O’Dwyer and Boomsma, 2015, p.40). Roberts (1991, p.365) contends that at its core ‘accountability is a social acknowledgement and an insistence that one’s actions make a difference to both self and others’, which is driven by a sense of responsibility from a values-based dimension that is largely absent from formal imposed accountability regimes. Imposed accountability

reflects the traditional view of accountability as a relationship in which people are required to explain their actions. It shuns ambiguity and seeks certainty in assessing performance. As a result, priority is given to reactive compliance-based accountability for short-term resource use and outputs (O'Dwyer and Boomsma, 2015). Thus, NGO workers feel compelled by a felt responsibility to work creatively with coercive accountability processes for overall operational effectiveness (Agyemang *et al.*, 2017).

In this way, the normative pillar of new institutionalism corresponds to an ethical approach to stakeholders. By contrast, the regulative pillar corresponds to a positive approach. Regulative, normative, and cultural-cognitive systems could all be contributing to a powerful social network (D'andrade, 1984). However, in such an integrated conception, institutional elements could be overly-integrated. Social sanctions, pressure for conformity, intrinsic direct reward, and values, are all likely to act together to give a particular meaning system its directive force (Scott, 2001). Instead, progress is made by distinguishing component elements (Scott, 2001), and the unravelling of certain elements is reflected in Figure 5.4. It shows how the regulative component and the normative component align with other concepts and literature. A challenge is thus to incorporate a multi-stakeholder approach that captures the diversity of interests in the NGO institutional environment (Lecy *et al.*, 2012).

Hodgson (2006) outlines two types of institutions relevant for a fuller understanding of Figure 5.4. One is where the reigning conventions can be significantly altered if the preferences of agents change. On the other hand, for agent-insensitive institutions predictable behaviour can result from institutional constraints. Here, the explanatory burden is carried by system structures rather than by preferences of individuals, and outcomes are relatively

insensitive to individual personality (Hodgson, 2006). As noted, accounting has a broadly overall homogeneous appearance at the case study organisations (see Section 4.3). It therefore provides initial evidence of the NGO sector being an agent-insensitive institution. The institutional environment could potentially carry the explanatory burden for management accounting at international development NGOs. However, although institutional constraints can provide explanatory factors, these instances are not universal (Hodgson, 2006). Regarding all institutions as wholly agent-insensitive leads to conflating individuals into institutional structure. Rather, it is the interplay of agents and structure that contributes to the formation and maintenance of institutions (Hodgson, 2006).

Having now set out the tentative linkages between two possible approaches to stakeholders with two distinct NGO institutional environments, and also noting how loosely coupled systems could be relevant for NGOs, attention turns next to describing a working theoretical model.

5.5.2 A Working Theoretical Model

This section presents a working theoretical model, and describes its component elements and the relationships between them. The model proposes a theoretical lens with which to design and analyse the empirical research. In exploring management accounting at international development NGOs, it is worth noting Scott's (2014, p.259) emphasis on understanding the behaviour of individuals and organisations in context:

Just as the attributes and actions of a character in a play are not fully comprehensible apart from knowledge of the wider drama being enacted – including the nature and interest of the other players, their relationships, and the logics that guide their actions – so we can better fathom an individual and organization's behaviour by seeing it in

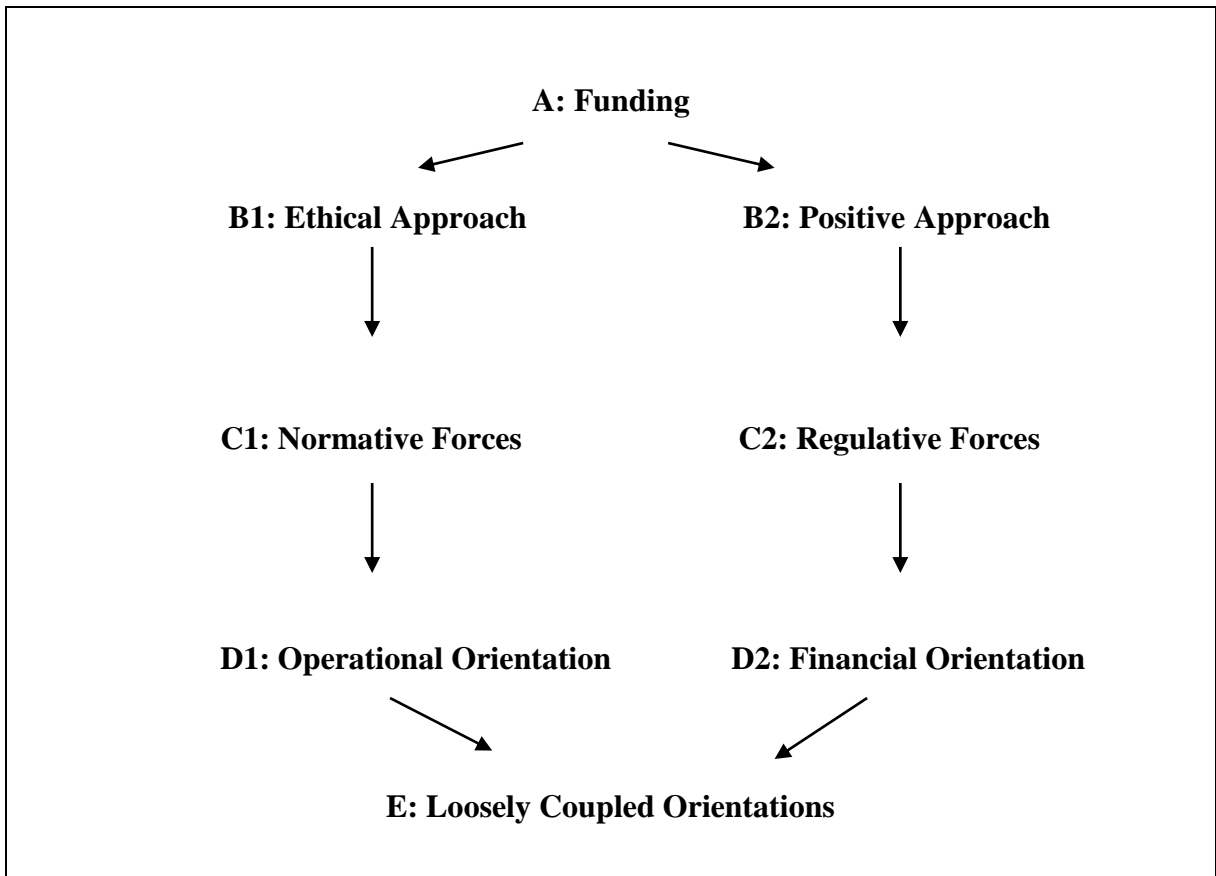
the context of the larger action, relational, and meaning system in which it participates.

Like a character in a play, social roles generate role-specific responsibilities. The responsibilities that people in organisations feel towards various stakeholders are specific to their role (Kaler, 2003). This manifests itself in a dual way. People in organisations not only represent organisational concerns to institutional agents, but also transmit environmental demands into organisations (Scott, 2001). This aspect will be important for designing empirical research (see Section 6.5) based on the working theoretical model presented here.

The working theoretical model is illustrated in Figure 5.5. The explanation initially proceeds down the right-hand side of the diagram as the literature (see Section 2.3) and the preliminary interviews (see Sections 4.4 and 4.5) hint that a positive approach to stakeholders is likely to be most relevant for accounting at NGOs. Figure 5.5 is a representation of a hybrid NGO institutional environment, as portrayed in Figures 5.2, 5.3, and 5.4, and as described by Claeys and Jackson (2012) and Dar (2014). Individual NGOs exist within this institutional environment, together with other stakeholders. Like any organisation, the institutional environment influences the organisation itself (as per new institutionalism), and thus influences its internal functions and practices such as accounting. Although Figure 5.5 depicts two distinct ‘paths’, the prior literature noted above and the preliminary interviews suggest a hybrid scenario is more likely within individual NGOs. However, more empirical data is needed to support what at this stage of the research is a tentative assertion.

The diagram starts with line A ‘funding’, as funding sources determine a NGO’s operational capacity and activities (Goddard *et al.*, 2016; Gordon, 2009; Lecy *et al.*, 2012; Tucker and Parker, 2013; see Section 4.5).

Figure 5.5 - A ‘Working Theoretical Model’ of the Context for Accounting at NGOs



5.5.2.1 The Positive Approach Side of the Model

The flow, frequency, and density of accounting information in NGOs is strongly related to funding flows (Assad and Goddard, 2010; Awio *et al.*, 2011; Goddard *et al.*, 2016; Gray *et al.*, 2006). This illustrates a positive approach to stakeholders in the NGO sector (see Section 5.2), as depicted by B2 in Figure 5.5 and explained here. As previously noted, donors are the most salient stakeholder (see Sections 2.3, 2.4, and 5.2). Stakeholder salience results in various stakeholders having differing degrees of influence (Mitchell *et al.*, 1997). Connolly *et al.* (2012), Connolly and Hyndman (2013), Hyndman and McDonnell (2009), and Keating and Franklin (2003) all regard large on-going donors (e.g. Irish Aid) as the most important

stakeholder in the NGO sector. The reliance by NGOs on restricted funding (see Figure 5.1) means that donors may become more dominant than any other stakeholder (Assad and Goddard, 2010; Awio *et al.*, 2011; Goddard *et al.*, 2016). From the stakeholder perspective (i.e. from the point of view of a stakeholder), a donor influences precisely how their funding is used. From the organisational perspective, NGOs have to manage this relationship for it to be mutually beneficial (Steurer, 2006). The organisational perspective thus presents a positive approach to stakeholders (B2).

As revealed in the literature review, balancing external compliance to donors with achieving a NGO's core mission can create dysfunctional behaviour (see Section 2.3). A reliance on restricted funding could mean a NGO experiences coercive isomorphic pressures as part of regulative forces (DiMaggio and Powell, 1991; see Figure 5.4). Such pressures may unfold in two ways. One is where NGOs focus their activities in geographical regions or program themes where most funding is available from donors, instead of basing it on beneficiary needs (Edwards and Hulme, 1996; Rahaman *et al.*, 2010). The second way is where donor compliance predominates (Assad and Goddard, 2010). For example, the Logical Framework (see Section 2.4) is associated with increasingly strict strategic, operational, and budgeting practices that allow donors control a project and also the NGO as a whole at times (Martinez and Cooper, 2012). The presence of such regulative forces, underpinned by a positive approach to stakeholders, is depicted by the arrow flowing from B2 to C2.

Such regulative forces stem from the political influence of donors and the desire for legitimacy by NGOs (DiMaggio and Powell, 1983). Some of these regulative forces could be influential for accounting because donors exert pressure on NGOs to adopt specific

accounting practices. Due to external influences such as donor pressures and regulatory changes, accounting practices in NGOs become orientated towards compliance with funding (Assad and Goddard, 2010). There is thus a link between an organisation's institutional environment and its choice of accounting practices (Tsamenyi *et al.*, 2003). Formal and informal pressures exerted by donors upon whom NGOs are dependant mean that NGOs are more subject to the whims of resource suppliers than organisations that can play one source of support against another. A stronger party (e.g. donor) can coerce a weaker party (e.g. NGO) to adopt its accountability mechanisms (Awio *et al.*, 2011; see Figure 5.4). Dominant stakeholders can demand more significant changes to organisational processes than subordinate stakeholders (Friedman and Miles, 2002). In such a scenario, financial compliance concerns could predominate over operational concerns. This is depicted by the arrow flowing from C2 to D2, where regulative forces lead to a dynamic in which financial compliance concerns predominate at a NGO. Accounting systems in NGOs can be onerous in such instances (Harsh *et al.*, 2010).

5.5.2.2 The Ethical Approach Side of the Model

An alternative to the preceding discussion is where a NGO concentrates on its mission (see Sections 2.2 and 4.4). A concern for *how* an end goal is achieved, rather than just the end result, emphasises a longer-term view of development (Assad and Goddard, 2010; Awio *et al.*, 2011; Ebrahim, 2002; Gray *et al.*, 2006). Priorities in such NGOs draw from an ethical approach (see Section 5.2), as depicted by B1. In multi-stakeholder networks, stakeholders come together for a common solution to a problem (Lecy *et al.*, 2012; Roloff, 2008; Sanginga *et al.*, 2007). An ethical approach increases a NGO's focus on its mission (Cronin and O'Regan, 2002; Edwards and Hulme, 1995; Fowler, 1997; Rahaman *et al.*, 2010).

Accordingly, regulative forces are less influential (Awio *et al.*, 2011; DiMaggio and Powell, 1983; Tsamenyi *et al.*, 2003). Instead, normative forces are more powerful (see Figure 5.4), as depicted by C1.

The regulative forces embedded into relationships of many equal stakeholders balance or cancel each other (Basu *et al.*, 1999; Modell, 2003). In this conception, coercive isomorphic change from regulative forces is less likely to occur. A NGO would not be over-reliant on any one stakeholder for survival (DiMaggio and Powell, 1983). Normative forces emerge to the fore, such as managers' intrinsic motivations (Frey, 1997; Zhu and Purnell, 2006). In such a scenario, operational priorities could take precedence over financial compliance. It is depicted by the arrow flowing from C1 to D1, where normative forces lead to a dynamic in which operational concerns predominate at a NGO. Accounting systems in NGOs are relatively less onerous in such instances (Harsh *et al.*, 2010).

5.5.2.3 Loosely Coupled Orientations

Line E 'loosely coupled orientations' is explained here in the context of NGO accountability (see Sections 2.3, 4.3, and 4.5). NGO accountability is classified into three distinct types. The first is financial management, looking at managerial success in generating funds and using them appropriately (financial oversight). The second is operational accountability, measuring the organisation's impact in relation to its charitable objectives (operational oversight). The third is a fiduciary responsibility of good governance and safeguarding the organisation (Connolly *et al.*, 2012). In terms of the model, financial oversight broadly corresponds to D2 'financial orientation' and operational oversight broadly corresponds to D1 'operational orientation'. Where financial oversight does not fully align with operational oversight, it may

result in accounting being loosely coupled from operations (Beekun and Glick, 2001; Brusoni, 2001). The two arrows emerging from D1 and D2 flow into E (loosely coupled orientations), as the hybrid institutional environment – reflecting the two stakeholder approaches – are likely to manifest at an organisational level as loosely coupled systems (see Section 4.5).

At an organisational level, loose coupling can be acknowledged by the extent that accounting systems separate or accommodate external (legitimising) and internal (purposive) standards of expected performance (Collier, 2001). Loose coupling suggests the external and internal standards of expected performance would be separate (see Section 5.4). In this respect, accounting measures used for external accountability (e.g. to donors) are not always relevant for measuring performance internally. Accordingly, accounting information prepared for external accountability could be of little value for internal use (Assad and Goddard, 2010).

Nevertheless, externally-orientated information could be forming internal financial priorities simply because it is produced (Ferreira and Otley, 2009). In this way, the structure of an accounting system and the information it produces can create distortions with a NGO's mission (Edwards and Hulme, 1995; O'Dwyer and Unerman, 2007; Rahaman *et al.*, 2010). For example, conversion ratio preoccupations could create a program spend-out focus in spite of operational needs (see Section 4.5). Similarly, necessary organisational investments could be postponed to avoid distorting conversion ratios. Such situations are dysfunctional (Arya and Mittendorf, 2015; Connolly *et al.*, 2013a; Letts *et al.*, 1998; Tinkelman, 2009).

5.5.3 Summary and Outcomes

This section focused on creating a theoretical lens for the later empirical research. A working theoretical model was presented above. It draws together the literature review, preliminary interviews, and theory. While primarily informed by new institutionalism, it also incorporates the concepts of stakeholders and loose coupling. The purpose is to understand the institutional environment for accounting at NGOs, thus supporting the sub-question of how institutional forces shape management accounting at international development NGOs. This, in turn, establishes context for exploring management accounting at the case study organisations. The broad overall homogeneity of management accounting (see Section 4.3) suggests that accounting is subject to external influences. The manner in which the working theoretical model (see Figure 5.5) is used empirically is detailed in Chapter 6. The remainder of the chapter discusses alternative theoretical approaches considered, but ultimately not adopted.

5.6 Alternative Theoretical Approaches

For any research, it is important to examine viable alternative theoretical explanations (Chapman, 2015). This is particularly true for exploratory research (Stebbins, 2001), especially in light of the complexity of the international development NGO sector (see Chapters 2 and 4). Therefore, this section outlines structuration theory and new public management. Structuration theory bears some resemblance to aspects of institutional theory, through its duality of structure. New public management addresses issues in the public sector bearing resemblance to NGO literature, such as organisational efficiency in a non-profit environment.

5.6.1 Structuration Theory

Structuration theory is a sociological theory first proposed by Giddens (1984). It addresses the ontological qualities of social life, attempting to reconcile the theoretical dichotomies of social systems, such as agency-structure, subjective-objective, and micro-macro divides (Cohen, 1989). It considers human action to be performed within the context of a pre-existing social structure. Thus, human action is partly determined by the contextual rules in which it occurs. Agents draw on structures to produce actions that change or reproduce structures (Stones, 2005). Duality of structure is where processes are recursive in that structure works as both the medium for and outcome of social systems. Structuration involves both continuity and change of social systems (Englund *et al.*, 2011). Structuration theory premises that subject and social object are reconceptualised as a duality. This is the duality of structure (Giddens, 1984). The structural properties of social systems exist only because forms of social conduct are reproduced chronically across time and space. The recursive nature of social life means the structured properties of social life are constantly being recreated out of the very resources which constitute them (Giddens, 1984). Structuration theory moves a concern for one-way determinant environmental effects to complex recursive processes by which structural forces both shape and are shaped by organisational actions (Scott, 2001).

Englund *et al.* (2011) explored the use of structuration theory in the field of accounting. It has made three major contributions to non-functionalist accounting research, by providing insights for conceptualising accounting as an organisational and social phenomenon. Firstly, it introduced the duality perspective. Duality of structure is a way of overcoming the dividing line between structure-centred and agency-centred studies of accounting practices. It suggests a recursive relationship between accounting practices and the underlying principles that

generate them. Accordingly, agents and structures are not separate independent sets of phenomena. Secondly, it introduced the conceptualisation of accounting as an interwoven totality comprised of structures of signification, domination, and legitimation. Thirdly, it introduced a basis for theorising origins of both accounting continuity and change (Englund *et al.*, 2011). Baxter and Chua (2003, p.100) observe that ‘structuration theory has provided a small but distinctive contribution to management accounting’ (see also Ahrens and Chapman, 2006; Coad *et al.*, 2015; Jack, 2005 and 2007; Jack and Kholeif, 2008).

In a context close to the present study, Scott *et al.* (2000) identified eight dimensions along which the structuration of fields may vary, based on a study of healthcare. These dimensions are funding centralisation, unity of governance, public-private mode of governance, structural isomorphism, coherence of organisational boundaries, consensus on institutional logics, organisational linkages, and clarity of field boundaries. This merits examination of whether structuration theory could be appropriate for exploring management accounting at international development NGOs. For example, structural constraint whereby contradiction is linked directly to conflict where perverse consequences ensue (Giddens, 1984), could be related to the issue of restricted funding and accountability in the literature review, preliminary interviews, and working theoretical model (see Sections 2.3, 4.5, and 5.5).

Structuration theory as conceived by Giddens (1984) has been critiqued as being abstract and difficult to apply empirically (Stones, 2005). The abstract concepts in structuration theory are tools to sensitise a researcher in a general unspecified way to the social world. It does not spell out in sufficient detail how to apply it to empirical research (Stones, 2005). This led to some strengthening of the theory, the most significant of which was by Stones (2005). Stones

(2005) synthesises criticism of structuration theory into a reinforced ontology that allows substantive empirical research. This is termed strong structuration theory. Stones (2005) argues for the development of lower-level ontology. Structure and action are not contemplated in abstract, but rather observed in concrete situations. This is through the why, where, and what of everyday occurrence, by understanding the practices of agents. A structuration study is one that involves hermeneutics and structural analysis, and also preserves the central tenet of the duality of structure (Giddens and Pierson, 1998; Stones, 2005). As such, strong structuration theory is an evolution of the original structuration theory. It extends Giddens (1984), provides greater insights into the role of agents, and improves an understanding of the diffusion of accounting practices through organisational fields (Coad *et al.*, 2015).

The preceding paragraph illustrates fundamental ontological differences between the approach in Section 3.5 and that of structuration theory. This study adopts idealist ontology. The duality in structuration theory entails more than interdependence of structure and agency, to the point where it is impossible to distinguish one from the other. One cannot tell where structures begin and agents end, or vice versa. The analytical value possessed by such concepts disappears (Archer, 1995). The idealist ontology of this study instead views an agent as a distinct part of the environment, and thus a separate entity in its own right. Despite the breadth of Giddens's ontological agenda that encompasses anti-reductionism in many areas of contemporary social theory, Giddens's ontology is consistent with a realist perspective (Stones, 1996). For example, a crucial weakness of structuration theory is not allowing investigation of interconnections between structural conditions with their emergent causal powers and properties. Social interaction between agents on the basis of these

conditions, and subsequent structural changes or reproductions cannot be investigated either (Archer, 1995).

This leads to a related reason for not adopting structuration theory. While structuration theory emphasises the cognition of the agent (Giddens, 1984), focusing on cognition is a less appropriate means of pursuing the research objective. This research is a study of organisations, and because idealist ontology (see Sections 3.2 and 3.5) recognises that organisations are made of people, the later empirical work to represent each organisation will be from the view of a manager ‘looking out’ to their environment rather than ‘looking in’ to their cognitive nature. Accordingly, the ‘person performing the role’ is more important than the ‘person’ for the purposes of empirical analysis. A person performs a role through which actions happen in the environment. Giddens (1984) views a role or position as a modality of structuration between the realms of action and structure (Busco, 2009). As such, it is not the agent as an existential being that this research is primarily concerned with. Accordingly, structuration theory is less appropriate than new institutionalism, which is part of the working theoretical model (see Section 5.5). Another approach considered was new public management, which is presented next.

5.6.2 New Public Management

New public management (NPM) draws inspiration from private sector management (Greiling and Stotzer, 2015). The focus of administrative reform is for more efficient and effective public structures (Mehde, 2006; Verbeeten and Spekle, 2015). NPM is not a branch of administrative science, but rather a movement aimed at creating efficient public administration (Fabian, 2010). NPM seeks public sector reforms to modernise and become

more market-orientated. This is to achieve cost-efficiencies without affecting other objectives. Since the 1990s, NPM is the dominant paradigm in public administration and practice (Levy, 2010; Nyland and Pettersen, 2015; Robbins and Lapsley, 2015). Increasing marketisation is part of global liberalisation, allowing more dynamic approaches to service-delivery (Massey, 2010). However, NPM is not a corporate management approach to administration. It is about making the public sector more profitable and effective (Fabian, 2010). Overall though, the success of NPM remains largely unproven (Goddard *et al.*, 2016; Verbeeten and Spekle, 2015).

NPM is examined in light of the literature review around measuring organisational efficiencies and improving accountability (see Sections 2.2, 2.3, and 2.4). NGOs could be indirectly incorporated into the NPM paradigm because good governance includes the relationships between civil society and politics. It may be particularly relevant because the expansion of the private sector includes NGOs delivering services ordinarily within the realm of government (Massey, 2010). Hence, NPM could potentially be applied to civil society organisations like NGOs (Greiling and Stotzer, 2015). Both public sector bodies and NGOs can be non-profit, government-funded, socially-orientated organisations influenced by efficiency-driven pressures. In the public sector (e.g. healthcare), staff experience the tensions between intrinsic motivations of delivering socially-altruistic goals with inherent budgetary constraints that many NGO managers similarly experience. Additionally, NGO donors are becoming more results-focused on the return on their funding (Lecy *et al.*, 2012).

However, the main stakeholders in the public sector are different from the NGO sector. In the public sector, stakeholders are primarily citizens and politicians (Greiling and Stotzer, 2015).

NPM often refers to citizens as ‘clients’ (Fabian, 2010), whereas NGOs view beneficiaries as stakeholder ‘partners’ (Dóchas, 2008). In NPM contexts, decision-makers are constrained by their predecessors in the form of laws, custom, prior large-scale strategic investments, and the historical legacy inherited (Mehde, 2006). Public bodies are more economically and politically-focused than NGOs. For example, many services are semi-commercial, such as public transport where users are charged for consumption. By contrast, international development NGOs (except social enterprises) do not charge their end-users for service-delivery. Such factors lead to distinct tensions, conflicts, and contradictions embedded in NPM. One is decisions being transferred from politicians to managers, with subsequent managerial accountability being different from governmental accountability (Mehde, 2006; Nyland and Pettersen, 2015).

Most importantly, there is minimal political interference in appointments and decisions at NGOs. This creates a different institutional environment for NGOs from public sector bodies (Wells, 2001). NGOs perform the dual role of complementing the social functions of government *and* holding government to account (Allen and Thomas, 2000). Admittedly, because Irish NGOs receive material funding from Irish Aid (Concern, 2016; GOAL, 2016; Trócaire, 2016), Irish NGOs often mirror Irish government policy on overseas development. Nevertheless, politicians do not have any *direct* influence (Concern, 2016; GOAL, 2015; Trócaire, 2016). Therefore, while ideas behind NPM are similar to issues presented in the literature review, NPM is less suitable for the present research. There are important factors unique to NGOs, such as a mission-driven orientation (Tucker and Parker, 2013) and restricted funding for specific activities (Financial Reporting Council, 2014). Different

stakeholders exist for the public sector, and it results in different institutional environments for public sector bodies and NGOs. The overall outcomes of Chapter 5 are presented next.

5.7 Summary and Outcomes

This chapter focused on selecting a theoretical approach for exploring management accounting at international development NGOs. Based on the literature review and preliminary interviews, the concept of stakeholders was initially investigated. This was followed by an examination of new institutionalism, because of broad overall homogeneity in management accounting across the case study organisations. The concept of loose coupling was then considered for its relevance to the core research objective. A working theoretical model informed by new institutionalism was presented. The model helps understand the institutional environment for accounting at NGOs. This establishes a context for the later empirical research. The fusion of perspectives from which empirical findings can be interpreted, and theoretical contentions evaluated, helps avoid the danger of seeing phenomena as one would expect to see them. This enables more complete theoretical explanations and insights into the phenomena observed (Tucker, 2010).

Alternative social and organisational theoretical approaches for this research were also considered and outlined. Structuration theory was not preferred because the idealist ontology of this study does not align with the ontology of structuration theory. Also, the internal cognition of the agent is not as great a consideration for the core research objective as it is for structuration theory. There are also challenges in applying structuration theory at a substantive empirical level. NPM was not adopted either. Although some principles behind

NPM resonated with aspects of the literature review and preliminary interviews, there are factors unique to the NGO sector that ultimately renders NPM unsuitable for studying NGOs.

The research objective, ontology, epistemology, methodology, and theoretical approach have now all been introduced. These were informed by prior literature, with preliminary interviews also incorporated. Together, they all inform the research methods that will be chosen for the main empirical stage. The next chapter outlines the research methods for exploring management accounting at international development NGOs.

CHAPTER SIX - RESEARCH METHODS

6.1 Introduction

This chapter considers the most appropriate research methods for the core research objective. Each research perspective has strengths and limitations (Chapman, 2015; Patton, 1990). Ultimately, the selection of the most appropriate research methods is dependent on the nature of the phenomenon being researched (Tompkins and Grove, 1983). In particular, the ontology affects the epistemology, and this in turn affects the methodology (Tompkins and Grove, 1983; see Chapter 3). This thesis has an idealist ontology, an interpretivist epistemology, and an interpretive methodology (see Chapter 3). Together with the literature review, the preliminary interviews, and the theoretical approach, this influences the choice of research methods. This chapter begins by examining qualitative methods. This is followed by a discussion on the suitability of case study research, and the research design is then considered. Finally, the actual method employed is presented, based on the four steps of case study research outlined by Scapens (2004).

6.2 Qualitative Research

Accounting researchers generally choose either a quantitative or a qualitative research approach (Ryan *et al.*, 2003). Positivist research tends to employ quantitative methods, while interpretive research tends to employ qualitative methods (Laughlin, 1995). Qualitative research is particularly suitable for exploring organisational processes (Marshall and Rossman, 1995), such as management accounting at international development NGOs.

Therefore, qualitative research appears promising for this study, and is examined in more depth here.

6.2.1 Qualitative Methods

In interpretive studies, qualitative methods are the primary means for data collection (Parker, 2003). Within accounting literature, management accounting is the disciplinary subset most comfortable with qualitative methods (Parker, 2011). In management accounting literature, qualitative research has increasingly found favour as an alternative to quantitative research. This is because qualitative research focuses on understanding how management accounting interacts with and reflects specific organisational activities and changes (Parker, 2011). Qualitative research stresses the understanding and critique of process and context, thereby recognising uniqueness and difference. Accordingly, qualitative research is infused with culture, values, beliefs, ideology, and politics (Parker, 2011). Correspondingly, such elements are defining features of NGOs (Tucker and Parker, 2013). Hence, qualitative accounting research can provide a rich understanding of the social nature of accounting practices. It attempts to make sense of phenomena in their specific macro and micro, organisational, social, institutional, political, economic, and technological contexts (Parker, 2003; Shank, 2006).

Qualitative methods attempt to capture the perceptions of subjects to better understand how they make sense of, act in, and manage their daily situations (Miles and Huberman, 1994; Saunders *et al.*, 2003). Accordingly, these multiple perspectives incrementally add to our understanding of the world and its implicit meanings (Denzin and Lincoln, 2005).

Interpretations and perceptions are important elements of individual human behaviour (Otley, 2008). By penetrating and articulating multiple constructed realities of subjects, the qualitative researcher employs methods in pursuit of complexity, depth, richness, and rigour. This is useful for the exploration of phenomena hitherto ignored or neglected, the interpretation of phenomena that have not been well understood, or the explanation of phenomena in terms of context, processes, and outcomes (Parker, 2003).

Given the qualitative focus upon a deeper level understanding of accounting, qualitative researchers can make a contribution to new thinking, and prompt policy change and development (Parker, 2011). Yet Parker (2003) argues that many accounting researchers remain unacquainted with, or even resistant to qualitative methods. Avenues of research of potential significance to business, government, and society are therefore being neglected. This is because quantitative methods are regarded as more mainstream in the field of accounting, particularly for American-based researchers (Bhimani, 2002). Quantitative methods of data-collection are usually cited to provide a basis for statistical generalisation (Chua, 1986). However, the more ambiguous and elastic the research concepts are, the less possible it is to quantify data in a meaningful way (Dey, 1993). Hence, three main characteristics distinguish the qualitative tradition from the quantitative tradition (Parker, 2011). Firstly, qualitative research recognises accounting as constructing organisational reality, rather than reflecting some independently pre-existing external objective reality. Secondly, it recognises that theory can either inform empirical data collection and analysis, or emerge from that very process. Thirdly, it accommodates multiple theoretical perspectives, whereby activities and relationships observed in the field can be understood by reference to a

pluralistic framework (Parker, 2011). This study's ontology and epistemology regard human behaviour as endowed with meanings and values, and hence quantitative methods appear unsuitable. Furthermore, since institutional theories such as new institutionalism focus on understanding the context for accounting practices, Moll *et al.* (2006) contend convincingly that qualitative methods are more appropriate than quantitative methods.

In summary, the purpose of qualitative research is to develop a theoretical understanding capable of explaining both social systems *and* the practices of human actors (Ryan *et al.*, 2003). A qualitative researcher emphasises the importance of being aware of the comprehensive nature of the reality being observed. This includes the physical reality of objects in time and space, the structural reality of institutions and roles, the cultural reality of knowledge, the concepts and values which are observed, as well as the mental reality of the thoughts and feelings of individuals (Llewellyn, 2007). Qualitative methods therefore allow a researcher to obtain a rich understanding of the subjective and contextual nature of organisations, processes, and people (Bryman, 2004), based on an opportunity to explore a subject in as real a manner as is possible (Saunders *et al.*, 2003). Qualitative research best corresponds with the ontology, epistemology, and methodology of this study (see Chapter 3), and resonates with the core research objective (see Section 1.2), the literature review outcomes (see Section 2.5), and the theoretical approach (see Section 5.5). Accordingly, a qualitative research approach is adopted. One of the most common qualitative research methods is the case study (Ryan *et al.*, 2003). The suitability of using the case study method is examined next.

6.3 Case Study Research

Case studies are a commonly used method in interpretive management accounting research (Parker, 2003). This is because case studies are ideal for examining organisational dynamics in their context (Pettigrew, 1990). Case studies are typically suited for ‘how’ type questions (Saunders *et al.*, 2003), where no control is required over behaviour and focus is given to contemporary events (Yin, 2003). In the field of management accounting, case studies typically encompass a study of an organisation or of a country (Ryan *et al.*, 2003). This section describes a qualitative case study research approach, and its suitability for the core research objective.

6.3.1 The Suitability of a Case Study

Case studies of accounting are a vital way of informing debate on organisational complexities, as well as on wider social and political contexts (Humphrey and Scapens, 1996). As a result, case studies have become more common in management accounting research (Ryan *et al.*, 2003). Case studies are particularly prominent in academic journals such as *Management Accounting Research*, *Accounting, Auditing and Accountability Journal*, and *Accounting, Organizations and Society*, covering subject areas such as management accounting and non-profit financial management (Parker, 2003).

Case study research is defined by Ferreira and Merchant (1992, p.4) as

research in which the researcher gathers primary evidence directly through in-depth contact with organisational members (actors), focussing on actual tasks and processes in their natural settings, and producing publications that incorporate both analysis and rich descriptions of organisational contexts and practices.

Thus, phenomena are studied in their actual context, where the researcher observes real-life situations (Adler and Adler, 1994; Yin, 2003). As such, events, activities, processes, people, and relationships are all subject to analysis (Neumann, 2003; Silverman, 2000). It is the particular social system being studied that provides the basis for an explanation. Hence, it is the relations between various parts of the system, and the system's own relationship with the larger system of which it is part, which serve to explain the system (Ryan *et al.*, 2003). Case studies are therefore an opportunity to understand social activity in a specific set of circumstances, resulting from a complex interplay between social structure, social action, and individual agency (Ryan *et al.*, 2003). To this end, case studies help explore how diverse meanings and behaviours emerge through social interaction (Bhimani, 2002).

The potential of accounting case studies is enhanced by bringing conversations about theory more explicitly into the research process (Humphrey and Scapens, 1996), by recognising the dynamics between theory and observation (Scapens, 2004). In essence, theories are used to explain empirical observations, and empirical observations are used to modify theory (Ryan *et al.*, 2003). Theory is both the input and output of the research process (Ahrens and Dent, 1998). A simple well-constructed case study can enable the challenging or expansion of existing theoretical understandings (Saunders *et al.*, 2003). In this respect, case studies have the potential to play a broader role in the development of accounting theory (Humphrey and Scapens, 1996). A theoretical framework is regarded as an essential starting-point for any case study, but any framework should be capable of being challenged and refined as a result of the research process (Humphrey and Scapens, 1996). For example, Moll *et al.* (2006)

argue that further case studies are needed to improve an understanding of the processes leading to (or not leading to) the institutionalisation of accounting.

In summary, case studies provide detailed accounts of organisational practices, the development of theory inductively from empirical data, and an interpretation of accounting practices in their socio-economic, institutional, and organisational contexts (Walker, 1985). In essence, case study research affords a better understanding of what we thought we already knew (Parker, 1994). It therefore offers an understanding of the nature of accounting in practice, both in terms of techniques and systems, as well as the way they are used (Ryan *et al.*, 2003). Accordingly, case study research aligns with the idealist ontology and interpretivist epistemology underpinning this study. The use of new institutionalism (see Sections 5.3 and 5.5) places an exploration of management accounting in a wider context, in line with case study research. In light of these considerations, a case study is deemed suitable for the present research. This is because it allows current accounting practice to be uncovered, and meaning to be created around such findings with social theory. The choice of a qualitative case study approach leads to planning a robust research design. This is discussed next.

6.4 Research Design

A good initial research design underpins the collection and analysis of data (Bryman, 2004). This section examines the most appropriate design for a case study. It firstly notes the different types of case studies, as well as the steps involved. This is followed by the limitations of the method, and the need to be aware of such limitations during the analysis of

empirical data. The type of case study chosen is described in Section 6.5 'Actual Method Employed'. Otley (2008) advises management accounting researchers to keep hold of organisational purposes, because the core research objective should be about the viability of the overall activity.

One of the main design issues is whether to use a single case study or multiple case studies (Yin, 2003). Single case studies are riskier than multiple case studies. Evidence from multiple case studies can be more compelling, and the overall study more robust (Yin, 2003). One of the primary reasons for studying multiple organisations here, for this exploratory research, is the difference in each NGO's model of delivering international development. Such differences directly affect their modes of operation, and so provides an opportunity to explore significant distinctions among three organisations. Trócaire work exclusively through locally-based partner organisations; Concern also work with partner organisations, but in addition use direct implementation; GOAL almost exclusively use direct implementation (Concern, 2016; GOAL, 2015; Trócaire, 2016). Direct implementation can result in greater organisational control over operational activity, timing, spending, operational outputs, and available information. For example, it can lead to higher procurement activity and staffing levels at a NGO compared to when 'on-granting' a block of donor funds to a partner organisation. Accordingly, management accounting at each NGO could be different under each model of delivery.

Another key distinction is the different proportions of restricted funding at each organisation (see Figure 5.1). Management have greater discretion in using unrestricted income, and

therefore management accounting could be different in organisations with higher unrestricted income, for example. Other important distinctions include technological systems employed, organisational structures, staffing expertise available and the use of expatriate managers, as well as their respective histories and cultures (see Chapter 4).

Multiple case studies offer the possibility of comparison, but each case should serve a specific purpose within the overall research (Yin, 2003). As such, multiple case studies can be used for two purposes: one is replication, and the other is theory development. Cases should produce similar results (literal replication) or contrary results but for predictable reasons (theoretical replication) (Yin, 2003). Thus, a case is akin to a single experiment. Analysis is cross-experiment rather than within-experiment (Ryan *et al.*, 2003). An important early step in replication procedures is initially building a rich theoretical proposition, which becomes the vehicle for interpreting each case (Yin, 2003).

The prominence of new institutionalism in the working theoretical model (see Section 5.5) meant that the empirical findings would become more meaningful if the influence of external influences from the institutional environment could be observed in multiple case studies to 'detect an effect' (Yin, 2003, p.58). Thus, the analytical benefits of multiple cases in an exploratory study could be material (Yin, 2003; see Chapter 7). As such, theory becomes a key driver of case selection decisions and the data collection process. An eventual outcome of subsequent cross-case analysis is the modification of a researcher's original theoretical proposition (Yin, 2003; see Chapter 8).

The case study method is also classified by other categories. There are broadly five different types of case studies - descriptive, illustrative, experimental, explanatory, and exploratory (Ryan *et al.*, 2003). Descriptive case studies describe accounting systems and procedures, where a number of organisations can be selected to describe differences and similarities in accounting practice. Illustrative case studies attempt to document innovative practices developed by particular organisations. Experimental case studies examine difficulties and benefits in implementing academically-developed accounting practices. Explanatory case studies explain observed accounting practices, where theory is only used to understand the specific rather than produce generalisations. Finally, exploratory case studies explore the reasons for particular accounting practices (Ryan *et al.*, 2003). The particular uses of case study research depend on the nature of the research and the methodology adopted (Ryan *et al.*, 2003). The present research is an exploratory study (see Section 1.2). Exploratory studies generate ideas that can subsequently be tested in larger-scale or more in-depth studies (Stebbins, 2001). As such, it represents a preliminary investigation (Ryan *et al.*, 2003). The objective of subsequent research is to produce generalisations about accounting practice. Accordingly, an exploratory study is the first step in such research (Ryan *et al.*, 2003; Stebbins, 2001).

The case study method requires careful preparation and planning. For example, multiple cases require greater time and personal resources (Yin, 2003). This could be beyond the means of a single researcher. The role of the researcher must therefore be clear. There are four broad roles that a researcher can adopt (Scapens, 2004). The first is ‘the outsider’, who relies primarily on secondary evidence. The second type of role is ‘the actor’, who is a

participant involved in making decisions. The third is 'the facilitator', who is closely involved in an organisation, for example in giving advice and raising issues. The final type is 'the visitor', who visits case sites and interviews subjects without being directly involved. 'The visitor' is the most common role in case studies (Scapens, 2004), and is the role adopted in this research.

There are four steps required to perform a case study as a 'visitor' (Scapens, 2004):

1. Preparation - Preparation entails specifying a clear research objective (see Section 1.2). It includes a review of relevant literature. The study should also be positioned within a relevant theoretical approach.
2. Collecting evidence - This step is determined by prior theory, but not driven by it. The formal sources of evidence are typically interviews and questionnaires. New issues and theories may emerge.
3. Assessing evidence - This involves the procedural reliability and validity of the evidence. Procedural reliability represents the rigour of the study, with clear questions, evidence recorded, and analysis documented. Validity refers to both external and internal validity. External validity is the transferability of findings. Internal validity is the triangulation of evidence.
4. Identifying and explaining patterns - This requires extracting salient themes and patterns. Patterns can be identified manually or with software, and form the basis for explanations. This step can add to existing literature and theory (Scapens, 2004).

After these four steps, the findings are reported. The conclusions derived must be grounded in firm evidence, and be understandable and plausible (Scapens, 2004). Even by following a systematic approach as outlined here, there are limitations of case study research:

1. Access - Initial and on-going access requires subtlety, luck, sufficient contacts, and a well-planned research design. A researcher should be prepared to change plans opportunistically (Ahrens, 2004).
2. Scope of the case study - While the interpretive perspective emphasises locating accounting practices within the wider context, the holistic ideal of studying all aspects of a social system is unattainable (Ryan *et al.*, 2003).
3. Subjective nature of case studies - Case studies represent interpretations of social reality by the researcher (Scapens, 1990). A credible case study addresses the techniques and assumptions used to ensure the integrity, validity, and accuracy of findings (Patton, 1990).
4. Generalisation - There are no generalisations with case studies. Instead, there is the transferability of findings from one context to another (Lincoln and Guba, 1985), and possible contributions to theory (Bryman, 2004).
5. Ethics - This includes the relationship between the researcher and subjects, issues of confidentiality, and matters arising from disguising identities (Ryan *et al.*, 2003).

In summary, a case study should be significant, complete, consider alternative perspectives, display sufficient evidence, and be composed in an engaging manner (Yin, 2003). The actual method employed for this research is outlined next.

6.5 Actual Method Employed

The four steps of case study research as per Scapens (2004) have been followed for this research.

6.5.1 Preparation

Preparation is outlined here. The genesis of this study emerged from prior professional experience in the NGO sector, coupled with reviewing a sparse body of literature (see Sections 1.2, 2.4, and 2.5). There was insufficient existing literature to suggest the core research objective could include a normative element, and the study thus became an exploratory one. Appropriate terms to avoid ambiguity and to define the scope of the research were identified. Words such as ‘financially-informed decision-making’, ‘the use of financial information’, ‘accounting information’ and ‘managerial decision-making’ were refined - ‘decision-making’ strayed into another research field. This led to using the term ‘management accounting’. In addition, ‘NGO’ was narrowed to ‘international development NGO’ for greater clarity (see Sections 2.2, 2.3, and 4.2).

It is vital that a case selection process is thoroughly performed to minimise potential limitations (Yin, 2003). Case study organisations were selected based on two stages (Yin, 2003). First, potentially suitable organisations were screened in aspects such as type of activities and size of operations. This screening entailed researching websites, annual reports, and other secondary sources. NGOs headquartered outside Ireland were excluded, as well as those without a presence in Uganda (see Section 4.2). Three NGOs were identified as suitable - Concern, GOAL, and Trócaire. They are the three largest international development NGOs

in Ireland. The second stage was access and involved seeking agreement to participate. Ethical clearance was confirmed by the Research Ethics Committee of Dublin City University (see Appendix E), and thereafter formal contact was made with the CEOs for two of the organisations and with the CFO of the other. These three people granted permission to study their respective organisations. The preparation stage helped define the boundary of the study, with the focus and scope of empirical research being within each organisation where management accounting essentially takes place. The next step is ‘collecting evidence’.

6.5.2 Collecting Evidence

The empirical research was conducted in two separate rounds of semi-structured interviews. Firstly, a preliminary interview stage was undertaken (see Chapter 4), followed later by the main empirical stage (see Chapter 7). As per Chapter 4, eleven people were asked to take part in the preliminary interviews. Follow-up phone conversations were held for clarification purposes, and each person subsequently consented to participation in data collection (see Appendix E). As Uganda was the researcher’s country of residence for the early period of the research, it was conducive to becoming familiar with the activities of the case study organisations. This experience aided an understanding of inherent contextual issues and informed the nuances of conversations, and possibly contributed to interviewees being more forthcoming.

The next key consideration was deciding appropriate preliminary interview questions (see Appendix A). Questions primarily originated from the literature review (see Chapter 2). Face-to-face interviews were designed to facilitate direct interaction with NGO managers in their

work settings (Flick, 2002; Yin, 2003). Semi-structured interviews were preferred, as this research is an exploratory case study (May, 1997; Saunders *et al.*, 2003). Open-ended responses captured the points of view of participants without predetermining those points of view (Llewellyn, 2001; Maykut and Moorehouse, 1994; Patton, 1990). The researcher was careful not to impose views, bias, or place leading questions. All interviewees were asked the same questions in the same order, thus increasing the comparability of responses. Accordingly, data is complete for each person on the topics addressed in the interviews (Patton, 1990).

Interviewees were provided with written terms of reference for the study (see Appendix E), and shown an outline of the questions in advance. At the commencement of interviews, participants were also provided with a verbal outline of the research as well as a definition of management accounting as per Horngren *et al.* (2007) (see Section 1.2). In line with their semi-structured nature, aspects such as questions relating to further uses of management accounting were not rigidly defined, and thus could include existing information or additional information, for example. During each interview, new issues emerging were probed. Views raised by participants informed, but did not prejudice, interviews with later participants. This also prompted new lines of investigating literature and theory. The preliminary interviews ultimately facilitated the selection of a theoretical approach (see Chapter 5). Supporting artefacts were also examined when interviewees granted access to internal documents and reports (see Appendix F). Notes were taken during and immediately after each meeting. Furthermore, literature available at the receptions was gathered. Such additional forms of evidence help corroborate empirical data (Patton, 1990).

After the preliminary interviews (see Chapter 4), a second round of interviews was conducted through the lens of the working theoretical model (see Section 5.5) as the main empirical stage. The interviewees were CFOs based in Ireland, COOs based in Ireland, the Financial Controllers in Uganda, and the Program Managers⁸ in Uganda. These people were selected as a result of the working theoretical model, primarily to compare the views of those in a finance role with those in an operational role. Twelve interviews were conducted (see Appendix D). It should be noted that one CFO asked a colleague at head office to deputise. In addition, two organisations in Uganda were without a Program Manager *in situ*, and so the Country Director was interviewed in their capacity as acting Program Manager. Data collection was supplemented by on-site reviews of artefacts like management reports and finance manuals (see Appendix F), which corroborated the interviews.

The collection of evidence, while designed within the framework of prior theory, is not exclusively driven by such theory. This is because new issues and theories should emerge as the research progresses (Scapens, 2004). Accordingly, questions stemmed from the working theoretical model, with the core research objective in mind. A pilot second round interview, drawing on Figure 5.5, was conducted with an experienced manager in the international development NGO sector who was not from any of the case studies. A number of revisions to the questions were made on foot of the pilot (see Appendix B for all second round interview questions). Again, care was taken that the wording and order of questions would not lead participants to give any particular answer. All interviewees were asked the same questions in

⁸ The international development NGO sector often uses the term ‘program’ when referring to field operations.

the same order in the second round also, thus increasing the comparability of responses and ensuring that data is complete for each person on each topic (Patton, 1990).

As questions stemmed from the working theoretical model, the main empirical stage concentrated on answering the second research sub-question of how institutional forces shape management accounting. The purpose was primarily to assess the merits of the working theoretical model with an open mind, in order to refine ideas that can subsequently be tested in larger-scale or more in-depth studies (Stebbins, 2001). Accordingly, the first four questions related to signs of an ethical or positive approach to stakeholders (see Figure 5.5). The next four questions probed the influence of normative and regulative forces (see Figure 5.5). The subsequent four questions explored the extent of each interviewee's operational orientation or financial orientation (see Figure 5.5). These last four questions, along with the final two questions, focused relatively more on the first research sub-question of how management accounting is used, allowing cross-checking with the preliminary interviews and new issues to be raised. The next step is 'assessing evidence'.

6.5.3 Assessing Evidence

The empirical evidence collected allows for analysis on five levels: 1) each organisation individually, 2) by head office across all three organisations, 3) by field level in Uganda across all organisations, 4) by operational managers across all organisations, and 5) by finance managers across all organisations. In essence, findings can be analysed against counterparts in other organisations, and against colleagues within the same organisation. This

is illustrated in Figure 6.1. Eventually, themes emerge to form a holistic perspective (Scapens, 2004).

Figure 6.1 – Categories of Empirical Stage Interviewees

	Operational Managers	Financial Managers
Head Office	COO x3	CFO x3
Uganda	Program Manager x3	Financial Controller x3

Although there is overlap in the finance manager roles interviewed here with the preliminary interviews (see Figure 4.1), only one individual was interviewed twice in this study due to intervening staff changes. Participants in Uganda consisted of citizens and expatriates, who were selected solely on the basis of their organisational role. These interviews were conducted on Skype, and recorded on Pamela software. All six interviews in Ireland were face-to-face, and recorded. Transcripts were typed-up and securely stored. During the transcribing process, interviews were repeatedly reviewed; listening to the intonation, pauses, and the context of unfinished sentences for example. As this is a theoretically-informed case study, it was important to be conscious of other issues at play, hence the semi-structured nature of the interviews.

To ensure the anonymity of participants, as well as for the cohesion of the thesis, Organisations A, B, and C retained the same lettering designated in Chapter 4. Again, some of the participants granted access to internal documents and reports (see Appendix F). Notes were taken during and immediately after each meeting. Publicly-available documents such as

brochures were also collected and examined to supplement the interviews. In terms of external validity, it is not possible to generalise the findings. However, in terms of internal validity, evidence provided by head office managers was cross-checked with Ugandan office managers. Similarly, evidence from finance managers was matched to operational managers of the same organisation. Furthermore, evidence from participants occupying equivalent positions across the three case study organisations can be compared. Additionally, evidence was validated with available secondary sources, such as where on-site reviews of management reports and finance manuals corroborated the interviews (see Appendix F). This facilitates triangulation when assessing evidence, by checking the consistency of different data sources (Patton, 1990; Scapens, 2004; Stebbins, 2001).

6.5.4 Identifying and Explaining Patterns

The fourth and final step for case study research per Scapens (2004) is ‘identifying and explaining patterns’. There are two sides to qualitative analysis. One is the highly creative element depending on the insights and conceptual capabilities of the analyst. The other is a technical side that is analytically rigorous, mentally replicable, and explicitly systematic (Patton, 1990). As such, data analysis is a process of reality construction whereby the researcher, theory, method, and data, are all interdependent and interrelated (Abdul-Khalid, 2009). The initial stage of data analysis involved reviewing transcripts many times to elicit themes and their contexts. In a qualitative case study such as this, salient themes should emerge from a high-level viewpoint (Scapens, 2004). Accordingly, a case study weaves together lower-level findings into a coherent whole, and articulates the over-arching phenomenon. This resulted from continuously reflecting on recurring patterns from the

empirical research, in light of the literature, the theoretical approach, as well as the ontological and epistemological beliefs of the study.

Analysing interviews can be by case analysis or by cross-case analysis (Patton, 1990). Cross-case analysis is grouping together answers from different people to common questions, or analysing different perspectives on central issues. Qualitative evaluation therefore draws on both critical and creative thinking, being both the science and art of analysis (Neuman, 2003; Patton, 1990). However, strategies for analysing evidence are not always clearly defined. The most preferred strategy, which this study is employing, is to follow the theoretical propositions that led to the case study (Yin, 2003). This is because the original objectives and design of the case study were based on such propositions, which in turn reflects the research objective, literature review, and new insights. The analytical strategy used in this research is 'explanation-building' (Yin, 2003). This is pattern-matching, where the goal is to analyse data by building an explanation about the case, and then outlining causal links that exist about a phenomenon. Such explanations can lead to recommendations for future improvements (Yin, 2003). The final explanation is from a series of iterations, so a researcher should regularly refer back to the original purpose of the study (Yin, 2003).

The main empirical research was analysed in a number of stages, and in essence a manual analysis and coding procedure was adopted:

1. At the time of each interview, thoughts or noteworthy observations were jotted down.
2. During the transcription of the interviews, initial thoughts were noted near comments made by participants.

3. Each transcript was then read in full without any preconceived lens or categories. Again, themes emerging and notable remarks were recorded.
4. Interviews were read through the prism of the working theoretical model. Signs of an ethical or positive approach to stakeholders, indications of normative or regulative institutional forces, and assertions of an operational or financial orientation were noted.
5. Interviews were read again for themes emerging.
6. Themes of management accounting emerging, based around the working theoretical model, were initially labelled (see Chapter 7). Elements of responses matching these themes were matched to a separate document.
7. This new document of themes was probed so that connections could permeate over time.
8. This document was re-arranged to incorporate the outcomes of the previous step. The researcher's commentary was also added for a draft findings chapter (see Chapter 7).

The outcomes of the aforementioned analysis will be revealed in Chapter 7.

6.6 Summary and Outcomes

This chapter focused on choosing the most appropriate research methods. A qualitative case study approach was adopted. The main steps in case study research were outlined, limitations of the method noted, and the role of the researcher clarified. Case study research is suitable in conjunction with this study's ontology, epistemology, methodology, theory, and core research objective. The actual method employed is based on the four steps of case study research

outlined by Scapens (2004). ‘Identifying and explaining patterns’ provides the foundation for the findings of the main empirical stage (see Chapter 7).

In summary, this research is structured whereby the core research objective guides the literature review, which in turn becomes the basis for the preliminary interviews, which subsequently informs the selection of a theoretical approach. At this point, in light of the exploratory nature of the study, the main empirical research stage concentrates on considering the merits of a theoretical basis for management accounting at international development NGOs. Accordingly, the next chapter presents findings from the empirical data through the lens of the working theoretical model.

CHAPTER SEVEN - FINDINGS

7.1 Introduction

This chapter presents the empirical findings, which are structured around the working theoretical model (see Figure 5.5). The interpretation of findings follows in Chapter 8. As noted in Chapter 5, the model helps to establish the institutional environment for accounting, and therefore a context for management accounting at the case study organisations. Based on the actual method employed for identifying and explaining patterns (see Section 6.5), three over-arching themes are described here. The first theme is evidence of an ethical or positive approach to stakeholders. This theme broadly corresponds to line B of the working theoretical model (see Figure 5.5). The second theme centres on normative and regulative forces in the NGO institutional environment. This theme broadly corresponds to line C. It particularly focuses on C2 ‘regulative forces’ (see Figure 5.5). Both themes draw out issues relevant to answering how do institutional forces shape management accounting at international development NGOs?

The third theme provides evidence to examine how is management accounting used at international development NGOs, and could there be further uses? It supplements earlier initial evidence from the literature review (see Chapter 2) and preliminary interviews (see Chapter 4). Management accounting can accordingly be framed in its context for subsequent interpretation in Chapter 8. Throughout Chapter 7, the following abbreviations are used: ‘CFO’ stands for Chief Financial Officer, who is the global head of finance; ‘COO’ stands for Chief Operating Officer, who is the global head of programs; ‘FC’ stands for Financial

Controller, who is based in Uganda; and ‘PM’ stands for Program Manager, who is head of operations in Uganda. All participants have a number ‘2’ after their respective organisation’s assigned letter. This is to clearly distinguish the main empirical interviews from the preliminary interviews.

7.2 Ethical and Positive Approaches

This section outlines ethical or positive approaches to stakeholders at the case study organisations. This theme has its origins in line B of the working theoretical model (see Figure 5.5). Hence, findings here mainly relate to the ‘line B’ questions of Appendix B. This section initially analyses the operations and finance functions to determine if one is predominant, and simultaneously notes evidence of an ethical or positive approach at an organisational level. This section then presents evidence of an ethical or positive approach to stakeholders at an individual level, firstly for program managers and then finance managers. The section concludes by examining how participants view their role’s alignment with overall organisational objectives, and what this means from an organisational perspective. These findings enable later analysis of further aspects of the working theoretical model.

7.2.1 Program-Led; Finance Support

This section examines the dynamic between the operational function and the finance function at the case study organisations. It provides evidence from an overall organisational perspective of an ethical approach or positive approach to stakeholders. A general consensus emerged among interviewees that their respective NGOs are primarily concerned with program priorities and that the finance function supports such priorities. Program managers such as COO A2 illustrate this:

Program priorities take precedence. The finances are to fund the programs [...] I would say the driver is very much the program rather than the finance. We're not a finance-driven organisation; we're not a money-driven organisation. I think we're driven much more by the values of poverty alleviation, and looking at doing programs of quality with the poorest people.

This reflects an ethical approach, and was echoed by COO C2:

The absolute top priority is the fulfilment of our mandate [...] bringing assistance [...] and secondly informing the Irish public of the needs of the developing countries [...] so the impact on the beneficiaries is front and centre in all our planning [...] what we try to do internally here, is we try to keep Organisation C bound to the core values of the organisation, one of which is solidarity [...] so that is where the challenge arises, is not to lose the moral argument and the strength of the feeling of solidarity.

Nevertheless, head office participants such as COO A2, COO B2, and COO C2 all acknowledged the importance of securing funding for programs. Even at the field level, PM C2 remarked:

I would still say we take our lead from program priorities. And then be very conscious that we need to get the funding to support that.

Program managers stressed they only apply for funding that 'fits' their organisational aims. It displays an ethical approach, and normative institutional forces based on morally-governed social obligations are at play. For example, COO A2 stated:

The funding that we apply for is funding that is applicable to our plan. We don't apply for stuff that isn't applicable [...] so the beneficiaries take precedence in terms of the type of funding we go after and therefore in terms of managing the donor relationship [...] we are the meat in the sandwich.

COO C2 similarly alluded to this for a hypothetical stakeholder conflict situation:

We prioritise the needs of the beneficiaries, absolutely [...] we choose to apply for funding that we see as being compatible with our ethos as an organisation, the areas we work in, and the way we work [...] we advocate on behalf of the beneficiaries at all times.

At field level, PM A2 noted:

We don't tend to go for donors that have very tied funding or frameworks that are just beneficial for the donors [...] trying to deliver in a way that is most appropriate for the beneficiaries is our aim, and to identify donors also who have that as an aim as well, so that we have a shared understanding on that.

However, despite the importance of external funding for delivering programs (Tucker and Parker, 2013), it is noteworthy that the finance function in two of the three case study organisations does not have a place in the senior management team. CFO C2 stated:

We [*finance*] fit in with them [*programs*] to be honest [...] where it struggles to fit in is being thought of at a high enough level [...] for example I, as Head of Finance, don't sit on the senior management team, which in my view is a weakness in the organisation.

CFO A2 similarly remarked:

I would say they [*finance and program priorities*] don't [*align*] at all. If you look at the strategic plan, there is nothing to do with finance, it is completely programmatic. So here in a sense it is very program-driven, and then the support services fit in behind. Even in a way, like the senior management team here, like I [*as Head of Finance*] don't sit on it, and the majority of people are on the program side of things. So it is one of the things I personally struggle with. Yeah, these issues are never going to get addressed.

Identical concerns were raised about Organisation C's Uganda country plan. FC C2 noted:

One of the weaknesses in the one we had [*the country strategic plan*] was not having an element of finance or administration. It was just the country strategic plan but for programs.

Program managers did not have any issue with this. COO C2 stated:

The finance department is a support department. It is not driving what we do in the organisation. It is programs that drive it.

Notwithstanding the general agreement that priorities centred around programs, there was variation at an individual level. Finance managers conveyed a relatively positive approach to stakeholders, compared to their respective organisations. For example, CFO B2 spoke about meeting deadlines as a priority. One of the main reasons for conveying a positive approach is that finance managers assume beneficiary needs were incorporated when program managers accepted the activity. PM A2 illustrated it:

The first stage of developing a program are around what are the beneficiary needs [...] but it is like any time when you are applying for a competitive call, you are also looking at what the donor priorities are in that area. But if we feel that the conditions of the call etc. are not in line with the priorities of what we want to do, then we don't apply for it.

Thus, this discussion illustrates a broad ethical approach to stakeholders at an organisational level, although variation exists at a managerial role level. Such dynamics are explained further next, firstly focusing on program managers and subsequently concentrating on finance managers.

7.2.2 Program Managers' Approach to Stakeholders

The approach to stakeholders by program managers is discussed here. Program managers repeatedly referenced their organisation's mission. As noted above, program managers portray opinions consistent with an ethical approach for their organisation. PM A2 remarked:

Making sure that our work reaches and has impact on the most vulnerable and the poorest of the poor population [...] the stewardship of resources is in line with good practice, and again that it reflects the ethos of the organisation.

Such thinking was extrapolated by program managers when speaking about the goals of their own individual role. COO A2 stated:

Ultimately, to look at how we can grow the programs, increase our beneficiary numbers with quality programming to lift them out of poverty [...] I think the management group would be the same as that [...] alleviate global poverty.

This illustrates how program managers view their own contribution as very important to the success of their respective NGOs. COO A2 elaborated:

[It's] central to the organisation. This is what Organisation A is about. So I would see the International Department of Development as the core part of the organisation, with all the rest of it coming in as a supporting role [...] it is the driver for the organisation.

Similarly in Organisation B, COO B2 listed the Head of Programs role's priorities as:

That we implement our global strategy within budget, and demonstrate the impact [...] developing strategic thinking; and really beyond that it's allocating strategic budgets and allocating strategic funds, and ensuring that the work that we're doing is in line with the organisation's objective.

Notably though, COO B2 also mentioned governance and compliance as a key priority of Organisation B. As will become evident throughout this chapter, participants in Organisation B display a higher emphasis on compliance as a priority. Organisation B is highly dependent on restricted funding, and has previously drawn media attention for how it is managed and governed. This could indicate a positive approach is relatively more influential in Organisation B. COO B2 elaborated further in terms of the role:

I stress very much the program goals, you know the overall objective. Not that it's [*compliance*] secondary in importance, because if you don't get it right then it becomes a very primary issue, and it is slightly boxed in.

COO B2 later made a distinction between head office level and field level, illustrating varying approaches to stakeholders at different levels of the organisation:

The deadlines for proposals and for reporting, like you can't miss those, it would damage the reputation too much. So they have to be prioritised at head office. I would be expecting that the Country Directors are very much focused on the interests of the beneficiaries. Whereas we [*in head office*] have to look at the big picture of maintaining the relationships with the key stakeholders and the balance [...] that's what we do here at head office. But it's in the country programs they are very much more focused on the interests of the beneficiaries.

Correspondingly in Organisation C, even though an ethical approach is initially indicated at the organisation, a more positive approach exists at head office to safeguard the organisation.

COO C2 noted:

As a values-based organisation, we keep the beneficiaries front and centre at all times [...] any external impact from donor requirements they go as far as the partner [*organisation*], but they do not go as far as the beneficiary [...] we have a global relationship [...] we are talking about the whole organisation's reputation with the donor.

Even at field level however, while program managers illustrate an ethical approach they also incorporate a positive approach. PM C2 stated:

[It's] very much to carry the values, mandate, and mission. Ok, so that's part of the culture that you are constantly working with. And then within that you have to bring in what the donor requirements are.

Similarly for the field level, PM B2's priorities demonstrate an ethical approach, but also allude to positive approach aspects concerning organisational priorities:

Delivering programs or projects to time, cost, and quality [...] making sure our programs are delivered as per our agreement with the donors [...] that my guys are actually doing the activity that we said.

PM B2 illustrated this dynamic when considering a conflict situation among stakeholders:

We certainly push back, but there's only so far you can push back with some donors [...] with certain things there will always be a bit more of a push from a donor's perspective that they want things done in a certain way. But we have those sort of tools actually where we always write them in to our proposals so that donors are aware that it is the approach that we take.

Overall, even though program managers acknowledge aspects consistent with a positive approach, they clearly demonstrate an ethical approach to stakeholders. Finance managers' approach to stakeholders is detailed next.

7.2.3 Finance Managers' Approach to Stakeholders

The approach to stakeholders by finance managers is discussed here. CFO C2 outlined thinking that was typical of the finance managers:

The donor requirements are set out at the start of a program. We will always seek to comply with those requirements, and the donor funding will already fit in with our work [...] but it does have the disadvantage that your income is limited.

CFO A2 echoed this:

When we look at budgets that are coming through, we are all about how are we going to report on this. So to me programmatically, it is the program teams who are the ones

that are going to have to make decisions about is it right for the beneficiary. By the time it gets to us, we assume that it has already been decided. So the next step for us is going, 'right, how are we going to be able to report on this, how are we going to be able to meet the donor demands' [...] that will impact the public perception of how the organisation is, and can affect people giving to you in all matter of forms. So it is all linked.

CFO B2 expressed corresponding views:

I guess if we are awarded funding for a program, the program will already have been written up and designed to maximise the benefits for the beneficiary. So making sure that it is implemented in the way it was written and costed, is what I would place emphasis on, that I would meet the donor expectations in terms of reporting, and adhering to their principles [...] any deviations from the objectives have been approved by the donor. We wouldn't have a program operating that wasn't in line with the aims of the organisation [...] and ultimately if everything [*compliance-wise*] is being done right, then ultimately the beneficiaries are the ones who will benefit from it.

At a field level, FC B2 similarly remarked:

My emphasis is always to make sure that we deliver according to donor expectations, because at this stage now the donor takes the priority [...] Ok, the program people would come up with the idea of what they want to do, and work with them to see how much finances do we have [...] we always start with our program people generating the activities that they want to carry out, then after that we work out the budgets available.

Accordingly, when finance managers describe the priorities of their role, it is consistent with a positive approach. Their responses also illustrate regulative forces at play. For example, CFO A2 prioritises governance, external reporting and the annual audit, internal reporting, risk and fraud overseas, and that systems are working. CFO B2 prioritises ensuring compliance, meeting deadlines, and that internal controls are followed. At the field level, FC C2 prioritises ensuring that systems are in place, oversight of the budgets, alerting program staff in case of an overspend, accurate and timely reporting for donors and management, and enhancing partner capacity in accounting and reporting. FC B2 emphasises donor reporting, accountability, and value-for-money. FC A2 prioritises management accounts, donor reports,

and setting-up financial systems. At field level, FC A2's priorities demonstrate a positive approach:

I think maintaining a good relationship with a donor is key. I really place a lot of emphasis on it, and in particular my own role would be to make sure that we are getting the reports to them in time and we are following their guidelines. And if it's not reasonable, or it's not possible for us to follow their guidelines, that we are raising it with them in advance.

FC A2 later illustrated how a positive approach manifests itself:

One of the things I would emphasise is that we agreed with the donor this is what we are going to do, so we just have to do it [...] I would really insist on meeting the donor requirements because that's what we did say to them. Now, if there is anything that changes mid-way, I will keep reminding people that we have an obligation to go back to the donor.

FC C2 echoed this:

I think my key issue here is around accountability [...] proper transparent use [...] how the resources are being used, so that I am able to report in a good, accurate, and proper way to the donors.

However, the pressure of regulative forces creates strain if compliance obligations become too great. A positive approach is intended to benefit an organisation, rather than manage a relationship at any cost to it. CFO A2 raised this:

It's been one of those where I personally have said that I don't think we should be accepting funds from this donor. But it has met with massive resistance across the organisation. We have some people that are in agreement, but we have some people that are afraid to say 'no'. I think there is a big fear, particularly in the current operating environment [*i.e. the global economic downturn*], which cannot be underestimated, that people are afraid to say no to money, and to donors.

Here, CFO A2's concern is that Organisation A's reputation with donors will slip if they fail to comply fully with regulatory obligations - even though the program aligns with the organisation's mission. Such tensions will be discussed later in greater depth in Section 7.3.

Overall, compared to program managers, finance managers demonstrate a positive approach. They assume programs align with their NGO's mission. Finance managers then view compliance as benefiting beneficiaries because compliance ensures continued funding. This reconciles assertions of intrinsic motivations (i.e. a normative influence) with their outward concern for compliance (i.e. a regulative influence). The next discussion links variations at a managerial role level to the organisational level. It examines how roles align with organisational objectives.

7.2.4 Role Alignment with Organisational Objectives

While program managers broadly demonstrate an ethical approach and finance managers a positive approach, both types of managers incorporate aspects consistent with the alternative approach. This is because participants also look beyond their own role to an organisational perspective. Its relevance is elaborated here, as well as the manner in which each role aligns with organisational objectives. For example, FC A2's remarks display both positive and ethical approach aspects when considering the organisational perspective:

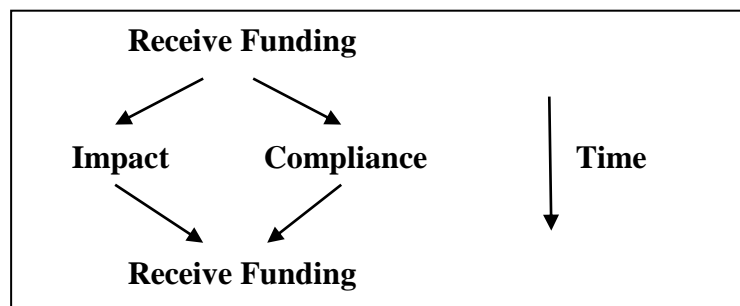
Organisation A has its own mission and its own objectives, but sometimes it's not able to meet those objectives without getting funds from the donor. So I think those two are going hand-in-hand. So we are using the donor funds, and we have to ensure we are meeting the donor rules and guidelines.

This was echoed at head office level by COO A2:

Our organisational framework and our organisational strategic plan is what guides us in terms of the type of donor funding we would go after. Our beneficiaries then are linked in with the framework of donor funding that we have. We can't function without funding, so there is always a drive to get the reports in on time. But they can only be done if the programs are being implemented. So, you can't have one without the other.

Other program managers mentioned that successfully implementing programs could result in further funding. PM A2 measured organisational success in terms of program delivery and sourcing donor funding. As noted by Brown and Moore (2001), for a NGO to survive it must provide socially-valuable results and also have sufficient operational capacity. Put another way, operational capacity at NGOs directly stems from sourcing funding (Goddard *et al.*, 2016; Lecy *et al.*, 2012; Tucker and Parker, 2013). Such a funding cycle is depicted in Figure 7.1. Figure 7.1 is a visual aid to summarise the findings of this section, and the diagram will be explained further in the remainder of this discussion. Figure 7.1 is not a theoretical framework, but rather a graphical illustration at an organisational level to visually conceive the findings. In essence, it shows how once a NGO receives funding it must subsequently demonstrate both its impact on beneficiaries and the proper use of money in order to receive more funding, and hence continue the cycle.

Figure 7.1 – The NGO Funding Cycle



A program manager’s role in the funding cycle depicted in Figure 7.1 is outlined here. In contrast to finance managers, the language of program managers to describe the objectives of their own role closely mirrors how they describe the objectives of their organisation. PM C2 remarked:

Programs are front and centre of plans, yeah, whereas finance is the scaffolding to deliver the programs. And I think it is well recognised in the organisation. But it's also very important for finance. So, if you do develop good programs, you increase the possibilities of getting good funding.

This comment corresponds with the illustration in Figure 7.1. PM C2, PM A2, and COO B2 all used the word 'critical' to describe their own role's contribution to their respective organisations. PM A2 noted:

Because the organisational goals are to impact on the poorest [...] they're [*program staff*] the ones that are listening to the beneficiaries [...] and if you take out programs there is no reason to exist.

For the role's contribution, COO B2 linked impact with managing donor relationships and mirrored the cycle depicted in Figure 7.1:

The delivery of quality programs for the beneficiaries, which we then use as a platform for strong donor relationships.

Interestingly from a head office level, COO B2 displayed an appreciation for the perspective of finance managers, i.e. the emphasis on compliance. In the process, COO B2 summed-up the funding cycle in terms of the role's objectives:

[*We have to*] demonstrate sustainable impact from our interventions through monitoring and evaluation of our programs [...] and then ensuring on the compliance that we don't have unallowable costs. So, it's kind of a mixture of the whole thing. You can't really do one without the other. It's no good running a good program without ensuring the funding or being non-compliant. It just doesn't work. The whole thing would just break down. So, you have to do all three.

Turnover trends are considered a sign of success at the organisations, as external verification of impact and compliance. For example, COO C2 also showed appreciation of finance manager perspectives:

It is really important for us to manage our resources to the highest possible level of financial accountability [...] we trade on the goodwill of the Irish public. If they don't trust us and believe that we are trustworthy, then our funding would dry up pretty quickly.

At field level, PM A2 added:

I don't think they are mutually exclusive [*mission and compliance*]. Because for example if you decide to ignore donors and ignore meeting program requirements they agreed, what has to happen is that you get a lot of disallowed costs, and that has to come out of Organisation A's general donations.

However, finance managers view things differently to program managers. A finance manager's role in the cycle depicted in Figure 7.1 is outlined here. Overall, finance managers indicate that their role is making only an *indirect* contribution to the objectives of the organisation. CFO A2 noted the divergence in the role's priorities with the organisation's priorities:

I think it [*mission and compliance*] is a massive on-going issue. But for me, if we are doing everything in the right way, we are ultimately benefiting the beneficiaries. All that sort of thing gives reassurance to our donors that their money is being used in the most appropriate manner. And ultimately if we do that right it does benefit the mission of Organisation A [...] Are we thinking about the beneficiary and the mission and all that kind of thing when we are doing it? Probably not. But we know that if we do it this way, as much as it will annoy everybody, ultimately it adds to that public perception that we are a good NGO.

CFO B2 also expressed similar sentiments. At field level, FC A2 concurred:

I am supposed to make sure that we do the reports to donors on time, we report to them accurately, we are checking that we are following their own guidelines [...] to be able to attract more funds from the same donor. And when we have money in place then we are able to meet the beneficiaries' needs.

This comment summarised Figure 7.1 from a finance manager's perspective. Finance managers view compliance to donors as ultimately being for beneficiary needs. CFO C2 highlighted their transparency record for attracting funding:

It is the differentiation of us from other charities in the Ireland market. It is very competitive from a funding perspective, and we are all looked at as kind of doing the same thing.

7.2.5 Summary and Outcomes

This section provides evidence of an ethical approach and a positive approach to stakeholders. Each NGO is operationally-focused, with finance acting as support. However, while program managers predominantly demonstrate an ethical approach, finance managers predominantly emphasise priorities consistent with a positive approach. Nevertheless, participants recognise that NGOs must demonstrate both impact *and* compliance to receive funding. Finance managers focus on compliance. They assume beneficiary needs are already incorporated by program managers. By providing evidence for line B of the working theoretical model, this section assists with understanding the institutional environment for accounting. The next section focuses on line C. It concentrates on regulative forces as being most relevant to forming a broader context for accounting at international development NGOs. In due course, this enables an informed interpretation of management accounting.

7.3 Regulative Forces

The findings in this section relate mainly to the ‘line C’ questions of Appendix B. This section concentrates on C2 ‘regulative forces’ in the working theoretical model (see Figure 5.5). Regulative forces are relevant for establishing the context to later interpret management accounting. Hence, this section lays a foundation for how institutional forces shape management accounting at the case studies. It initially outlines an evolving balance between regulative and normative forces. It subsequently presents tensions arising from this evolution. Finally, the effects of such tensions are noted.

7.3.1 An Evolving Balance

While the case study organisations are program-led (see Section 7.2), there is simultaneously a consensus that compliance (and consequently the finance function) is becoming more emphasised. The post-2008 austerity climate is cited as a primary reason. Compliance is vital to remain a going concern (see Section 7.2). CFO C2 stated:

More and more in the development sector finance has become more important. And in Organisation C, finance needs to become more and more important and needs to sit at that [*senior management*] level. It doesn't yet, but should do in the coming years [...] in the entire sector it needs to be at the top table as well.

COO C2 concurred:

We start from the programs. We have always been driven by what we want to achieve at a program level, and then we make the finances fit that [...] but then over the past five years or so we have been in a situation where the money has not always been available [...] it is still 'these are the programs that we want to do', now 'where are we going to get the money to do it'.

CFO C2 noted how transparency in the Irish charity sector received media attention in 2014:

Organisation C would be very transparent with donors, and if issues arise and things like that with donors, they are always informed of it [...] I just have to ensure that the systems are in place from an institutional funding [*i.e. restricted*] perspective; that we have our institutional reporting in place, and our institutional deadlines in place.

CFO A2 remarked for Organisation A:

The relationship with the donor versus the relationship with the beneficiary, it is a thing that is changing within Organisation A. Now with the change from the economic crisis, and the change in the income we have been receiving, we have managed to stay at the level we are because our co-funding has dramatically increased. But yes, managing the donors can be a full-time job, and the amount of administration that goes along with that. It is hard even to describe because it is so enormous. So in terms of managing the relationship with the donor, I would say that that has probably taken a greater precedence [...] but it is an on-going dilemma.

The compliance workload concerned CFO A2, as increased dependence on restricted funding creates a corresponding larger compliance workload. However, NGOs are reluctant to

resource administrative functions, as it negatively affects the three conversion ratios (see Section 2.4). CFO A2 continued:

I would say the balance [*between mission and compliance*] is just an on-going struggle. Since the start of the economic crisis we have become very heavily dependent on the co-funding side [...] but as a result, the compliance side of things has become very, very difficult to manage [...] the balance is not so good now, and it is a real on-going struggle [...] we have had those difficult donors relative to the point at what they are asking for is just not possible. But we still have not said 'no' [...] we [*finance*] are the ones that look after the policies and the governance [...] but I think the environment over the last number of years has just changed so dramatically for us that we are still kind of catching up with it.

At field level, finance managers also noted pressures from compliance workloads. FC A2 stated:

They [*donors*] want to get a report. They want to know why we didn't do this. Donors are following on everything that NGOs are doing. So I think it's [*compliance*] becoming extremely important. The NGOs are now managing their finances in a more active way to make sure that they are remaining afloat and be able to attract such funds.

Notably, program managers emphasised how the pendulum is swinging towards a regulatory climate. COO C2 remarked:

I think there is a swing at the moment towards the technocratic approach where everything is in a spreadsheet and everything is accountable [...] what it means is the argument of solidarity isn't strong enough anymore [...] so you see the preponderance of a spreadsheet in a lot of the work. What we try to do internally here is keep Organisation C bound to the core values of the organisation. One of which is solidarity, but another one is accountability. So you have to manage the two. So where the challenge arises is not to lose the moral argument.

COO A2 suggested this environment curtails operational innovation:

The balance over the last number of years has changed quite considerably. Our funding has changed a lot. 10 years ago, we had a huge amount of income from the general public that was a huge amount to innovate, to grow the programs, to go into areas before securing the funding first. We're much more linked to donors now [...] it limits our ability to be innovative [...] and it does put on different pressure.

The same point was made by COO B2 about unintended negative effects:

The compliance side of the house has grown a lot. So it has become far more front-of-house than it ever was. It's actually grown far more than program development [...] that compliance agenda has been a big deal [...] the way the climate has shifted with compliance, value-for-money, and demonstrating impact has become as important to the donor as actually doing the job [...] any industry where it becomes overly-regulated it restricts creativity and innovation [...] Yeah, so I think it's a bad thing that it has become so prominent.

Concern for performance assessment can stifle creativity and innovation if NGO managers fear having to record failures (Dhanani and Connolly, 2015; Ebrahim, 2003; Walden, 2006). Performance assessments by donors instead encourage NGOs to only operate proven product-based approaches to development, while punishing NGOs attempting to develop more innovative and risky process-based approaches (Riddle, 1999). Similarly, Dent (1991) argues that a short-term focus on the bottom-line discourages technological innovation and investment in operational capability that requires a longer-term strategic appreciation of time. At field level, PM A2 also linked this issue to restricted funding:

I think the balance changes according to the funding environment [...] one of the big things we're trying to do is reduce the amount of disallowed costs that we have, and most of these disallowed costs come about when procurement procedures and so on are not followed [...] so the beneficiary concerns and the mission of the NGO is still core and it takes primary importance. But I mean insuring that we don't shoot ourselves in the foot by having a lot of disallowed costs has got more important over the last few years, because there isn't the same amount of the general donations going around.

PM C2 concurred, as regulatory pressures mean Organisation C is diverting resources to administrative functions:

It is shifting more in favour of the donors because people are increasingly reliant on the donors. And it is becoming increasingly competitive. Their requirements are becoming much more sophisticated or rigorous. So right across NGOs there would be a huge investment in systems to respond to donor requirements.

However, PM B2 broke the unanimity, although making a distinction between the organisational level and the personal level:

I actually don't think it [*the balance*] is too bad at this point [...] we always like to put forward the way in which we like to do programming for the benefit of the beneficiaries [...] it's a very difficult one [*mission versus compliance*] [...] it is actually quite a bit of a struggle for me to balance the administrative side with the implementation side of things.

Overall, growing regulative forces are creating tensions at the case study organisations. A deeper examination of tensions arising from this evolution is presented next.

7.3.2 Tensions

The evolving balance between normative and regulative forces is creating tensions at the case study organisations. Such tensions are examined here in more depth. O'Dwyer and Boomsma (2015) assert that felt and imposed accountability co-exist and operate in tension for NGO contexts (see Section 5.5). Given the distinctive normative and regulative conceptions of accountability, NGO managers must continually manage tensions inherent in their co-existence by balancing internally-driven felt accountability with externally-driven imposed accountability (O'Dwyer and Boomsma, 2015). Tensions are stemming from case study organisations that are program-led (see Section 7.2) but which simultaneously face increasing regulatory pressures. In Organisation A, CFO A2 was vocal on this:

Do they [*programs and finance*] align? No. Because I would say the financial priorities are always 'is it easy to report on, will it get through an audit'. You know the workload that it adds to the team, can we do it all easily and transparently, and fit in with everything else that we are doing. Because it is staffing and issues with time and all that kind of stuff. Where programmatically in Organisation A, they are very much about 'well, let us just get it done'. So I think we lead with programs and follow with finance. So they are not aligned [...] I think here that we're too program-led. Because you know there is a whole practical element that is missing. But I think that it is a lost battle to be honest.

FC A2 provided a field example:

I think they [*programs and finance*] compete with each other [...] an example is maybe the rains have come earlier than was expected, then we probably need to procure or source the seeds for the beneficiaries, and it needs to be done urgently.

And that's what the program staff would want to do, then buy them now and give them to the farmer because they are needed now. But then you see there is the thing because we have funds from the donor and we have policies and procedures in place, as a finance person you will be coming along and saying 'hey, you can't just go to the market and get the seeds and deliver it to the farmer, you have to do a bid'. Because the cost will be on that bid, and you have to check all these other things. And I think it's always competing priorities [...] so, sometimes yes we agree, but most of the time we are not always sharing the same point of view.

CFO A2 later reiterated:

To me there is no point in even signing a contract with a donor for a project if the compliance requirements involved are bonkers [...] you are going to have to jump through all of these hoops, and are you willing to do that? I find in Organisation A they are willing to do that, but they are not the ones that have to do the work. So you have a massive on-going tension there with that.

From a program perspective, PM A2 also noted tensions:

From talking to the different program people here, I think they feel they [*finance*] don't [*appreciate program staff perspectives*]. At times the program people would feel that the finance and procurement people don't have a full understanding of the realities on the ground, and that they just want the rules and regulations followed. I would have heard that quite frequently. And the finance people would say to programs people 'look, a lack of planning is not an excuse for not following procedures'.

CFO A2 corroborated this:

At field level you find a lot of our finance teams really struggle with having their opinions heard [...] nobody is thinking in the end someone is going to have to spend five days doing that report because it is so crazy. I find that there is a massive disconnect. I think they're heard, but not listened to.

Notably, COO A2 dissented, possibly illustrating CFO A2's assertion of being heard but not listened to:

It's not that we're a mile apart. We are all driven by slightly different things in terms of what we have to achieve within our own domain. But I think we're all working together on it [...] we can't function without them, but they don't drive it either. Yes, it is a mutual respect.

PM A2 also indirectly corroborated CFO A2:

The operational priorities still take the highest priority [...] I would say they [*mission and compliance*] generally align, and when they do compete, from my experience so far, I would say that operational has won out.

Notably, program managers agreed that operational priorities trump finance department concerns in a conflict situation.

Organisation C displayed differences from Organisation A. In light of Organisation C's model of delivering development, COO C2 noted:

Certainly there are deadlines that we have [...] we work exclusively through partner organisations, and they have their own rhythm of working [...] we do want to spend our money within our financial year. So that puts a certain amount of pressure on our program staff in their relationships with their partners [...] we try to insulate our partners to the greatest degree possible from our own internal rhythms of reporting. And of course the point at which that tension happens is with the program officers.

Similarly, FC C2 stated:

Sometimes they [*program and finance priorities*] do compete, but mostly they are aligned.

Participants in Organisation C portrayed their NGO as not being tempted by a 'follow-the-money' approach. Consequently, funding suits program activities. While PM C2 suggested finance and program staff appreciate one another, in line with COO C2, some tensions were nevertheless acknowledged:

It's a constant tension that needs to be managed [...] the reality is that it is a huge body of work to meet donor requirements. And it is becoming more rigorous all the time. And the time and resources required is increasing.

CFO C2 similarly remarked:

Sometimes that can be challenging when finance [*issues*] can take them [*program managers*] away from their 'real' work, as they see it.

PM C2 equally elaborated:

Clearly the preferred approach is the flexibility and that programs adjust to context. But if we got a UK aid project, the 'change' stuff is quite complex when you're dealing with partner communities and all that. So I think there is a tendency to execute it the way it was put forward in the first place.

Such tensions demonstrate regulative pressures on program activity. FC C2 echoed this:

There is an ever-changing environment with the changes that have happened in between [...] there is always that challenge of meeting the objectives or the requirements of the donor vis-à-vis what actually happens on the ground. There is always that enormous pressure, especially on finance when it comes to reporting.

In Organisation B, PM B2 expressed corresponding opinions to other participants:

It's a very difficult one [*mission versus compliance*] [...] it takes up a fair amount of time away from managing my guys in the field, my team. So, it is actually quite a bit of a struggle for me to balance the administrative side with the actual implementation side of things. I find it frustrating in that I don't get so much time with my team [...] I've spent at least a third of my time on report-writing and proposal development. But personally for me, I would prefer to spend it on actually coaching my team and managing the actual delivery aspect.

Program managers in Organisation B alluded to tensions. Organisation B is heavily dependent on restricted funding. PM B2 continued:

It is a challenge. In my role, I would be emphasising the interests of the beneficiaries, and that does not always align with the interests of the donors. For us, it is important that both are catered for where possible, but it is a struggle for us sometimes. I guess the rules that are put around which a donor specifies do not always allow us to do some of that delivery as best suits our beneficiaries, or that we know will give us a sustainable result.

COO B2 concurred:

They [*priorities*] compete because we have finite resources [...] some countries are over-funded and some countries are massively under-funded. But because funding is restricted to countries, it makes it difficult to shift them across [...] your strategic thinking has to be spot on [...] I work closely with the Head of Finance who I think understands very clearly the constraints. I know they probably have more conflict with the program people over some of this stuff.

CFO B2 also noted the effect of changing circumstances in the field:

The only conflicts you would have would be the usual time pressures. Maybe the operations not understanding the timelines of the financial pressures. The only conflict there will ever be around would be making sure that everyone is following the correct procedures [...] Well, equally finance might misunderstand in Sudan the floods arrived a couple of weeks early. So now if you want to deliver program supplies to an area it has to be flown in, whereas last week you could truck it in. So it's always making sure that finance understand what is going on in programs, and that programs understand the finance pressures [...] there is a good understanding that ultimately the pressure is donor-related.

FC B2 confirmed this:

By the time I talk to the program people that we need this information, they know the importance of that information. Without that information, we might end up frustrating the donor.

Overall, tensions exist between internally-driven mission concerns and externally-driven compliance concerns. This dynamic corresponds to the table of Figure 5.4 (see Section 5.5) regarding an ethical or positive approach to stakeholders and the corresponding normative and regulative pillars. The working theoretical model subsequently emerged from the table of Figure 5.4. Such tensions are created by the evolving influence of normative and regulative forces. The predominant opinion among participants was that tensions are exacerbated by growing regulatory demands. This is examined in more depth next.

7.3.3 Over-Regulation?

The tensions brought forth in the preceding discussion suggest that regulatory forces are becoming dominant in the NGO institutional environment. Examining it helps understand the context for accounting. For example, FC C2 suggested the NGO funding model affects the activities NGOs undertake:

I feel overall the development sector is really struggling in the area of making a sustainable impact. It has been a bit hard to find the level of freedom I am going to give you for my money and the amount of control I will need to exert on this money. Because of that the partners and the beneficiaries appear to be looking at all these interventions as an outcome or an impact, but not in a sustainable perspective. These relationships cause some sort of dependency syndrome, and also make the partner beneficiaries not really fully 'own' the whole activity. It's like there's always that feeling that 'this is what you've [*the NGO*] come up with, this is how these things would be done in order for me [*the beneficiary*] to get a solution to my problem'. That's fine. I will get involved but I [*the beneficiary*] will never own it. In this way, you'll find that there have been some cases where an international NGO withdraws funding and it leads to the end of the local NGO.

This quote corresponds with Awio *et al.* (2011) and Najam (2002) proposing that funding models for NGOs should be re-examined. The funding model stifles innovation, according to COO B2:

We cannot really justify to our stakeholders who are investing say €200,000 in a pilot project around technology in development, and then decide later that it wasn't a good idea. Whereas if you work for a technology company, they are investing billions a year in different methodologies, some of which work and some of which don't. And I think that's what the [NGO] sector is missing in terms of that innovation and creativity. We don't really have access to funds for developing ideas, or to invest in trying to do things differently or more innovatively.

It echoes the views of COO A2 and COO C2 about the NGO funding model influencing NGO activities, especially in aspects such as curtailing innovation (see Section 7.3.1). It also illustrates the prominence of the NGO institutional environment. NGO accountability practices often passively react to donor demands for results based on narrow accounting measures, which can undermine their desire to engage in more complex beneficiary-focused forms of accountability (O'Dwyer and Boomsma, 2015). In contrast to imposed accountability regimes, adaptive regimes which balance 'imposed' and 'felt' accountabilities encourage creativity and experimentation. The extent to which a focus persists on mission and adaptation will vary, depending on how imposed and felt accountability tensions are resolved (Ebrahim, 2009).

Imposed accountability is to the forefront for finance managers. Participants in Organisation B were very focused on controls, corresponding with their relative dependence on restricted income. CFO B2 remarked:

I think the controls in this place are hugely comprehensive, very well-developed, and very effective.

In Organisation C, CFO C2 highlighted how external forces influence internal accounting practices:

Donor stipulations [*for finance procedures*] always come above ours [...] it's in our policies [...] we will always accept the donors' compliance requirements. If it's about compliance issues, they [*donors*] will always supersede ours [*Organisation C's*].

In Organisation A, FC A2 concurred:

The pressures of reporting to donors and making sure that the donors are happy sometimes can actually overrule all and become so important, as opposed to meeting the mission of the organisation [...] most of the time you are stuck in a whirlwind of reporting just from one donor to another donor, answering their questions, and making sure that we are doing things that the donors would like done [...] you become a machine just dealing with donors.

COO A2 noted how such pressures affect program staff also, similar to Section 7.3.2 showing it diverting them from core program work. While COO A2 laments time pressures and stress, nevertheless their perspective mirrors those of finance staff that compliance ultimately helps the mission by ensuring donor funding (see Section 7.2). COO A2 commented:

We had the external auditors in, and they had enormous demands, going back over programs of the last 4 or 5 years. They looked for over 3,000 bits of validations of information. It is snowing in fact in Afghanistan at the moment, they have deadlines, our team has been up all night. I sent them an email saying 'did you get any sleep?' And they answered 'yes, I went to bed at 12 o'clock, but I got up again at 3.30am to finish', and I think that is the sort of commitment we get from people to be able to deliver. It is about answering the donor requirements just as much as it is about entertaining the beneficiaries. At the end of the day, we are no good to the beneficiaries if we can't get the money [...] and people do deliver, and they do work day and night to meet requirements, to meet deadlines, to meet standards. And for the most part it works.

At field level, PM A2 queried the capacity of their locally-sourced staff to maintain compliance obligations, while simultaneously illustrating the very need for such compliance procedures:

The challenge in Uganda and in a lot of developing countries is that 'national' staff are not natural planners. They tend to deal with things as they come up on a day-by-day basis. So, in terms of my role, it's very much about assisting the team, and making sure that there are certain procedures and processes in place. And if they are followed, then these pressures effectively become part of the work as opposed to extra pressures. For example, we do annual procurement planning and we develop an annual reporting calendar.

While all participants maintain accountability is desirable, participants implied that the NGO sector is becoming overly-bureaucratic. This corresponds with NGO leaders complaining that donor expectations and financial accounting are too central to accountability, with broader accountability to stakeholders receiving limited attention (O'Dwyer and Boomsma, 2015).

7.3.4 Summary and Outcomes

This section discussed regulative forces in the case studies' institutional environment. A recurring issue noted was pressure on organisations and their staff from compliance obligations, mirroring the preliminary interviews (see Section 4.5). Hyndman and McDonnell (2009) warn against the extrinsic crowding-out of the intrinsic motivations of NGO staff by overuse of accountability mechanisms. The focus of the finance function is accountability. Participants also noted how compliance is stifling innovation at NGOs. Both finance managers and program managers are quite preoccupied with policies, procedures, and controls.

In summary, there is consensus that proper accountability is extremely important for NGOs. However, there is simultaneously a perception that regulative forces are becoming stronger than normative forces, particularly post-2008. External compliance demands are creating tensions at the case study organisations. The emphasis on compliance can affect program operations. This section broadly corresponds with line C of the working theoretical model (see Figure 5.5). It provides evidence for establishing the institutional environment for accounting. Together with Section 7.2, this section draws out issues relevant for how institutional forces shape management accounting at international development NGOs. The

next section provides evidence for how management accounting is used at the case study organisations, and if there could be further uses.

7.4 How is Management Accounting Used, and Could There be Further Uses?

This section focuses on the first sub-question: how is management accounting used at international development NGOs, and could there be further uses? The findings here are organised around line D and line E of the working theoretical model (see Figure 5.5), and are based on the ‘line D’ and ‘miscellaneous’ questions of Appendix B. It supplements the literature review (see Section 2.4) and preliminary interviews (see Section 4.3). Evidence here is framed in the context of the NGO institutional environment (see Sections 5.5, 7.2, and 7.3). This section initially assesses findings with the preliminary interview outcomes, and then examines what efficiency is perceived as, which builds on Sections 2.4 and 4.3. Finally what, if any, further uses of management accounting there could be are presented.

7.4.1 Similarities with Preliminary Interview Outcomes

The different sample selection (except for one individual) in the main empirical stage provided additional data on how management accounting is used, which could then be compared through a theoretical lens against the data collected in the preliminary interviews. Furthermore, the re-framing of the line of questioning enabled different aspects to be probed in the main empirical stage, such that it augmented earlier data rather than merely being repeat data. Overall, the outcomes of the preliminary interviews (see Section 4.6) are broadly corroborated here. Once again, participants described using recognised accounting software systems and having qualified accountants at both head office and field level. However, management accounting was described mainly as monitoring spending variances on donor

grants. There was virtually no comparison of efficiencies across various activities or regions, comparing performance to prior periods, or analysing how activities could be more efficient in future, for example.

Organisation A was the most interesting case. Monthly reports have limited use there. When asked what is examined in the monthly management accounts, COO A2 replied:

I am looking at percentage spend. I am looking at the utilisation of donor funds versus general donations. I am looking at where the money is being spent and where the big under-spends are. And then questioning based on that. I am looking particularly at over-spends [...] there would be a thousand different reasons [...] the management accounts are only confirming my knowledge of the programs and what is actually happening in the field.

At present, monthly accounts monitor variances against a program budget. However, both CFO A2 and COO A2 described the monthly accounts as ‘not fit for purpose’. Program managers wish to monitor spending variances against *donor* budgets instead of *program* budgets. CFO A2 remarked:

We have qualified accountants in each of our country offices. And we have an accounting package in each of those. So Microsoft Great Plains is our package that we use. A flawed tool, but regardless that is what's there. So, in each of our country programs they produce management accounts on a monthly basis [...] based on the budgets for the program and the actuals for the program. But, nobody wants that. What they want is what the donor budget is. How much is left of my donor money? And we designed our systems to be program-driven. But actually we are now going to have to stop that because nobody is actually reading it [...] I would say for the last five years it's all anyone has ever complained about. So now we have to go and re-design our whole reporting - which is an incredibly complicated thing to do. Because the management accounts are not being used. *Interviewer: And are the management accounts mostly actual to budget variances?* Yep.

The preoccupation with the donor budgets illustrates loose coupling as operations in Organisation A are designed on a program basis (e.g. health in Uganda), rather than on a donor basis. Several donors can fund a program. Hence, management accounts are of minimal use programmatically in Organisation A. Such reports are only wanted for tracking

donor grants. Accordingly, the desired use of management accounts and the overall design of operations are misaligned. COO A2 concurred:

I think what we would really need to do is look at our financial management packages, and to make sure the information it is generating is not just for accountants, but also for the non-accountant who needs to manage the funds and needs to manage the accounts. We have an outdated package [...] it is not fit for purpose. We will probably have to do something substantial about it. But it is expensive [...] because I think our management accounts structure and system is actually quite complex and complicated, and not really as nimble and as fit for purpose as we would want it to be [...] but sometimes they are not that easy for non-finance people to read. *Interviewer: Is it the format, like too many numbers?* Not so much the format, I think it is just not presented in a way that is hugely accessible for non-finance people.

COO A2 remarked that many program managers maintain their own Excel spreadsheets to monitor spending on each donor grant, and to drill into spending variances. Monthly accounts from the finance department are not very useful for program managers. PM A2 similarly noted:

The main tools that a programs person has in their hand are the budget and the management accounts on a monthly basis. *Interviewer: And, what's in the management accounts?* It would have in it all the costs that have been expended on the previous month, but it's cumulative on each month [...] but it's not the most user-friendly [...] the big challenge is when programs people are coming in is just finding the time to make sure everybody gets trained in how to use these.

Organisation B's accounting orbits around a monthly 'donor status report'. It monitors spending against donor budgets. Organisation B organise their management accounts on donor budgets instead of program budgets. CFO B2 explained:

We have invested a lot in financial reporting, so that we are able to report to our donors in the formats that they require. Internally obviously Excel would be frequently used, but we have what you call the 'budget monitoring tool' [...] you would have spend to-date, and then the forecast spend to the end of the grant [...] it's a monitoring process essentially to ensure that programs are happening when you say they are happening [...] [*part of monthly reporting*] would be internal control reviews, and ensuring that the correct people have reviewed the management accounts pack, so that people responsible in the field are fully informed.

Organisation B has a strong focus on controls and spend-out. A focus on spend-out could potentially discourage efficiencies by trying to spend an entire grant. Once spent, the organisation can often draw down additional funding. Interestingly, ‘monitoring and evaluation’ - which measures operational outputs and outcomes - is also important at Organisation B. Monitoring and evaluation of impact could contribute to more sophisticated management accounting. CFO B2 explained:

We have invested an awful lot in ‘monitoring and evaluation’ so that we are able to measure the programs [...] I would be very comfortable with the quality of the information that comes from the field. Yeah, obviously my role is mostly around figures, but ultimately it’s the monitoring and evaluation team that are constantly reviewing program quality.

In spite of this potential in linking operational data with financial data, CFO B2 continued:

We don’t work out yields or various connotations or have processes. It would literally be reporting and reflecting spending in the field.

PM B2 similarly remarked from a field perspective:

I don’t use any [*management accounting*] in my role.

In Organisation C, FC C2 described their internal accounting:

We have two types of budget; but in these two types of budget, which is program and administration, we also have the program split into grants partners, and also the program-monitoring costs, which are ancillaries [...] *Interviewer: And are there any techniques you use other than budgets and variances?* Yeah, not really. I don’t think we really use other things other than the budget and actual.

This was corroborated by COO C2 when queried about management accounting:

None! None at all. *Interviewer: So it is mainly budgets and cash flows, that sort of thing?* Yeah, yeah it is.

Interestingly, PM C2 elaborated on measurements used in Organisation C:

I suppose a suite of key performance indicators [...] partners vis-à-vis how much goes to administration [...] program management to program size, program administration to program size, the amount of donor funding vis-à-vis our own funding [...] so then that would be looking at direct project expenditure, the international program management, the country program management ratio, humanitarian special program

size, and thematic program ratio. Then there are funding ratios, which is about increasing and making the best use of institutional funding. How many applications we put in, how many we get, you know how much of our own cost recovery can we get back from funding? Then effectiveness ratios, so there's a suite of them there. I can't get an example of an effectiveness ratio, say cost per beneficiary and stuff.

However, these measures broadly link with the three conversion ratios, such as administration spending to total expenditure (see Section 2.4). PM C2 later cited turnover size as being a measure of success. Turnover trends becoming an indicator of success could be quantifiably filling a vacuum from subjective 'monitoring and evaluation' measures of semi-tangible activities (see Section 2.2).

CFO C2 further explained accounting in Organisation C:

The field office will do the reports, and they're checked and things like that. So the pressure is actually on our field offices. Finance in HQ only really have a systems role [...] it can be more on [*funding*] applications really where you have time being taken up on donor proposals [...] so working reasonably well, but there are pressures.

This quote draws out several issues. Management accounting could possibly be more effective at field level where the reports are actually composed, rather than at head office. However, CFO C2's priority is developing the capacity of 'national' finance staff at field level. Therefore, staff capacity for management accounting is questionable. CFO C2 also noted workload pressures. This limits the scope for additional management accounting. CFO C2 described current management accounting:

There's a good budget process in place. So we do quarterly reviews and revisions [...] towards a narrative as well [...] Excel is still the big thing [...] we are moving to a higher level of reporting, from where you are just looking at your budget versus actual, to actually looking at key performance indicators and trends [...] the income and expenditure [*statement*] is never looked at as any value in Organisation C whatsoever. Your budget versus actual particularly on your income side is looked at. And then sometimes you have the rate of spend as well [...] they [*KPIs*] are actually financial, but a balanced scorecard is what we need to get to [...] at Board level they will maybe look at ten.

CFO C2 then elaborated on the KPIs in more detail:

For instance, are Organisation C getting more money from institutional than from the public? [...] what are Irish salaries as a total of your overall expenditure? How long it is taking to spend emergency appeal funds? So, these types of things. Once you go down a level you get more. On the finance side you would have very simple ones. It might be where you are having a training course where you look at the ratings you get back from the finance staff. Some of those are moving away from just a numerical figure into something more like a balanced scorecard. There is a range of them. In HR [*Human Resources*], they would have stuff around staff turnover and things like that [...] they won't necessarily be looked at by the organisation as a whole but by the individual [*department*] heads. So by now there is probably too many!

The proliferation of measures at Organisation C could be over-compensating for the lack of tangible measurements of organisational performance. An over-proliferation of performance indicators and a lack of coupling to goals is often a response to providing information to diverse stakeholders (Modell, 2003). Organisation C's focus on broader social change also means tangible measurements are harder than for infrastructural projects (Fowler, 1997). Organisation C's KPIs broadly feed into the three NGO conversion ratios (see Section 2.4). Their KPIs fail to marry impact with spending by directly linking both in terms of efficiency. Notably, CFO C2 espouses moving beyond spending variances to a balanced scorecard approach.

Overall, management accounting is mainly budgeting and spending variances at the case study organisations. Efficiency is centred on the three conversion ratios. However, these ratios are incomplete measures of efficiency (see Sections 2.4 and 4.3). Accordingly, issues around efficiency are described next.

7.4.2 Efficiency

Efficiency at the case study organisations is discussed here, and builds on Sections 2.4 and 4.3. An emphasis on efficiency and results-based culture is becoming more pervasive, against

a backdrop of decreasing funding and greater donor influence on NGOs (O'Dwyer and Boomsma, 2015). Efficiency in the form of value-for-money primarily centres on effective procurement procedures, such as obtaining multiple quotes. Here, FC A2 remarked:

In my own individual role on a daily basis I would really emphasise the cost-effectiveness of how we reach the beneficiaries [...] if we purchase something we will be looking to see did we exhaust all the options.

Upon probing, FC A2 explained 'cost-effectiveness' means effective procurement. FC B2 mirrored this:

The key thing is to make sure that at least we are getting value-for-money. One thing before going ahead is to make sure that we get the best deal from the number of suppliers available in the market. *Interviewer: Yeah, but do you use any management accounting techniques?* Ah, no. *Interviewer: You don't use any?* No, we don't use any. *Interviewer: How do you know you are getting value-for-money or how do you measure that?* Ok, that one probably is a manual one. We have an internal supplier list and also at the time of sourcing for supplies we don't just run to one person and close the deal. If we go to a person they tender.

A procurement focus matches the continued prominence of spending variances and the three conversion ratios. The spend-out phenomenon (see Section 7.4.1) could even create a *disincentive* for efficiency. If an organisation is *too* efficient, then it jeopardises the size of subsequent funding. The efficiency of spending on programs therefore becomes side-lined.

CFO A2 noted:

The 'leakage' in money is where program managers could spend better. They follow correct procedures such as sign-offs etc. But, they could get better value-for-money on the 90% of resources spent on overall programming. But, finance doesn't have much impact at that level in Organisation A. Finance doesn't have the same level of input in organisations in the NGO sector as it does in the commercial sector, where the focus is on money-making.

A recurring trend with interviewees was a strong focus on following procedures and controls, such as for procurement. It results from regulative forces in the institutional environment (see Section 7.3). However, CFO A2 suggests a genuine engagement with efficiency is consequently neglected. It echoes Connolly *et al.* (2013a, p.789) who stated, 'there is no

necessary connection between the amount of resources spent on direct charitable activities and the quality and quantity of the services rendered by the charity’.

In respect of such services rendered, there was little consensus among interviewees of what constitutes ‘success’ by their organisations, beyond normative-based aims or a collection of anecdotal field stories. COO C2 explained:

Success is measured individually in each division of the organisation [...] fundamentally success is measured by the degree to which we fulfil our mandate to provide assistance to developing countries and to educate the public.

COO A2 described success as:

I think by the quality and the depth of our programming, the number of beneficiaries, the amount of funding that we attract in, and I suppose the amount that we can deliver and be accountable for.

CFO C2 remarked:

I suppose impact. And your financial data which shows your income side [...] the Irish public still continue to support Organisation C pretty well. So if that is something to show the success of the organisation. Within our individual programs then you see the successes as well, but as I said bringing all those together is where our challenge is at.

FC A2 cited:

The number of people that we are able to reach, and how much we are able to change their lives [...] also the amount of funds that we are able to attract to be able to reach the other people.

Such descriptions reference unquantifiable subjective outcomes and also turnover to define ‘success’. The challenges were articulated by CFO A2:

We just stopped it [*a system to try measure impact*] last year, because people were not doing any of it. Yeah, so I would say it is an area that we are not good at, at all. So, I would say at the end of the day, what is success? I would say that the organisation will look back at different things, and pick out kind of success stories. But I don’t think there is a ‘measurement’ of success.

Such challenges highlight influences that fill the void, like a positive approach to stakeholders. FC B2 noted:

We normally do that by looking at our achievements at the end of a project. And that would be, what did we do that we promised we were going to do for the donor [...] and also, probably looking at the actual spend in relation to what was budgeted. Have we overspent or have we been spending according to the budget?

Nevertheless, demonstrating the success of activities was highlighted by interviewees. CFO

C2 remarked:

It really is a top priority - the ability to show the impact. It is very difficult in some of our programs; particularly on the advocacy side [...] you obviously have to be able to do it to your donors as well. I think it has really been missed in Ireland in the last few months that impact has not really come into the [*public*] discussion. It has all been about salaries. But it should all be about the impact that charities are having [...] we do need to move into the results side.

‘Monitoring and evaluation’ studies create potential for measuring efficiency by part-quantifying operational impact, outputs, and services rendered. Such quantification of operational data could potentially be linked to financial data. That potential poses the question whether management accounting could contribute more at the case study organisations. This will be explored next.

7.4.3 Could There be Further Uses of Management Accounting?

Section 7.4 heretofore, combined with Sections 2.4 and 4.3, illustrate a relatively limited current role for management accounting. The broader context outlined by the working theoretical model (see Figure 5.5) is relevant because Sections 7.2 and 7.3 demonstrate the influence of the institutional environment on accounting. Similar to Section 4.3, only a minority of participants spoke of enhancing their management accounting. Further potential uses of management accounting are outlined here. For example, CFO C2 described recent progress:

Certainly on the financial management side, we started producing financial information that made sense. Prior to that, we probably had nearly 27 different finance systems [*for each country of operation*] [...] we’ve come a long way in getting

a budget system, a finance system, and looking at KPIs, having financial information that is available at the touch of a button. So we've come a long way. So now it is moving to how we align that with the impact and things like that. And then performance and balanced scorecard, and stuff like that.

CFO C2 conceptualised it as a sense of 'stewardship':

I suppose budgeting, and proper control of costs, and spending what you need to spend - not rushing money out at the end of the year just because you don't want to lose it in your budget. I suppose it is a fancy term for saying manage money properly from the donor and beneficiary side. If you do that better then you have more money for your other activities. So proper budget management and proper accountability [...] you are relying on non-accounting staff to manage the resources in the organisation, and they do not necessarily have the skills either to do that. It is not their primary skill [...] thankfully, I don't believe we have a 'rush the money out at the end of the year' situation, which some organisations do. But it is a very thin balance, because you have to keep people accountable for their funds.

COO B2 indicated Organisation B is investigating more sophisticated value-for-money analysis:

Well we're currently building a value-for-money methodology, to look more academically at what value-for-money means. But yeah, we look at efficiency, budget analysis. You know it's not just about saving money or costs but cost-benefit [...] *Interviewer: Could you describe a bit more the value-for-money methodology you are building, please?* Well, I think it's probably being driven by the donor [...] *Interviewer: But at the moment management accounts are just budget variances and that kind of thing?* Yeah, mainly.

COO B2, while indicating that management accounting is monitoring spending variances, illustrates a desire for developing their financial analysis. However, rather than normative forces driving it, it is based on a positive approach to a key stakeholder.

PM A2 noted that the NGO sector is currently evolving. One change is 'consortium modalities':

Very large grants working across consortiums [...] but increasingly now you find that you could have Organisation A and a few other implementing agencies coming all together in a consortium arrangement. So there is a lot of changes happening in the whole funding side of things.

Such changes provide opportunities for management accounting to simultaneously evolve with funding model and implementation model evolutions. Nevertheless, the empirical research does not reveal a strong demand to further develop or enhance management accounting. This finding mirrors Section 4.3, where only some participants (e.g. FC A, FC B, CD B, CEO C, and CFO C) indicated a preference for enhancing management accounting. For example, FC A suggested that it would be ‘more meaningful’ to combine operational information with accounting information, and therefore begin to look at metrics on value-for-money, on cost-benefit, on value-added, on benchmarking performance and projects, and on cost per beneficiary. FC B concurred:

I would like more of what I call ‘management intelligence’ where we cost what we’re doing more cleverly [...] and where we’re getting better bang for our buck [...] it’s not something that any NGO really has, but I think there is a real need for it [...] we’re just so busy all the time that it would be very hard to get anyone tasked to do that.

CD B similarly noted how they could ‘do a lot more’ with the financial data already available, but equally ‘there are time constraints for all of us’.

Nevertheless, if the required financial data for further uses of management accounting can be obtained from the accounting software systems, it begs the question, why the overall level of weak demand observed in both rounds of interviews? CD B and FC B alluded to constraints on staff resources, and that enhancing management accounting is therefore not a priority. FC A also noted a separate, but possibly related, constraint imposed by head office on the outputs of the Ugandan finance department:

We do allocations based on certain criteria like direct and indirect. It’s all pre-formatted for us by Dublin [...] other than that we don’t really use a great deal of management accounts [...] charity accounting is quite different. There isn’t a great deal of management accounting techniques.

The similar views of FC A and FC B, especially in referencing the wider NGO sector, suggest that the current and potential role of management accounting at the case studies is influenced by factors beyond their own respective organisations. This leads to considering the influence of institutional forces in the NGO institutional environment (see Figure 5.5), and is therefore discussed in greater depth in the next chapter (see Chapter 8).

Overall, Section 7.4 has focused on how management accounting is used at the case study organisations. Similar to the preliminary interviews, it finds management accounting is mainly monitoring spending variances against donor budgets. When NGO managers refer to efficiency in terms of value-for-money, it is referring to following procurement procedures rather than insightful financial analysis. There is broad recognition of possible benefits to incorporating more management accounting, such as improving efficiency. However, finance functions are focused on compliance (see Section 7.2). External evaluations by donors focus on organisational systems. Therefore, regulative forces increase a focus on procedures and controls. CFO C2 and FC B2 also noted that funding applications are time-consuming. The relatively limited management accounting reflects such limited time-capacity.

Notably, participants in Organisation B emphasised ‘monitoring and evaluation’ to assess their impact (see Sections 7.4.1 and 7.4.2). Organisation B’s high dependence on restricted funding creates a greater need to demonstrably show ‘results’. Alternatively, it could be because Organisation B is least focused on more intangible activities such as advocacy. The relative absence or ambiguity of NGO impact measures (Cordery and Sinclair, 2013; Lecy *et al.*, 2012) could also contribute to explaining the relatively limited nature of management accounting. From an ethical approach to stakeholders where normative influences are

stronger (i.e. program-led), a NGO is primarily concerned with activities with the most ‘need’ for beneficiaries. Limited demand exists in NGOs or from external stakeholders to rate which activities a NGO is most efficient at, compared to other activities, geographical areas, or across time periods. Other measures of ‘success’ fill this vacuum. Turnover trends are considered a sign of success by interviewees, as external validation of confidence in their organisation. The overall chapter outcomes are presented next.

7.5 Summary and Outcomes

This chapter presented the findings of the main empirical research. Findings are structured around the working theoretical model (see Figure 5.5). The first theme centred on an ethical and positive approach to stakeholders at the case study organisations. Overall, each NGO is broadly similar, being operationally-focused with the finance function in a support role. However, there are nuanced distinctions, both within, and between, the case study organisations. In particular, program managers predominantly demonstrate an ethical approach, while finance managers predominantly emphasise priorities consistent with a positive approach. Whereas program managers stressed securing funding that was a ‘fit’ with their NGO, finance managers assume funding already fits once it is received and accordingly stress compliance. Furthermore, head office participants place greater prominence on securing funding for programs than field participants. Head office participants also noted their proportionately greater responsibility for maintaining stakeholder relationships than that of field participants, such as ensuring that proposal and reporting deadlines are met. COOs in head office also displayed a greater appreciation for the perspectives of finance managers than the program managers in Uganda displayed. It is noteworthy in Organisations A and C that the finance function does not have a representative in the senior management team, nor

do their organisations' respective strategic plan or Uganda plan include finance sections. By comparison, the finance function does have representation in the senior management team of Organisation B. Participants across the board in Organisation B also display higher emphasis on compliance as a priority, whereas in Organisation A for example, finance managers have a perception that compliance obligations could be more central in planning by program managers. In contrast to finance managers, the language of program managers to describe the objectives of their own role closely mirrors how they describe the objectives of their organisation. Instead, finance managers indicate their role only contributes indirectly, in asserting that compliance for donors is ultimately helping beneficiary needs in the longer-term. All interviewees did however incorporate aspects of both ethical and positive stakeholder approaches, and noted how their NGO must show both impact *and* compliance to receive further funding.

The second theme detailed the relatively strong influence of regulative forces at all three case study organisations. There is consensus on the importance of accountability. However, regulative forces are becoming more powerful compared to normative forces, particularly post-2008. Increasing external compliance demands are creating tensions at the case study organisations. Organisation A displayed the greatest level of tensions, with finance managers in particular suggesting their perspective can get ignored, and program managers somewhat corroborating that. In comparison, Organisation C with its 'partner model' of development and professed antagonism to follow-the-money, displayed the least tensions. Organisation B, which is most dependent on restricted funding and consequently where program managers are relatively more cognisant of compliance obligations, was in the middle. Tensions manifest themselves in finance managers emphasising the increasing stress from compliance

workloads and from ensuring that compliance stipulations are adhered to by program managers. By contrast, the COOs in head office suggested compliance was curtailing operational innovation and ‘solidarity’ with beneficiaries. At field level, program managers in Uganda indicated that compliance diverts time and resources away from their ‘real’ work.

The third theme was how management accounting is used at the case study organisations. At all three case study organisations, management accounting is mainly monitoring spending variances against budgets. Organisation A was the most interesting case, with the management accounts described as ‘not fit for purpose’. This was because the monthly accounts track program spending variances instead of donor spending variances. Organisation B track donor spending variances monthly. Notably, Organisation B displayed a high priority on forecasting ‘spend-out’ and also on ‘monitoring and evaluation’ of operational outputs. Organisation C has the most decentralised finance structure, where head office is mainly charged with ensuring that systems are effective. Nonetheless, in Organisation C there are suggestions of an emerging over-proliferation of finance and non-finance KPIs. However, at all three NGOs, efficiency in the form of value-for-money is following procurement procedures, rather than insightful financial analysis. Correspondingly, there was little consensus among interviewees about what constitutes ‘success’, other than citing normative aims or anecdotes from the field. Finally, despite weak overall demand for further uses of management accounting, several participants hinted at further potential for management accounting.

In summary, this chapter details management accounting at the case study organisations and also provides a broader context for management accounting. These findings will be

interpreted through the working theoretical model (see Figure 5.5) in the next chapter, where the two sub-questions and core research objective are addressed.

CHAPTER EIGHT - INTERPRETATION OF EMPIRICAL FINDINGS

8.1 Introduction

This chapter interprets the empirical findings presented in Chapter 7. The literature review, methodology, working theoretical model, and empirical findings are synthesised here. It serves two key purposes. The first is to progress the working theoretical model (for designing empirical research) into an empirically-based framework (for interpreting empirical findings). The latter assists in explaining management accounting at international development NGOs. In order to achieve this, the framework encompasses wider accounting (see Section 8.2), and that wider perspective is then used to explain management accounting. The possible reason(s) for the limited nature of management accounting relative to a comparable sector (see Sections 4.6 and 7.4) are therefore interpreted here. As previously noted, an exploratory study can generate ideas for further empirical testing (Ryan *et al.*, 2003), and it is hoped this explanatory framework assists such future research. The second purpose is demonstrating how the framework links with the more prominent debate about the merits and effects of NGO external accountability (see Sections 2.3, 4.4, 4.5, 5.2, 7.2, and 7.3). By linking research outcomes from a management accounting perspective with the more prominent debate on accountability, this chapter positions a contribution to knowledge within extant literature on accounting at NGOs.

8.2 A New Institutionalism-Informed Explanatory Framework for Accounting at International Development NGOs

This section focuses on the second sub-question: how do institutional forces shape management accounting at international development NGOs? A key outcome from an exploratory study is an initial theoretical basis for observed phenomena (Saunders *et al.*, 2003). The explanatory framework proposed here offers a theoretical basis to interpret accounting (from the perspective of management accounting) at international development NGOs, and in particular an understanding of the broader institutional environment for accounting. By understanding the broader institutional environment, it offers an explanation for how institutional forces shape accounting, which accordingly shapes management accounting.

8.2.1 An Explanatory Framework

As noted in Chapter 7, the empirical findings present evidence of both an ethical and positive approach to stakeholders. While operational managers primarily display an ethical approach, by contrast finance managers convey opinions consistent with a positive approach. Nevertheless, all participants acknowledged the importance of their organisation demonstrating both impact and compliance. This revealed both normative and regulative forces in the NGO institutional environment (see Sections 7.2 and 7.3). Consequently, the empirical findings challenge some aspects of the working theoretical model. Section 5.5 outlined a hybrid institutional environment. The definition⁹ of the adjective ‘hybrid’ is ‘of mixed character; composed of different elements’. Instead, it may be preferable to describe

⁹ Oxford English Dictionary.

the two institutional environments depicted in Figures 5.2 and 5.3 as co-existing, which is explained here by drawing on the findings. The empirical findings demonstrate that the respective approaches to stakeholders, and the effect of the corresponding institutional forces, are more nuanced than in the working theoretical model. All participants depict a combination of both an ethical and positive approach to varying degrees (see Section 7.2).

For example, finance managers displayed a positive approach as they assumed program managers had already incorporated beneficiary needs. Such thinking was illustrated by CFO C2:

We will always seek to comply with those [*donor*] requirements, and the donor funding will already fit in with our work [*mission*].

Equally, program managers displayed an awareness of the importance of maintaining professional relationships with donors. COO B2 noted:

The deadlines for proposals and for reporting, like you can't miss those, it would damage the reputation too much [...] we [*in head office*] have to look at the big picture of maintaining the relationships with the key stakeholders.

Each participant was influenced to different extents by normative and regulative institutional forces (see Section 7.3). For example, COO C2 noted:

We try to keep Organisation C bound to the core values of the organisation. One of which is solidarity, but another one is accountability. So you have to manage the two.

PM B2 similarly remarked:

It's a very difficult one [*mission versus compliance*] [...] it is actually quite a bit of a struggle for me to balance the administrative side with the implementation side of things.

The competing approaches to stakeholders and corresponding institutional forces each create a focus on two respective outcomes – impact and compliance (see Section 7.2). In order to

receive further funding, participants unanimously asserted that both impact and compliance must endure at their respective NGOs (see Section 7.3). To illustrate, CFO A2 remarked:

I think it [*mission and compliance*] is a massive on-going issue. But for me, if we are doing everything [*compliance-wise*] in the right way, we are ultimately benefiting the beneficiaries. All that sort of thing gives reassurance to our donors that their money is being used in the most appropriate manner. And, ultimately, if we do that right it does benefit the mission of Organisation A.

Stakeholder literature often combines ethical and positive approaches without acknowledging their diversity. Hence, there is a strong temptation for researchers to slide across the approaches (Donaldson and Preston, 1995). However, the positive approach ultimately stems from an ethical approach:

The most thoughtful analyses of why stakeholder management might be casually related to corporate performance ultimately resort to normative arguments in support of their views (Donaldson and Preston, 1995, p.87).

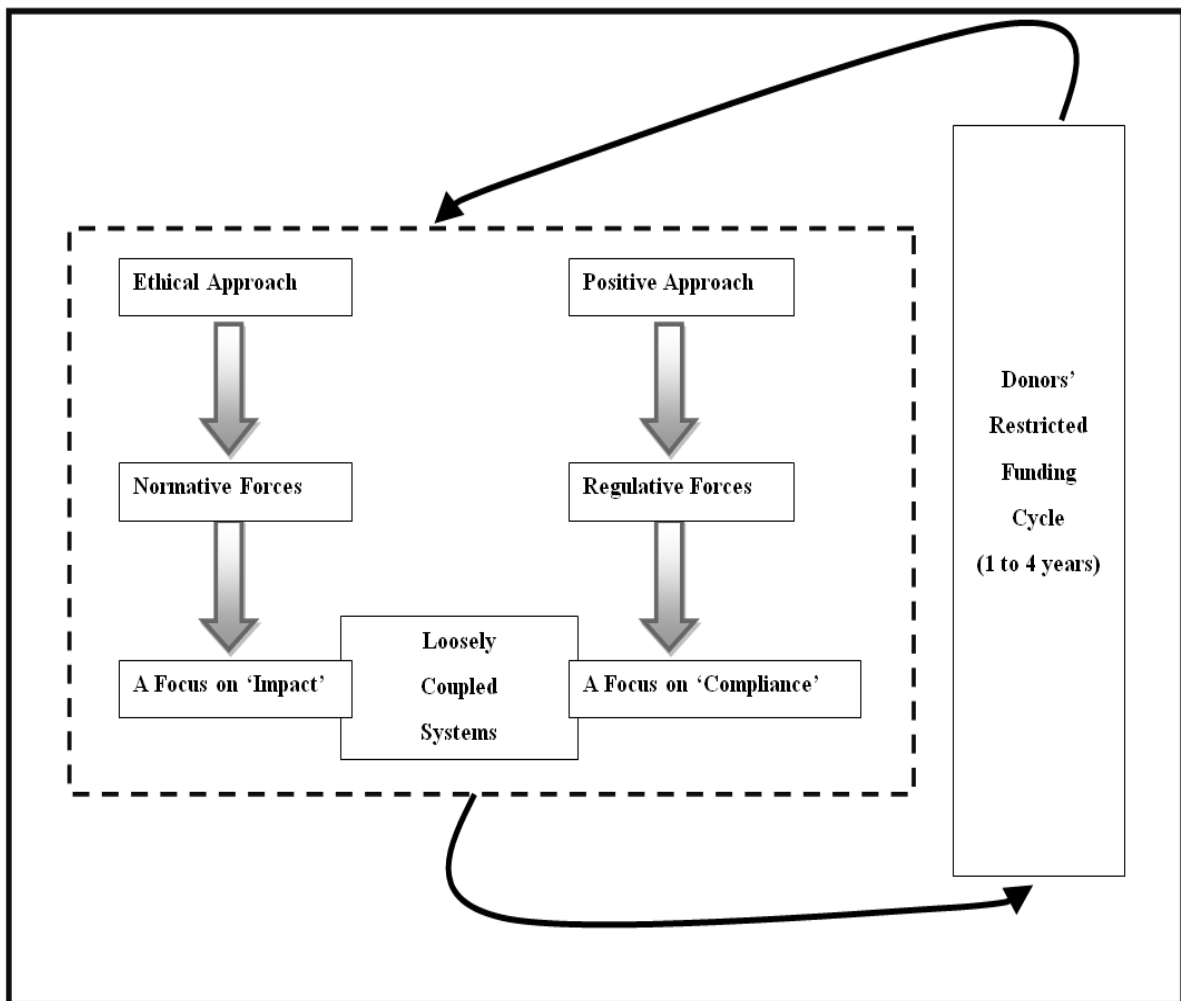
Similarly, Clarkson (1991, p.349) notes an explicit connection between the two approaches in his stakeholder management model for ‘describing, evaluating, and managing corporate social performance’. Additionally, while Dhanani and Connolly (2012, p.1144) suggest it is ‘more befitting’ to use the ethical approach for examining NGO accountability, their study ultimately found that public disclosures by NGOs are motivated by a positive approach to stakeholders. Therefore, a revised theoretical basis should reflect that both ethical and positive approaches co-exist. FC A2 illustrated this:

Organisation A has its own mission and its own objectives. But sometimes it’s not able to meet those objectives without getting funds from the donor. And so I think those two are going hand-in-hand. So we are using the donor funds, and we have to ensure that we are meeting the donor rules and guidelines.

In this light, Figure 8.1 presents a new institutionalism-informed explanatory framework for accounting at international development NGOs. The explanatory framework is an evolution of the working theoretical model, based on the empirical findings of Chapter 7. The

framework encompasses wider accounting, and this wider perspective is subsequently drawn on to explain management accounting later. The idealist ontology of this study asserts that the social world (including organisations and institutional environments) is a product of those participating in it, and therefore a social construction of reality requires a focus on how individuals interpret the social world (Bryman, 2004; Ryan *et al.*, 2003). Accordingly, as the explanatory framework is based on the empirical findings of Chapter 7, the description of the framework draws on those interviews as a representation of each case study organisation.

Figure 8.1 – A New Institutionalism-Informed Explanatory Framework for Accounting at International Development NGOs



The outer rectangle of Figure 8.1 signifies the boundary of the NGO institutional environment (see Section 5.3). The inner rectangle signifies an organisational boundary (i.e. the NGO), and that boundary is drawn with a dotted line to symbolise the permeable nature of an organisation within its institutional environment (see Section 5.3). The explanatory framework begins with restricted funding for the NGO. This is illustrated by the arrow at the top of the diagram emerging from the donors' restricted funding cycle box into the NGO. The

literature emphasises that NGO operational capacity stems from external funding (e.g. Ebrahim, 2003; Goddard *et al.*, 2016; Lecy *et al.*, 2012; Tucker and Parker, 2013). The empirical findings also note how NGOs rely on a cycle of donor funding (see Section 7.3). This cycle is continued by using money appropriately on impactful programs (shown by the arrow at the bottom of the diagram leaving the organisation box) and receiving repeat funding (shown by the arrow at the top of the diagram leaving the donors' restricted funding cycle box). Hence, the diagram visually illustrates the perpetuating cycle of the NGO institutional environment. Initial funding can subsequently lead to further funding over one-to-four year timeframes. Funding for 'projects' is typically for a one-to-two year duration. Funding for broader 'programs' is typically for periods of up to four years (Edwards and Hulme, 1995; Irish Aid, 2016).

On the premise of funding being received on an on-going basis as described above, and the ensuing operational capacity on a going concern basis, an ethical or positive approach to stakeholders can be adopted. In order to step-by-step explain inside the organisational boundary in Figure 8.1, each approach is described here with examples from across the case studies. An ethical approach is explained first. An illustration is COO A2 describing the COO role's goal:

Ultimately, to look at how we can grow the programs, increase our beneficiary numbers with quality programming to lift them out of poverty [...] I think the management group would be the same as that [...] alleviate global poverty.

Normative forces from the institutional environment are influential here (see Sections 5.5 and 7.3), with COO C2 remarking:

What we try to do internally here, is we try to keep Organisation C bound to the core values of the organisation, one of which is solidarity [...] so that is where the challenge arises, is not to lose the moral argument and the strength of the feeling of solidarity.

In turn, the focus is on impact for beneficiaries (see Section 7.3). This is demonstrated by CFO C2:

It really is a top priority - the ability to show the impact [...] it should all be about the impact that charities are having [...] we do need to move into the results side.

On the other hand, a positive approach to stakeholders is also displayed (see Section 7.2). FC A2 remarked:

I think maintaining a good relationship with a donor is key. I really place a lot of emphasis on it, and in particular my own role would be to make sure that we are getting the reports to them in time, and we are following their guidelines.

Regulative forces from the institutional environment are influential here (see Sections 5.5 and 7.3), as demonstrated by FC A2:

They [*donors*] want to get a report. They want to know why we didn't do this. Donors are following on everything that NGOs are doing. So I think it's [*compliance*] becoming extremely important.

In turn, the focus is on compliance for donors (see Section 7.3). COO B2 commented:

The compliance side of the house has grown a lot. So it has become far more front of house than it ever was. It's actually grown far more than program development [...] the compliance agenda has been a big deal.

The aforementioned steps create two distinct paths inside the organisational boundary (see Figure 8.1). These two paths are an evolution on the two paths depicted by the working theoretical model (see Figure 5.5). When the outcomes of each path in Figure 8.1 are successful, it positions a NGO to receive further funding. However, the dual paths display hallmarks of loose coupling (see Section 5.4), as will be outlined. Loose coupling is a natural response to having diverse stakeholders (Modell, 2003). Organisations actively manage tensions by operating loosely coupled systems (Weick, 1976). There is simultaneously a technical system that is rational at an intra-organisational level and an adaptive system that responds to outside variables at the inter-organisational level (Orton and Weick, 1990). In the

case studies, a rational intra-organisational system is illustrated by the consensus that NGOs are program-led, reflecting the missions of the respective NGOs (see Section 7.2). In Figure 8.1, this is broadly the ethical / normative / impact path. By contrast, an adaptive inter-organisational system is highlighted by finance managers emphasising priorities consistent with a positive approach to stakeholders (see Section 7.2). In Figure 8.1, this is broadly the positive / regulative / compliance path.

Loose coupling is evidenced by occasions when what is most appropriate for beneficiaries conflicts with compliance obligations. For example, FC C2 remarked:

There is an ever-changing environment [*in the field*] [...] there is always that challenge of meeting the objectives or the requirements of the donor vis-à-vis what actually happens on the ground. There is always that enormous pressure, especially on finance when it comes to reporting.

Similarly, from an operational perspective, PM B2 noted:

It is a challenge. In my role, I would be emphasising the interests of the beneficiaries. And that does not always align with the interests of the donors. For us, it is important that both are catered for where possible. But it is a struggle for us sometimes. I guess the rules that are put around which a donor specifies do not always allow us to do some of that delivery as best suits our beneficiaries, or that we know will give us a sustainable result.

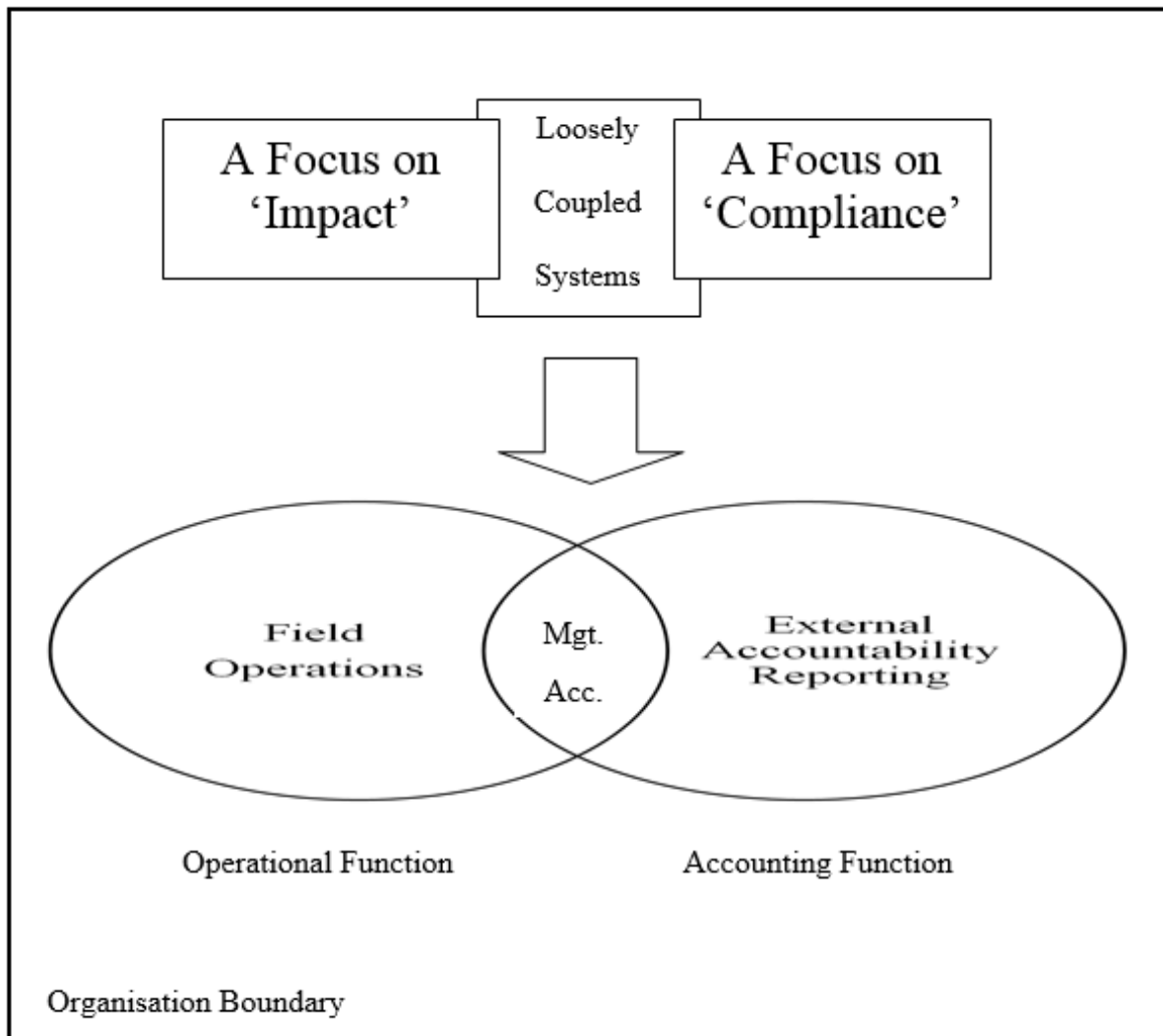
By virtue of dual paths co-existing in a loosely coupled manner, simultaneously complementing and competing with one another, the case study organisations position themselves for further funding. Subsequent funding commences another one-to-four year cycle for demonstrating impact and compliance (see Figure 8.1). This cycle of funding perpetuates the co-existence of the two institutional environments in the NGO sector (see Figure 5.4). The durability of institutions stems from the stable expectations of other parties, through established social norms, that structure social interactions (Hodgson, 2006; Searle,

2005). As such, donors have stable expectations of NGOs and NGOs have stable expectations of donors (see Sections 7.2 and 7.3). The effect on management accounting is discussed next.

8.2.2 Management Accounting at the Case Studies

The explanatory framework is linked directly to the core research objective here. This section outlines how, as a consequence of the dynamic depicted in the preceding discussion, the scope of management accounting is relatively limited at the case study organisations despite having qualified accountants and recognised accounting software (see Sections 4.3 and 7.4). The key to understanding this relatively limited nature of management accounting is that external influences shape functions within NGOs (see Section 5.3); accounting is one such function (see Figure 8.1). Accordingly, management accounting is affected. This is illustrated in Figure 8.2 ‘Management Accounting at International Development NGOs’. The diagram will be explored further in the remainder of this discussion. Figure 8.2 is not an additional theoretical framework, but rather a graphical illustration at an organisational level to visually conceive the interpretation here.

Figure 8.2 – Management Accounting at International Development NGOs



The outer rectangle of Figure 8.2 represents the organisational boundary, i.e. a NGO. The inner boxes at the top of the diagram are an extract from Figure 8.1. In order to assess the merits of the working theoretical model, empirical data was required from both operational and finance perspectives (see Section 6.5). Figure 8.2 incorporates the two organisational functions for which empirical evidence was gathered (i.e. operational and accounting), and these functions are represented by their respective circles. The circle at the bottom-right of

Figure 8.2 representing the accounting function is dominated in area by ‘external accountability reporting’, with a smaller area labelled ‘management accounting’. Prior literature initially suggested that management accounting was limited, and that the focus of the accounting function was on external accountability reporting (see Section 1.2). Such a dynamic is mirrored by the priority that accounting researchers accord external accountability reporting, reflected in the volume of such studies compared to management accounting studies in the NGO sector (see Section 2.5). The preliminary interviews tentatively corroborated the literature (see Section 4.6). For example, CFO A remarked ‘I’ve never seen it [*management accounting*] have a huge role’. The empirical findings subsequently confirmed this (see Sections 7.3 and 7.4), such as CFO B2 noting ‘we don’t work out yields or various connotations or have processes. It would literally be reporting and reflecting spending in the field’.

A manifestation of a NGO’s focus on compliance is the accounting function being preoccupied with ensuring external accountability (see Section 7.3) and management accounting consisting mainly of monitoring spending variances (see Sections 4.3 and 7.4). In addition, enhancing management accounting was not a priority for participants (see Section 7.4). As there is relatively little emphasis on management accounting at the case study organisations, Figure 8.2 portrays this visually with a minimal overlap labelled ‘management accounting’. ‘Management accounting’ was defined in Section 1.2 as ‘financial as well as other types of information that are primarily intended to assist managers in fulfilling the goals of the organisation’ (Horngren *et al.*, 2007, p.5). Thus, management accounting is represented in the overlap between the operational and accounting functions to encompass this definition. COO B2 described external accountability reporting as ‘boxed in’ (see Section 7.2), and as

such, it is not overlapping with the operational function (see Figure 8.2). Based on the findings presented in Sections 7.3 and 7.4, the way management accounting is shaped by institutional forces is described henceforth through Figure 8.2 – which can be understood in the context of the explanatory framework of Figure 8.1. In this regard, it will tentatively address how institutional forces shape management accounting at international development NGOs. The two paths in Figure 8.1 illustrate a crowding-out of both the capacity *and* incentive for more than the current state of management accounting at the case studies (see Section 7.4). In particular, regulative forces crowd-out management accounting in two main ways, which are now explained.

The first way is the level of resources required to address the demanding administrative burden (see Section 7.3). COO A2 illustrated this:

We had the external auditors in, and they had enormous demands, going back over programs of the last 4 or 5 years. They looked for over 3,000 bits of validations of information [...] they have deadlines. Our team has been up all night. I sent them an email saying ‘did you get any sleep?’ And they answered, ‘yes, I went to bed at 12 o’clock, but I got up again at 3.30am to finish’.

Participants in the preliminary interviews also alluded to the notion that it leaves no staff capacity for management accounting (see Sections 4.4 and 4.5). FC B remarked:

We’re just so busy all the time that it would be very hard to get anyone tasked to do that [*management accounting*].

Sections 4.5 and 7.4 earlier noted gaps or pressure-points in staff capacity in financial matters at the case study organisations. It included locally-sourced staff in the finance departments at field level, among program managers with their financial literacy, and in total staff resources in the finance function of the case study organisations. However, NGOs are reluctant to devote extra resources to administrative functions, like accounting. It would deteriorate the three conversion ratios, e.g. administration spending to total expenditure (see Section 2.4). To

illustrate, the average proportion spent on administration is under 1% of total expenditure (Concern, 2015; GOAL, 2015; Trócaire, 2015). The ubiquity of the three conversion ratios means they form part of the NGO institutional environment. This could imply that the NGOs are ‘institutionally’ constrained from increasing their spending on administration. Consequently, they are constrained from increasing their capacity in accounting - and by extension in management accounting - when compliance is the priority (see Section 7.3). In this light, O’Dwyer and Boomsma (2015, p.60) note fears that narrow donor-focused imposed accountability can ‘crowd-out’ broader forms of accountability, possibly including alternative or complementary management accounting measures. It mirrors Robbins and Lapsley’s (2015, p.30) study of a hospital ‘in which “more” accounting means “less” in terms of connections made with managers in the use of resources’. Similarly, although not a longitudinal study, this research occurred during a dynamic and changing environment in the Irish and global economies, as well as at a time of major change specifically for the NGO sector due to the implementation of the Charities Act (2009). For example, CFO A2 noted:

Since the start of the economic crisis we have become very heavily dependent on the co-funding side [...] but as a result, the compliance side of things has become very, very difficult to manage [...] the environment over the last number of years has just changed so dramatically for us that we are still kind of catching up with it.

The greater emphasis on accountability as a result of the changing external environment noted here, further illustrates how institutional forces can crowd-out management accounting. Therefore, the first way institutional forces shape management accounting is through limiting its scope, by not allowing NGOs capacity to develop management accounting.

A second way that regulative forces crowd-out management accounting is by suppressing incentive for NGOs to enhance management accounting. For example, CFO C2 alluded to the NGO sector practice of ‘spend-out’ (see Section 7.4):

Rushing money out at the end of the year just because you don't want to lose it in your budget.

CFO A2 corroborated an absence of incentive:

When we look at budgets that are coming through, we are all about how are we going to report on this.

Figure 7.1 initially illustrated that demonstrating both impact and compliance positions a NGO to receive further funding. In essence, this is the 'game' played in the NGO institutional environment. Over a continuous one-to-four year timeframe the funding cycle is perpetuated for NGOs by the co-existence of two loosely coupled paths (see Figure 8.1). This means NGOs strive to focus on demonstrating impact and compliance so that the funding cycle can continue. Potentially, this could continue in such a manner indefinitely. Thus, whatever possible benefits could be gained from enhancing management accounting are largely irrelevant in the NGO institutional environment. FC A remarked:

I personally think it's [*management accounting*] rather peripheral. A lot of the decision-making is really contingent upon our donors [...] it doesn't really aid decision-making.

The structure of restricted funding leads to a series of distinct funding rounds and separate pieces of work from the viewpoint of donors and NGOs (see Figure 8.1). For example, the ubiquity of the Logical Framework in the NGO sector could be crowding-out longer-term organisation-wide indicators that could contribute to continuous organisational learning (see Section 2.4). Such indicators could include management accounting information. However, there is little, if any, evidence of management accounting being used for continuous organisational learning (see Sections 2.4, 4.3, and 7.4). Recall for a moment Horngren *et al.*'s (2007, p.5) definition that management accounting 'measures and reports financial as well as other types of information that are primarily intended to assist managers in fulfilling the goals of the organisation'. In light of this definition and Figures 8.1 and 8.2, should management

accounting be viewed here mainly in the context of the goals of the case study organisations being to always optimise beneficiary utilities from available resources, or mainly in the context of organisational survival and growth (but in a potentially sub-optimal manner in terms of value-for-money)? The present relatively limited use of management accounting would suggest the latter, with regulative forces suppressing incentive to enhance management accounting in terms of the former.

However, as noted in Section 5.3.3, new institutionalism views social structure and cultural elements as interdependent (Scott, 2014). In reality, all institutional forms are composed of multiple pillars (Hirsch, 1997). Nevertheless, while it is possible to combine the insights of economic, political, and sociological analysts into a single, complex, integrated model of an institution, it can be more useful to recognise the differing assumptions and emphases that accompany the three pillars. Literature exists in each discipline emphasising one or another of the pillars (Scott, 2014). Although researchers sometimes emphasise particular pillars (such as Sections 5.5 or 7.3 of this study), all three exist simultaneously with varying degrees of influence (Caronna, 2004; Scott *et al.*, 2000). By initially disentangling them, as this research attempts, it can subsequently encourage inter-pillar communication and inform the cross-fertilisation of ideas (Scott, 2014).

Institutions comprise regulative, normative, and cultural-cognitive pillars that, together with associated activities and resources, provide stability and meaning to social life. Each pillar is important, and while one or another will sometimes dominate, in robust institutional frameworks they often work in combination (Scott, 2014). Thus, the three pillars form a continuum moving from the conscious to the unconscious and from the legally-enforced to

the taken-for-granted. In most empirically-observed institutional forms, it is not only one single element at work but varying combinations of the three elements (Scott, 2014). In the present research, the regulative and normative elements are explicitly drawn out in the explanatory framework (see Figure 8.1), while the cultural-cognitive element is implicitly drawn out by reference to the taken-for-granted NGO sector ‘game’ of Figure 7.1 noted both earlier in this section and initially in Section 7.2. In stable social systems, practices persist and are reinforced because they are taken-for-granted, normatively endorsed, and backed by authorised powers. When the pillars are aligned, the strength of their combined forces can be formidable (Scott, 2014).

The shared conceptions that constitute the nature of social reality and create the frames through which meaning is made is the major distinguishing feature of new institutionalism. Symbols like words, signs, and gestures have their effect by shaping the meanings attributed to objects and activities (Scott, 2014). Accordingly, the interpretation in this chapter should incorporate not only the objective conditions but also an actor’s subjective interpretation. Cognitive frames of reference enter into the full range of information-processing activities, from determining what information will receive attention, how it will be encoded, how it will be retained, retrieved, and organised into memory, and how it will be interpreted - thus affecting evaluations, judgements, predictions, and inferences (Scott, 2014). Such dynamics are illustrated by the discussions in Sections 7.2 and 7.3 in particular, such as the varying degrees of importance attributed by participants to donor compliance requirements, management accounting, and beneficiary concerns. The hyphenated label ‘cultural-cognitive’ emphasises that internal interpretive processes are shaped by external cultural frameworks.

The dynamic articulated in this chapter, especially that illustrated by the explanatory framework (see Figure 8.1), can be viewed in this light.

The affective dimension of the cultural-cognitive pillar is expressed from the positive feelings of certitude and confidence on the one hand, as illustrated by the shared understanding of participants in the cycle depicted in Figure 7.1, versus the negative feelings of confusion or disorientation on the other. Actors who align themselves with prevailing cultural beliefs are likely to feel competent and connected, hence an emphasis on donor compliance and demonstrating impact shown by the participants (see Sections 7.2 and 7.3). A cultural-cognitive conception of institutions stresses the central role played by the socially-mediated construction of a common framework of meanings (Scott, 2014). The discussion on the Logical Framework in Section 2.4 is an example. The fact that coercive and normative mechanisms are externally managed by other actors makes them very different from the ‘taken-for-grantedness’ of cognitive mechanisms (Scott, 2014, p.79). Whereas coercive and normative mechanisms result in strategic action and often resistance, cognitive mechanisms function by conditioning thinking. Therefore, in the present study, the cultural-cognitive element is cross-cutting among all participants, as evidenced by their shared institutional understanding albeit with differing individual priorities (see Sections 7.2 and 7.3).

Accordingly, to propose an answer to the second sub-question of how institutional forces shape management accounting at international development NGOs, the end result of the phenomenon outlined by Figures 8.1 and 8.2 is that the role of management accounting is relatively limited in the NGO institutional environment (to that noted by Sections 4.3 and 7.4). Figures 8.1 and 8.2 illustrate why management accounting is not integral to the cycle

depicted in Figure 7.1 of receiving restricted funding, complying with grant stipulations, demonstrating impact on the corresponding project, and receiving further funding. Such relatively limited scope is depicted by Figure 8.2 showing ‘external accountability reporting’ dominating the accounting function, with management accounting having a minimal role. The explanatory framework (see Figure 8.1) helps depict how the NGO institutional environment, and in particular the restricted funding model and related accountability requirements imposed by salient external stakeholders, can shape how management accounting is used. Hence, the explanatory framework helps interpret how institutional forces shape management accounting, and therefore provides a tentative answer to the second sub-question.

8.2.3 Summary and Outcomes

The explanatory framework introduced here assists in the further exploration of management accounting at international development NGOs. The new institutionalism-informed framework emerged from the working theoretical model. The framework helps explain how management accounting is used at the case study organisations, and helps illustrate how institutional forces shape it. The empirical findings revealed how management accounting is limited relative to a comparable sector (see Sections 4.6 and 7.4). The explanatory framework (see Figure 8.1) provides a basis for understanding this, by illustrating two loosely coupled paths at NGOs. The ethical / normative path focuses on impact. The positive / regulative path focuses on compliance. The co-existence of dual paths positions a NGO to receive a further cycle of funding. However, the focus on compliance results in external accountability requirements dominating the accounting function. That domination can be at the expense of management accounting. Management accounting is therefore limited by the NGO

institutional environment. Hence, the explanatory framework (along with Figure 8.2) tentatively demonstrates how institutional forces shape the extent and nature of how management accounting is used at international development NGOs.

It is notable that Scott (2001) suggests that the NGO sector is a field where institutional theory has so far not made any significant contribution to our understanding of institutions and institutional stability and change. The explanatory framework shows how a branch of institutional theory (i.e. new institutionalism) aids an understanding of the NGO sector as an institution as well as stability in the NGO institutional environment. Stable expectations embedded in the NGO institutional environment (see Sections 7.2 and 7.3) can ultimately result in management accounting being relatively limited in scope (see Figures 8.1 and 8.2). The next section builds upon the explanatory framework. It focuses on a key defining feature of the NGO institutional environment, i.e. external accountability for funding. One of the main NGO institutional requirements is external accountability associated with the funding structure of the NGO sector (see Section 7.3). Accordingly, management accounting in the context of the NGO institutional environment is interpreted next, and particularly how this relates to the existing body of literature on accounting at NGOs.

8.3 Management Accounting in the Context of the NGO Institutional Environment

The previous section proposed how institutional forces shape management accounting at international development NGOs. This section builds on this, interpreting the use of management accounting in the context of the NGO institutional environment. Accordingly it is worth noting that in setting out an agenda for NGO research, Lewis and Opoku-Mensa (2006, p.674) emphasised:

[...] the importance of the structural context in which NGOs operate – and in particular that created by donor policies and practices – in relation to NGO organisational performance.

The explanatory framework (see Figure 8.1) illustrates how the focus on compliance is driven by regulative forces. The regulative forces in turn emanate from donors awarding restricted funding (see Section 7.3). The focus on compliance manifests itself in external accountability pre-occupations (see Sections 7.2 and 7.3). Hence, the present exploration of management accounting links with the more prominent scholarly conversation on external accountability (see Sections 2.3 and 2.5), the connection being how restricted funding and corresponding external accountability are impacting the scope of management accounting at NGOs (see Section 8.2). Such links ‘give exploratory data some additional intellectual anchorage; they show how the data relate to the wider scholarly world’ (Stebbins, 2001, p.43). Thus, this section begins by interpreting the inter-relatedness between management accounting and external accountability at NGOs. It proceeds to look at further uses of management accounting in the context of NGO funding structures. Finally, the role of the accountant as an institutional agent in the NGO sector is highlighted.

8.3.1 The Link between Management Accounting and External Accountability at NGOs

Perspectives from management accounting research can potentially enrich other scholarly conversations on accounting in the NGO sector. Such conversations primarily focus on the merits and effects of external accountability (see Sections 2.3 and 2.5). This section suggests how an exploration of management accounting can provide input to the more prominent external accountability debate. As an example, Connolly *et al.* (2013a, p.802) linked stakeholders advocating for greater accountability from NGOs to the debate on conversion

ratios for indicating efficiency, as ‘many within the sector would suggest that donors should be encouraged to focus on charities’ wider reporting of efficiency and effectiveness rather than on narrow conversion ratios’. However, Sections 4.3 and 7.4 indicate that minimal efficiency information is used at NGOs outside of conversion ratios, and additionally there is weak demand at NGOs for further uses of management accounting such as enhancing efficiency information. More balanced efficiency information could support both internal decision-making and external accountability (Connolly *et al.*, 2013a). Thus, parallels of NGO accountability with ethical / normative and positive / regulative dimensions (see Figures 5.4, 5.5, 8.1, and 8.2) are discussed here.

O’Dwyer and Boomsma (2015, p.60) highlight the ‘complicated and continual balancing act that NGOs must engage in between accountabilities that are externally imposed and those that are internally generated’. Internally-generated and externally-imposed accountability at NGOs perpetuates the NGO institutional environment (see Sections 5.5 and 8.2). Regulative forces create a particular accounting focus at the case study organisations that forcefully encourages the following of externally and internally set rules (see Sections 5.5 and 8.2). Such regulative forces can crowd-out management accounting at the case study organisations, and are embedded in the institutional environment (see Section 8.2). The institutional environment is dominated by the external accountability requirements of restricted funding (see Figure 8.1). Therefore, tentatively, the restricted funding structure could be crowding-out management accounting at NGOs.

In light of Section 8.2, restricted funding could (somewhat paradoxically) be a reason why mainly proxy measures of efficiency are cited at the case study organisations (see Section

7.4), by crowding-out management accounting. Instead, the focus at the case study organisations is on following procedures for compliance with restricted funding stipulations (see Figure 8.1). This can occasionally be detrimental to operations (see Section 7.3). For example, COO A2 noted ‘we’re much more linked to donors now [...] it limits our ability to be innovative’. Similarly, PM A2 remarked:

The program people would feel that the finance and procurement people don’t have a full understanding of the realities on the ground, and that they just want the rules and regulations followed. I would have heard that quite frequently.

The predominant NGO funding and accountability structure is designed to minimise risk (e.g. Financial Reporting Council, 2014), which could potentially be reducing a focus on impact, innovation, and value-for-money (see Section 7.4). CFO A2 remarked:

The ‘leakage’ in money is where program managers could spend better. They follow correct procedures such as sign-offs etc. But they could get better value-for-money on the 90% of resources spent on overall programming. But, finance doesn’t have much impact at that level in Organisation A.

In the context of overall NGO accounting literature, this exploratory management accounting study tentatively suggests that stakeholders and researchers could re-examine the efficacy of restricted funding and corresponding external accountability requirements. This is because one possible consequence of the present funding structure is limiting the scope of management accounting at NGOs. The inference is that, in some cases, funding could potentially generate greater impact through insightful management accounting. Further uses of management accounting in the context of NGO funding structures are discussed next.

8.3.2 Further Uses of Management Accounting

This discussion builds upon the linkages noted in Section 8.3.1 between the present management accounting research and the wider debate around accounting and accountability

in the NGO sector. The weak demand to further develop and enhance management accounting (see Section 7.4) is interpreted here in the context of NGO funding structures.

Notably, Goddard and Assad (2006, p.395) in their case study remarked:

Some ‘understanding’ donors even came to see the detrimental effect of stringent multiple donor accounting demands to institutional capacity development, and were now at the forefront of the wave of changes in support of basket funding and enhancing organisations’ overall accounting capacities.

The idea of ‘basket funding’ that Goddard and Assad (2006) allude to has not, to date, threatened the primacy of restricted funding in the NGO sector (see Sections 2.3, 4.5, and 7.3). However, their observation highlights potential alternatives available to the current funding structure. Figures 8.1 and 8.2 portray how the focus on compliance can crowd-out management accounting. The focus on compliance tries to ensure that all money is used appropriately. However, a possible consequence is that a focus on efficiency becomes sidelined (see Section 7.4). CFO B2 noted:

We don’t work out yields or various connotations or have processes. It would literally be reporting and reflecting spending in the field.

The emphasis is always on using money exactly as stipulated in the original funding submission (see Section 7.3). FC A2 remarked:

We agreed with the donor this is what we are going to do, so we just have to do it [...] I would really insist on meeting the donor requirements because that’s what we did say to them.

Additionally, there is little if any analysis comparing value-for-money, as projects are all viewed separately due to the restricted nature of funding each one (see Sections 4.3, 7.3, and 7.4). CD B commented:

It’s more immediate funding, it’s shorter-term funding. So you tend to be very busy implementing, and then ‘oh, it’s over!’

An on-going challenge is ensuring that tensions between the social purposes and accounting practices of NGOs are creatively maintained, so that neither comes to dominate the other (Rahaman *et al.*, 2010). Section 7.4 illustrated such tensions in practice, by noting how COO A2 and COO B2 believe operational innovation is stifled by the NGO institutional environment. COO B2 remarked ‘any industry where it becomes overly-regulated it restricts creativity and innovation’. COO A2 and COO B2 assert that stakeholder requirements to deliver impact and compliance restrict any capacity to engage in operational innovations in the field. The risk of failure to deliver impact is too high, as it could end a NGO’s cycle of funding (see Section 7.2). The reluctance to invest in innovation or in organisational development (see Section 7.4), can also be linked to CFO A and FC B stating their respective organisations would not prioritise investing in management accounting systems (see Section 4.4). CFO A stated, ‘I think our accounting information isn’t really the problem to me. The problem is there is so much uncertainty’. Investing in management accounting systems is difficult for the case study organisations to justify in terms of the three conversion ratios. Undue emphasis on conversion ratios induces dysfunctional behaviour in NGOs, including under-investment in the necessary organisational capacity to function effectively (Arya and Mittendorf, 2015; Letts *et al.*, 1998). The present institutional environment therefore affects both the operational function and the accounting function at NGOs, including further developing or enhancing management accounting at the case study organisations.

For such reasons, Awio *et al.* (2011) assert that alternative funding and accountability mechanisms are crucial for the NGO sector. However, Ebrahim (2002, p.110) emphasises:

Revising the current structure of NGO-funder relations is likely to be a long-term and incremental process that, at its root, will require a rethinking of valuations of success and failure.

The irony that the explanatory framework helps highlight is that the focus on impact by NGOs is of a short-to-medium timeframe because of the need to secure further funding (see Section 8.2). This timeframe has been noted in Section 7.3, for example by FC C2:

The partners [*local NGOs*] and the beneficiaries appear to be looking at all these interventions as an outcome or an impact, but not in a sustainable perspective [...] in this way, you'll find that there have been some cases where an international NGO withdraws funding it leads to the end of the local partners.

Similarly, Dolnicar *et al.* (2008) also observed the incompatibility of donor funding requirements with the longer-term social goals of NGOs. Many of these donor requirements relate to the accounting function (see Section 7.3). FC C2 commented:

I feel overall the development sector is really struggling in the area of making a sustainable impact. It has been a bit hard to find the level of freedom I am going to give you for my money and the amount of control I will need to exert on this money.

Accounting, as part of the technology of control within organisations, shapes the activities and relationships which it then reports upon (Roberts, 1990). In a NGO context, an example is how donors prefer projects that are administratively convenient, easily monitored, and involve physical infrastructure rather than intangible social change (Fowler, 1997). Restricted funding therefore encourages a short-term 'project' mind-set (Ebrahim, 2002; Edwards and Hulme, 1995; Najam, 2002). Thus, international development NGOs are wedded to measuring activities (more quantifiable and short-term) instead of impact (less quantifiable and long-term) (Development Cooperation Ireland, 2005).

The crucial point for management accounting is that as long as NGO funding structures are dominated by restricted funding (see Figure 5.1), further uses of management accounting are potentially limited (see Section 8.2). As a possible alternative, a concept like basket funding could be considered. Goddard *et al.* (2016) note that one strategy in bargaining for change by NGOs is selling the basket funding idea. Alternative funding structures could possibly lead to

the evolution of the NGO institutional environment, one where management accounting simultaneously evolves. It links back to COO A2 and COO B2 remarking about NGOs needing an avenue for operational innovation (see Section 7.4). Operational innovation could encourage a renewed focus on what Crowley and Ryan (2013) describe as the real prize of discovering new breakthroughs in helping the disadvantaged. Institutionalised concepts of performance have restrained the imagination, intuition, and flexibility which were the success of NGOs (Agyemang *et al.*, 2017; ICHRP, 2003). Notably, Kaplan and Norton (2001) consider it unusual for a non-profit organisation to focus on a strategy that can be thought of as ‘product leadership’. However, just as businesses do in the commercial sector, non-profit organisations can be strategic and build competitive advantage in other ways than pure operational excellence (Kaplan and Norton, 2001).

An alternative funding structure could potentially re-orientate the relative weightings between normative and regulative forces at the case study organisations (see Section 7.3). The crowding-out of management accounting could consequently change, and further uses of management accounting could emerge. However, this study is not advocating that the predominant funding structure evolves from restricted to basket or unrestricted. Rather, this research is merely highlighting how restricted funding (via institutional forces) helps shape management accounting at international development NGOs. The debate about appropriate accountability and NGO funding structures thus encroaches upon an exploration of management accounting, and vice versa. Accountability frameworks based on particular funding structures help define the NGO institutional environment, which in turn can determine the scope of management accounting (see Section 8.2), as well as determine

further uses of management accounting. A key aspect of this is the role of the accountant as an institutional agent in the NGO sector, which is interpreted next.

8.3.3 The Accountant as an Institutional Agent in the NGO Sector

Section 8.2 earlier establishes the NGO institutional environment in the context of accounting. The explanatory framework (see Figure 8.1) demonstrates how the NGO sector mirrors Hines's (1988) assertion that accounting creates and maintains certain power dynamics between organisations and stakeholders. However, organisations strategically respond to their institutional environment by shaping institutional requirements and redefining those environments (Scott, 2001). In this light, professionals such as accountants 'function as institutional agents – as definers, interpreters, and applicers of institutional elements' (Scott, 2008, p.223). Their primary social function can be described as creating, testing, conveying, and applying cultural-cognitive, normative, and / or regulative frameworks that govern a social sphere (Scott, 2008). Accordingly, the role of the accountant as an institutional agent in the NGO sector is interpreted here.

It is noteworthy that the finance function in two of the three case study organisations does not have a place in the senior management team (see Section 7.2) - which is illustrative of how accountants in the NGO sector may not be acting as 'the most influential, contemporary crafters of institutions' (Scott, 2008, p.223). In contrast, the COOs have a place on their respective senior management teams. Furthermore, it was primarily program managers suggesting 'pushing back' at donors, as revealed in the quotes below:

We have a lot more financial oversight than we have programmatic oversight. We wouldn't be wanting anymore! [...] what we're about is really implementing programs

[...] I would certainly be pushing back against any more systems and any more compliance systems. (CD B)

We certainly push back, but there's only so far you can push back with some donors. (PM B2)

In contrast, finance managers advocated for their donors' stipulations internally:

The donor requirements are set out at the start of a program. We will always seek to comply with those requirements. (CFO C2)

So making sure that it is implemented in the way it was written and costed, is what I would place emphasis on, that I would meet the donor expectations in terms of reporting, and adhering to their principles. (CFO B2)

My emphasis is always to make sure that we deliver according to donor expectations, because at this stage now the donor takes the priority. (FC B2)

In particular my own role would be to make sure that we are getting the reports to them in time and we are following their guidelines [...] One of the things I would emphasise is that we agreed with the donor this is what we are going to do, so we just have to do it. (FC A2)

Donor stipulations [*for finance procedures*] always come above ours [...] it's in our policies [...] we will always accept the donors' compliance requirements. If it's about compliance issues, they [*donors'*] will always supersede ours [*Organisation C's*]. (CFO C2)

The pressures of reporting to donors and making sure that the donors are happy sometimes can actually overrule all and become so important, as opposed to meeting the mission of the organisation [...] most of the time you are stuck in a whirlwind of reporting just from one donor to another donor, answering their questions, and making sure that we are doing things that the donors would like done. (FC A2)

Accountants in an institutional environment would be expected to 'participate in the creative process of proposing new distinctions, measures and methods in a "bottom-up" incremental fashion' (Scott, 2008, p.228). However, the empirical findings (see Section 7.4) provide evidence that finance managers do not act in the manner envisaged by Scott (2008). Notably, COO A2 and COO B2 advocate for greater innovation in their respective NGOs and in the wider NGO sector (see Section 7.3). They, in the main, stand in contrast to their finance

counterparts in applying ‘professional principles to the solution of problems presented by individual clients or by specific problematic situations’ (Scott, 2008, p.228). Management accounting is a creative process that can assist in proposing new measures and methods in organisations (Drury, 2007). The potential benefits of such an approach by finance functions at the case study organisations are espoused in the following quotes:

One of the improvements we could make is to generate things from metrics like value-added and cost-benefit analysis [...] I would like to see more of a graphical interface, more data metrics to benchmark against different projects, performance and cost-benefit analysis [...] if we could create a system that would combine the field information with the accounting information it would become more meaningful. (FC A)

I would like more analysis, particularly on our directly-implemented programming [...] we have a lot of financial information. I’m sure we could do a lot more with it. (CD B)

I would like more of what I call ‘management intelligence’ where we cost what we’re doing more cleverly [...] it’s not something that any NGO really has, but I think there is a real need for it. (FC B)

However, instead of participating in a creative process to improve organisational processes in terms of strategy or field operations, finance managers are primarily focusing on compliance for a dominant external stakeholder (see Section 7.3):

The process that we run is literally entirely packaged by Dublin. As the finance person you just do what is in the manual. There is not a lot of leeway for improvement or trying to improve things because it is dictated to me how I run it. From that point of view, I rate the management accounting information that I can give as not very good [...] it’s a real number-crunching job [...] for head office’s own internal reporting. (FC A)

All our procedures, policies, forms, everything for reporting tools, templates - they are all standardised across all our fields [...] we have pretty rigorous and pretty standardised systems. (CFO B)

It’s [*reporting*] all pre-formatted for us by Dublin [...] charity accounting is quite different. There isn’t a great deal of management accounting techniques. (FC A)

As the preceding quotes highlight, the focus on compliance and global standardisation results in little capacity for accountants to participate in a creative process like management accounting, or to be the most influential at their organisation or in the NGO sector. This dynamic is further illustrated by the following quotes:

I've never seen it [*management accounting*] have a huge role [...] When I look at Organisation A I would say: how much is accounting information used to make decisions? I actually don't really believe it is. It's used to look at performance. (CFO A)

I personally think it's [*management accounting*] rather peripheral. A lot of the decision-making is really contingent upon our donors [...] so the management information is really just a record of what has been spent against that budget [...] it doesn't really aid decision-making. (FC A)

The dynamic further results in a potentially sub-optimal situation at the case study organisations (see quotes below); one where Scott (2008) would anticipate accountants as institutional agents to be at the forefront:

We don't work out yields or various connotations or have processes. It would literally be reporting and reflecting spending in the field. (CFO B2)

The 'leakage' in money is where program managers could [...] get better value-for-money [...] but, finance doesn't have much impact at that level in Organisation A. Finance doesn't have the same level of input in organisations in the NGO sector as it does in the commercial sector. (CFO A2)

Accountants, through management accounting, have potential to act like other professionals as institutional agents in institutional environments. However, the NGO institutional environment crowds-out the scope for management accounting (see Figures 8.1 and 8.2). Consequently, the institutional environment limits the role of the accountant to less than what Scott (2008) describes for a professional as an institutional agent.

Institutional agents play a dual role in organisations. Firstly, they translate environmental demands into organisations (Scott, 2001). Finance managers at NGOs perform this role

through their compliance activity (see Section 7.3). The insight that professional authority is based on the ability to create and apply a set of cultural-cognitive, normative, and / or regulative elements that provide frameworks for dealing with various types of uncertainty is at the core of the institutional perspective (Scott, 2008). Secondly, institutional agents transmit organisational concerns outwards to external stakeholders in the institutional environment (Scott, 2001). For example, Ebrahim (2002) observed that professionals (including accountants) hired by NGOs sometimes evolve into instruments of resistance to donor intervention. This is by virtue of their role as ‘experts’. As can be seen, scant evidence emerges of the latter role from finance managers at the case study organisations (see Sections 7.2 and 7.3). For accountants to be institutional agents as Scott (2008) envisages, Ebrahim’s (2002) observation is relevant. Accountants could individually evolve into greater advocates for their organisation to salient external stakeholders (e.g. to donors or regulatory standard-setters). Furthermore, ‘professionals, at least in their collective capacity, often embrace and espouse positions [...] with the use of knowledge to advance the collective good’ (Scott, 2008, p. 223). Over time, NGO accountants could collectively through their organisations reshape institutional requirements, and redefine the institutional environment. A redefined NGO institutional environment could provide greater scope and relevance for management accounting. Management accounting is an important resource not only for legitimising institutional change ex-post, but also in identifying a need for change, gaining others’ support, and implementing change (Hiebl, 2017). Whether or not this can (or should) happen is beyond the scope of the present research. However, this thesis illustrates that accountants at NGOs could function as institutional agents envisaged by Scott (2008), but do not, and notes the consequence of this for management accounting within the NGOs.

8.4 Summary and Outcomes

This chapter interpreted the empirical findings. It threaded together all prior elements of this study to address the two research sub-questions and core research objective. A new institutionalism-informed explanatory framework for accounting at international development NGOs was presented. This framework provided the context for interpreting management accounting at the case study organisations. The explanatory framework provides a basis for future research endeavours to move beyond being exploratory in nature.

The interpretation from a management accounting perspective links into the on-going debate about the efficacy of NGO external accountability. It highlights how management accounting at international development NGOs is limited by the institutional environment. Specifically, this research notes the relationship between the outcomes of this research and the contested merits of restricted funding in the NGO sector. The NGO institutional environment is dominated by external accountability embedded in restricted funding. However, institutional forces which shape management accounting (see Section 8.2) are vulnerable to evolution (e.g. Goddard and Assad, 2006, Hiebl, 2017). Changes in the institutional environment away from restricted forms of funding could possibly lead to an evolution of management accounting at international development NGOs, as well as an evolution in the role of the accountant as an institutional agent in the sector. The next chapter summarises the research journey, proposes its contributions to knowledge, describes important limitations, suggests useful future research in this area, and concludes the thesis.

CHAPTER NINE - CONCLUSION

9.1 Introduction

This chapter presents a summary of the main contributions of the study, limitations of the research, and suggests areas for future research. It begins with an overview of the research journey.

9.2 Overview of the Research Journey

This thesis explored management accounting at international development NGOs in three case study organisations. The initial interest for this management accounting study stemmed from prior experience working as an accountant with international development NGOs in Africa. This led to researching relevant literature. For example, Goddard and Assad (2006, p.395) noted:

The ascendancy of accounting functions [...] was largely as a result of pressures for improvement exerted by providers of funds. The ascendancy of accounting was not able to penetrate and influence operational aspects. Accounting appeared to have had an inconsequential impact on internal decision processes [...] Accounting processes and outputs were only marginally relevant to internal accounting information needs.

As a result, Goddard and Assad (2006) called for more extensive research to extend the understanding of these phenomena across a broader range of NGOs. They suggested that ‘it would be interesting to compare the findings to those in Northern [*hemisphere*] NGOs’ (*ibid*, p.397), and crucially in an academic context through the lens of a more ‘formal [*theory as*] a better understanding of this [...] might improve the effectiveness of this model [*the NGO sector*] of service provision’ (*ibid*, p.397).

A review of literature highlighted the underwhelming amount of empirical research addressing management accounting at NGOs; those which do address it are not management accounting studies per se. As a result, there is a sizeable gap of knowledge on management accounting (Goddard and Assad, 2006; Harris *et al.*, 2009; Helmig *et al.*, 2009; Hopper and Bui, 2016; Jackson, 2009; Tinkelman and Donabedian, 2007; Torres and Pina, 2003). The review of literature also showed that there is an under-representation of research into NGOs in the wider accounting discipline; that prior accounting research on NGOs has been mainly normative rather than empirical or theoretical; that it has focused on external accountability rather than on management accounting; and, although it suggests that management accounting plays an inconsequential role, it nevertheless has not been researched directly from a management accounting perspective. Hence, this is one of the first studies to directly explore management accounting at NGOs as its primary focus of research.

As noted in Chapter 1, this is an exploratory study with the core research objective:

To explore management accounting at international development NGOs.

Two sub-questions emerged to contribute to this core research objective. Based on the prior calls for research, there was initially a need to establish:

How is management accounting used at international development NGOs, and could there be further uses?

This sub-question addressed the lack of existing literature on management accounting at NGOs. Following the literature review in Chapter 2, it became apparent that additional information on management accounting was required in order to select a robust theoretical approach. As a result, Chapter 4 presented the outcomes of eleven preliminary interviews

conducted with CEOs, CFOs, Country Directors, and Financial Controllers in the three case study organisations. This initial evidence augmented the literature review, and the preliminary interviews consequently helped inform the selection of a theoretical approach in Chapter 5. As this study progressed and a broadly overall homogeneous picture of management accounting emerged, a theoretical approach began to form which evolved over time into the second sub-question:

How do institutional forces shape management accounting at international development NGOs?

By exploring how institutional forces shape management accounting, key influences on management accounting at international development NGOs could be identified, which in due course fed into addressing the core research objective.

Once a suitable theoretical approach had been identified in the form of a new institutionalism-informed working theoretical model, the empirical research was designed (see Chapter 6). The empirical findings of Chapter 7 were informed by the working theoretical model. The findings outlined evidence of ethical and positive approaches to stakeholders, the relatively strong influence of regulative forces on accounting, and the relatively limited nature of management accounting. Chapter 8 then offered explanations for these phenomena by advancing the working theoretical model into an empirically-based explanatory framework. It posits that management accounting is essentially shaped by the NGO institutional environment. The explanatory framework therefore provides a potentially useful basis for future research endeavours of management accounting in the NGO sector.

Thus, an answer to the first sub-question was gradually built-up across Chapter 2 (literature review), Chapter 4 (preliminary interviews), Chapter 7 (empirical findings), and Chapter 8

(interpretation of findings). Overall, management accounting is broadly homogeneous in spite of nuanced distinctions both within and between the case study organisations. It is typically limited to budgeting, monitoring spending variances, and conversion ratios. Certain interviewees suggested further uses for management accounting at the case study organisations, but because the scope of management accounting is shaped by the NGO institutional environment, there is weak overall demand for enhancing it. Accordingly, an answer to the second sub-question lies within Chapter 5 (theory), Chapter 7 (empirical findings), and Chapter 8 (interpretation of findings). The explanatory framework proposes how regulative forces from the NGO institutional environment create a focus on compliance at the case study organisations. Such regulative forces emanate from the prevailing restricted funding structure of the NGO sector and the corresponding accountability processes. Thus, institutional forces can crowd-out both the capacity and the incentive for management accounting. In answering both of the sub-questions, it simultaneously addresses the core research objective of exploring management accounting at international development NGOs.

9.3 Contributions of the Study

Firstly, a contribution to knowledge is offered in the form of an explanatory framework. New institutionalism (which informs the framework) has not previously been applied to (management) accounting research at NGOs (Scott, 2001). Essentially, the framework posits that NGOs have a focus on compliance due to regulative forces from the institutional environment. This in turn means their accounting function is dominated by external donor accountability reporting. Accordingly, the NGO institutional environment crowds-out both the capacity and the incentive for management accounting, as management accounting does not play an integral role in the donor funding cycle beyond monitoring spending variances

(see Section 8.2). Scott (2001) did not note the NGO sector as a field where institutional theory has so far made a contribution to understanding (in any form), and little empirical research has been conducted using institutional theory in the NGO sector (Claeye and Jackson, 2012). The interpretivist approach of this research also begins to address a concern of Suddaby (2010) on the need to incorporate interpretivist methods in institutionally-informed research. Furthermore, the use of the concept of stakeholders in management accounting research is relatively rare (Rausch, 2011). In particular, this thesis builds on some extant literature on the ethical and positive approaches to stakeholders – this is an aspect of the concept of stakeholders that has not been focused on by many researchers heretofore (see Section 5.2). This study therefore adds to its understanding and application, particularly in the context of management accounting and the NGO sector. Finally, the use of the concept of loose coupling in a management accounting study is also relatively novel (Lukka, 2007; see Section 5.4). Hence, this study transmits a concept from organisational management literature into the field of management accounting research. Overall therefore, in combining new institutionalism, the concept of stakeholders, and the concept of loose coupling into a single theoretical approach, the explanatory framework provides a contribution to knowledge for why management accounting is relatively limited and broadly overall homogeneous at international development NGOs.

Secondly, a theoretical contribution stems from the concept of institutional agents by extending the work of Scott (2008). Section 2.4 noted a relatively fragmented and even contradictory understanding by academics of the role and effectiveness of management accountants in organisations. Professionals such as accountants function as institutional agents – as definers, interpreters, and appliers of institutional elements (Scott, 2008).

Accountants in an institutional environment would be expected to ‘participate in the creative process of proposing new distinctions, measures and methods in a “bottom-up” incremental fashion’ (Scott, 2008, p.228). However, the empirical findings provide evidence that finance managers in a NGO context are not acting in the manner envisaged by Scott (2008), by primarily focusing on compliance (see Sections 7.3 and 8.3). This is because, as the explanatory framework suggests, the NGO institutional environment crowds-out the scope for management accounting. On a separate but related matter, scant evidence emerged of finance managers transmitting organisational concerns outwards to external stakeholders in the institutional environment (see Sections 7.2, 7.3, and 8.3). Accordingly, the role of the accountant (or the management accountant) in the NGO sector - at least based on the case study findings - could not be described as an institutional agent as Scott (2008) envisages it.

Thirdly, this thesis contributes to research and practice beyond the field of accounting, as well as to accounting practice. While this study is primarily in the field of management accounting, accounting research can complement other research fields. A challenge for NGO literature is to encourage and incorporate research from a technical viewpoint, such as accounting research (Tvedt, 2006). Similarly, Gray *et al.* (2006) suggest that the international development sector can learn from accounting literature. Accordingly, four distinct research fields could be enriched by the outcomes of this research, namely: 1) non-profit management, 2) NGO literature, 3) development studies, and 4) aid effectiveness. In terms of implications for practice and practitioners, this research highlights how budgets and monitoring spending variances are the most commonly-used management accounting techniques, together with conversion ratios. The three case study organisations are relatively large, as the average annual turnover is over €100m each (see Figure 4.2). From a ‘visitor’ perspective (see

Section 6.4), these techniques (complemented by little else) appear quite rudimentary for international organisations of such size and complexity. For example, the literature review (see Section 2.4) and empirical evidence (see Sections 4.3 and 7.4) noted a lack of non-proxy measures of efficiency. Participants noted how this could be affecting issues like innovation and value-for-money at their respective NGOs. Accordingly, this thesis highlights scope for additional management accounting that could potentially be useful. In this way, potential improvements in value-for-money, as well as greater insight on the merits of potentially innovative programs, could emerge. Therefore, a key insight in terms of overall aid effectiveness that other research fields and practitioners could incorporate from this thesis include how both the NGO and wider development sectors, as well as NGOs and non-profits as individual organisations, are funded and managed.

Finally, leading on from the above, at a higher policy-level (e.g. the periodic review of the charity SORP), the outcomes of this research may feed into the thinking of accounting standard-setters on the balance between a focus on accountability and a focus on efficiency. For example, management accounting is limited by the institutional environment as a result of the restricted funding structure, which is based on / mirrored by the charity SORP in the UK and Ireland. Similarly, this thesis may also feed into considerations of how efficiency is measured, particularly in relation to the present emphasis on conversion ratios, which are again based on / mirrored by the charity SORP in the UK and Ireland. While it is a separate normative issue whether enhancing management accounting leads to better outcomes such as value-for-money and innovation, this thesis nevertheless provides a perspective to be considered by policy-makers. In addition, it is also an issue for donors (e.g. Irish Aid) to consider if any variant on restricted funding could be worthwhile experimenting with, such as

basket funding, unrestricted funding, or social enterprise. As the main donors of international development NGOs are usually government bodies, the funding cycle in the explanatory framework is primarily a matter of government policy, as is the manner in which it chooses to fund NGOs and hold them to account. Accordingly, this study provides an additional policy consideration for donors in terms of the balance between NGOs focusing on accountability and efficiency, which this research highlights. In this respect, by this contribution overlapping between academic and practical realms, this thesis begins to respond to recent calls for institutionally-informed research to engage beyond the academic community and connect with practical issues to increase its relevance (Lawrence *et al.*, 2013).

9.4 Limitations

The main limitations inherent in this research are now noted. The invariable truth is that all empirical research is partial and incomplete, and that theoretical and methodological choices are inevitably made. Thus, the very notion of representation of reality is highly problematic (Laughlin, 1995), and this thesis recognises the potential perception bias in any model of understanding. The findings of this thesis come from an interpretive case study. Firstly therefore, the extent to which one can draw wider generalisations from the study is limited. This is especially true for exploratory research, a methodological approach that produces ‘hypothetical’ findings in varying degrees of inconclusiveness (Stebbins, 2001, p.40). Beyond the three case study organisations, it is not possible to conclusively determine the extent to which the findings would be replicated elsewhere, such as in other NGOs, charities, or non-profits of various types and sizes. For example, all three case study organisations are headquartered in Ireland, and as such, studies of American, British, or other European NGOs could reveal alternative findings. Correspondingly, the developing world setting of Uganda

may have produced different outcomes compared to other settings. The collection of data from a small number of case studies implies an inevitable trade-off between the richness of data and the potential generalisation of such findings. However, the purpose of this research was not to offer such empirical generalisations, but instead to explore management accounting at international development NGOs. Hence, the findings and contributions to knowledge should be read within the context of the three case study organisations involved, the international development NGO sector in which the study was conducted, and indeed within the broader post-2008 global economic conditions prevailing during the study. While taking this into account, insights from this research can still be used to further our understanding of management accounting. Indeed, exploratory studies of narrower scope have proved very useful for concatenation (Chapman, 2015; Stebbins, 2001). For example, it is likely that the findings can be applied in a broad sense to other NGOs of similar size, structure, and operations.

A second limitation stems from the interpretive nature of qualitative case study research. Interpretations of empirical data are not free from the influence of the researcher. Therefore, the analysis of data may be open to subjective interpretations by the researcher. The views, interpretations, and conclusions expressed in this thesis may be different if the same study had been conducted by another researcher. However, using the methods adopted as outlined in Chapter 6, the present researcher is confident that the information presented in this thesis is to an acceptable level of rigour, analysis, validity, and freedom from bias.

A third limitation relates to the research design. An alternative design that could have added to the richness of findings, in the context of exploring how institutional forces shape

management accounting, would be incorporating the perspectives of donors, beneficiaries, and other external stakeholders. For example, donors could have been probed on aspects emanating from the preliminary interviews and working theoretical model. In defining the boundary of the study however, the focus and scope of empirical research is *within* each organisation, where management accounting essentially takes place (see Section 6.5). In part, this was to remain true to the core research objective of exploring management accounting *at international development NGOs*, rather than in the broader international development sector. This was also partly to avoid moving the thrust of the research from management accounting (i.e. the core research objective) to accountability or stakeholder salience, for example. In essence, the study is researching management accounting by looking at it from the ‘inside out’ perspective rather than an ‘outside in’ perspective, in line with a fundamental assumption of new institutionalism that intra-organisational structures and procedures are shaped by external factors. Equally, choosing which external stakeholders to incorporate in (or exclude from) a study of management accounting could become quite subjective; for example, the usefulness of gaining the perspectives of beneficiaries in rural Uganda. Similarly, including too many stakeholder perspectives could become unwieldy for dissemination in an exploratory study, and would be more suitable for follow-on research.

A fourth limitation relates to the theoretical aspects. As new institutionalism informs the explanatory framework, the theoretical approach of this thesis could be susceptible to the criticisms of new institutionalism. For example, new institutionalism requires greater integration with micro explanations, and hence struggles to incorporate the interactive nature of institutional processes and actors (Moll *et al.*, 2006). Much institutionally-informed accounting research is characterised by the macro-micro divide (Modell, 2003). New

institutionalism alone is incapable of explaining variations of intra-organisational behaviour (Wanderly, 2011). However, such issues were not the core objective of this research. In the context of management accounting in the NGO sector, it may merit future research.

9.5 Future Research

Potential topics for future research are now outlined. Firstly, in terms of applying the explanatory framework, it would be interesting to base a new study on it. In particular, greater depth could be achieved with a single case study design, which is most useful for assessing existing theory, for studying a representative or typical case, or for examining rare or unique circumstances (Yin, 2003). It would be especially interesting to find a case study that was distinct, such as a NGO with a different funding model (e.g. a social enterprise) or one with unrestricted funding as the majority of its income; or alternatively a NGO that employs a management accountant and may use more management accounting techniques. In that way, the framework could be revised based on additional empirical work. It may also be possible to apply the explanatory framework to management accounting research in other related sectors, such as charities or wider non-profit organisations.

Secondly, as this research is a single exploratory study, there is still a shortfall of literature on management accounting at NGOs, the techniques being used, the outcomes of such techniques, and the role of the management accountant. A similar or follow-on study could therefore be conducted into organisations such as:

- a) One or all of the existing case studies
- b) Other international development NGOs
- c) Other charities

d) Other non-profit organisations.

Furthermore, re-designing the study by employing different research methods, such as a quantitative approach or a more in-depth qualitative single case study, for any of the above suggestions could prove fruitful. Other internal stakeholders could also be incorporated, for example by studying boards of directors to examine the interplay between governance and management accounting. Similarly, more focused probing of specific aspects arising from this research could also prove interesting. In addition, as this is a single study employing a particular theoretical lens, other theoretical approaches could be adopted in future studies. For instance, one reason for initially considering employing structuration theory in this study was fully capturing the internal and micro influences on the use of management accounting. Alternative theoretical approaches that embrace the internal and micro perspective (more prominently than new institutionalism does) could be worthwhile pursuing. Finally in terms of similar or follow-on studies, an ancillary outcome of this research is an extension of Scott's (2008) understanding of an institutional agent. Future research could therefore focus more directly on this outcome, which would confirm, contradict, or build on this extended understanding.

Thirdly, there is the normative question of 'how can accounting be improved at NGOs?', which was not the objective of this thesis. While such research would encompass issues like accountability, it would also include management accounting and the internal use of accounting information. One possible avenue for future research would be to take the findings of this research and explore what additional management accounting would be useful at such organisations. This could be in the form of action research. For example, future studies may address questions such as: could more management accounting contribute to

influencing what a NGO as an organisation should be doing from a strategic viewpoint?; could management accounting influence which of the various program themes an international development NGO should concentrate on or cease?; or which countries / geographic areas it should concentrate on or alternatively withdraw from?; or help identify and explain trends over time for why it is performing better or worse? Such research could potentially make worthy contributions to the current small body of knowledge on management accounting at NGOs. Taking this a step further, future research could subsequently investigate the cost-benefit of such additional management accounting. For example, would the cost of extra resources on administration by a NGO be outweighed by the benefits (either for internal organisational efficiencies or in beneficiary impact terms) derived from additional management accounting? More broadly, building on Tucker and Parker's (2013) point about the lower professional expertise available at NGOs and 'market' rates, future research could focus on the constraints for accounting capacity (beyond only management accounting) at NGOs, such as the available administration budgets. In light of finding relatively limited management accounting at the case study organisations, along with suggestions of dissatisfaction with it by certain interviewees (see Chapters 4 and 7), future research could also investigate management accounting stability and change at NGOs. For example, it could probe how change is initiated and what barriers are perceived to exist. The conditions under which management accounting systems implementation can be an enabling change for NGOs to accomplish quality, efficiency, and accountability expectations could also be examined, such as through a longitudinal study. Notably, Jones and Mellett (2007) highlight the interactive nature of accounting and institutional change, as accounting became an instrument for change in the comparable healthcare sector. In a similar vein, there is scope for future research of management control at NGOs (see Section 2.3) in the context of

measurement challenges with many NGO activities (see Sections 2.2 and 2.3), that could build on the findings of the present role and further uses of management accounting at NGOs (see Section 7.4).

Finally, an ancillary outcome of this management accounting research is that it throws the spotlight on the efficacy of the restricted funding structure of the NGO sector, as well as on related accountability processes. The most appropriate means of discharging accountability is an issue that some researchers have suggested needs further examination (e.g. Connolly *et al.*, 2012). This research adds a management accounting perspective to that debate (see Section 8.3). In this light, alternative designs for management accounting research could additionally embrace the perspectives of external stakeholders such as donors, beneficiaries, and regulatory bodies. Such insights could further enlighten issues raised in Chapters 7 and 8, such as NGO effectiveness, efficiency, value-for-money, and the practice of 'spend-out'. For example, are donors satisfied that their own processes for identifying funding needs, assessing grant applications, and verifying expenditure already ensure value-for-money at NGOs, from their perspective? As such, would donors consider enhancing management accounting within NGOs to be of little consequence, superfluous, and only adding to administration? Alternatively, donors could perceive that enhancing management accounting at NGOs would facilitate an evolution of funding structures and accountability processes. In this vein, Goddard and Assad (2006) note the idea of basket funding as a possible alternative for NGOs. More radically, Awio *et al.* (2011) and Najam (2002) argue that a fresh look at the entire system of funding international development NGOs is needed. Hence, the most appropriate NGO funding model (and corresponding accountability) is something that could be useful to research directly from a management accounting perspective. On an even broader

level, existing models of aid effectiveness open up potential uses for management accounting beyond its present role. Accordingly, future management accounting research could also make useful contributions to theory and practice in the aid effectiveness literature. Lastly in terms of the interplay between management accounting, funding structures, and accountability, future management accounting research could be designed with donors as the primary object of study. For example, questions regarding decision-making, effectiveness and impact, value-for-money, management control, and other traditional and 'modern' management accounting functions and techniques - as well as the systems, people / roles, and structures supporting such functions - could usefully be directed at donors as the entity being researched. Such research could provide interesting insights into the information being used, as well as the distribution and location of key management accounting functions. Equally, O'Leary (2016) notes that downward accountability to beneficiaries could potentially become more participatory at NGOs, including the budgeting processes. Such a dynamic could also prove interesting for future research.

9.6 Final Words

This research is one of the first specific explorations of management accounting at international development NGOs. The dearth of literature focusing on management accounting at international development NGOs led to calls for such research, especially as the sparse body of knowledge hinted that management accounting plays an inconsequential role. Based on three case studies of large international development NGOs, this study finds that management accounting is broadly overall homogeneous with some nuanced distinctions both within and between the cases. Furthermore, the scope of management accounting is relatively limited and rarely extends beyond budgeting, monitoring spending variances, and

conversion ratios. Nevertheless, the case study organisations are performing activities where the empirical evidence suggests management accounting could have an enhanced role. Future research endeavours of management accounting at NGOs are required to move beyond the exploratory nature of this study.

This chapter summarised how this thesis addresses the core research objective, and notes its contributions to management accounting knowledge. An original contribution to knowledge is an explanatory framework for why management accounting is relatively limited and broadly homogeneous. A contribution to theory is extending Scott's (2008) understanding of an institutional agent. For policy-makers, this research highlights to accounting standard-setters and large donors a neglected interplay between accountability and efficiency. For practitioners, it highlights quite rudimentary management accounting at such large complex organisations. A challenge as an accounting researcher is to study how accounting works within a particular sector, and to apply insights gained from other empirical domains to that field. It is hoped this thesis complements and extends prior accounting research in the NGO sector by adding a management accounting perspective, which heretofore has been missing.

To end with the words of a famous scientist:

The important thing is not to stop questioning. Curiosity has its own reason for existing. One cannot help but be in awe when he contemplates the mysteries of the marvellous structure of reality. It is enough if one tries merely to comprehend a little of this mystery every day (Albert Einstein, quoted in 1955).

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APPENDIX A

OUTLINE QUESTIONS FOR PRELIMINARY INTERVIEWS

Introductory Questions

- How would you describe your current role in the organisation?
- Have you any training or qualifications in (international development / accounting), and briefly describe your career in international development?
- Give a brief description of your organisation's activities in Uganda?

Management Accounting

- Would you see management accounting as central or peripheral to decision-making, and why?
- What accounting information do you use for internal decision-making, and where do you source it?
- What are the main management accounting techniques that you use?
- What are the criteria by which you 'rate' the management accounting information you receive as effective for the purposes?
- Are the potential impacts and views of all the various stakeholders during the internal decision-making processes (both formal and informal) taken into account more, less, or the same as that for the external reporting requirements?

Broader Accounting Issues

- How is this information used for influencing both long-term decisions and short-term decisions?
- Have you sufficient accounting information for internal decision-making purposes?
- How do particular factors, conditions or circumstances influence how you use accounting information for internal decision-making?
- Are you interested in improving the use of accounting for internal decision-making?
- How would you suggest improving internal decision-making by the improved use of management / internal accounting?
- Would you think the enhanced use of accounting information for internal decision-making would have any impact of the reputation of the NGO, and / or increase the chances of securing possible sources of funding?

Contextual Issues

- What are the problems and constraints facing management / internal accounting in your organisation?
- Is there anything else in relation to accounting / finance in the NGO sector that you would like to tell me about or elaborate on?

APPENDIX B

OUTLINE QUESTIONS FOR MAIN EMPIRICAL STAGE INTERVIEWS

Line B Questions

1. What are the top priorities of your own role?
2. What do you see as the top priorities of the management group as a whole in your organisation?
3. When the organisation is awarded funding for a project / program, how much emphasis do you as an individual in your own role place on 1) delivering for the beneficiaries in the most appropriate way, and 2) maintaining a relationship with a donor?
4. If there was a conflict between the delivery of operational activities in the most appropriate manner for the beneficiaries and the agreed framework with the donor – what would your preferred approach be?

Line C Questions

5. How do the dynamics of achieving the mission of your NGO in the most appropriate manner and the modern deadlines / reporting / efficiency pressures in the NGO sector play out in terms of your own role?
6. If there was a serious conflict between beneficiary expectations and donor expectations that arises mid-way through a project – what would your approach be?
7. In your role internally in your organisation during a project / program, do you primarily assert achieving the core mission of your NGO and beneficiary concerns or do you primarily convey to colleagues the necessity of meeting program requirements agreed with donor funding applications? Explain why?
8. What in your opinion is the overall balance in your NGO at the moment between these two perspectives of the last question? Explain why?

Line D Questions

9. Would you say that operational priorities and financial priorities generally align with each other or compete with each other in your NGO? Explain why?
10. Do your operational / financial (delete as appropriate) colleagues appreciate your perspectives and your concerns as “insert role title”?
11. In what way does your performance contribute to organisational goals?
12. How is success measured at an organisational level by your organisation?

Miscellaneous Questions

13. What management accounting do you use?
14. Is there anything else that you would like to tell me about or elaborate on?

APPENDIX C

PRELIMINARY INTERVIEWS SUMMARY INFORMATION

Total number of interviewees: 11 people
Total length of interviews: 630 minutes (10.5 hours)
Total word count of transcripts: 61,595 words

Participant	Date	Location	Length	Recorded
CEO A	25/08/11	Ireland	35 minutes	Yes
CFO A	25/08/11	Ireland	45 minutes	Yes
CD A	27/01/11	Uganda	65 minutes	Yes
FC A	27/01/11	Uganda	75 minutes	Yes
CFO B	16/12/11	Ireland	45 minutes	Yes
CD B	17/03/11	Uganda	70 minutes	Yes
FC B	28/01/11	Uganda	60 minutes	Yes
CEO C	24/08/11	Ireland	65 minutes	Yes
CFO C	24/08/11	Ireland	55 minutes	Yes
CD C	28/01/11	Uganda	70 minutes	Yes
FC C	16/08/11	Ireland	45 minutes	Yes

Note – Subsequent email correspondence occurred on 15/09/11 with FC C.

APPENDIX D

MAIN EMPIRICAL STAGE INTERVIEWS SUMMARY INFORMATION

Total number of interviewees: 12 people
Total length of interviews: 476 minutes (8 hours)
Total word count of transcripts: 44,806 words

Participant	Date	Location	Length	Recorded
CFO A2	10/03/14	Ireland	40 minutes	Yes
COO A2	20/03/14	Ireland	43 minutes	Yes
FC A2	15/04/14	Skype	29 minutes	Yes
PM A2	04/04/14	Skype	39 minutes	Yes
CFO B2	26/03/14	Ireland	37 minutes	Yes
COO B2	21/05/14	Ireland	32 minutes	Yes
FC B2	13/02/14	Skype	26 minutes	Yes
PM B2	20/02/14	Skype	43 minutes	Yes
CFO C2	10/02/14	Ireland	51 minutes	Yes
COO C2	05/03/14	Ireland	41 minutes	Yes
FC C2	20/02/14	Skype	54 minutes	Yes
PM C2	25/02/14	Skype	41 minutes	Yes

Note - Although there is overlap in the finance manager roles interviewed here with the preliminary interviews, due to intervening staff changes, CFO C2 / CFO C was the only individual interviewed twice in this study.

APPENDIX E

INTERVIEWEE PARTICIPATION DOCUMENTATION

Dear x,

As part of my PhD into ‘Management Accounting at International Development NGOs’, I would like to conduct research into the area of management accounting in {case study organisation name}. I am investigating this because I am passionate about the development sector and feel that this is an area that needs to be more fully understood from an academic context. I am inviting you to be a part of my study because of your role as {job title} of {case study organisation name}.

If you accept, you will be asked to participate in an interview with myself, Brendan Clerkin. No one else will be present unless you would like someone to accompany you. I will record the information you give by notes and dictaphone. No one else will have access to this information. The notes and recording will be stored securely and will be destroyed when I complete my thesis. In the thesis, your answers will not be directly attributed to you or anyone in your organisation.

I will ask you about your engagement with financial and operational issues and ask you to share your knowledge. It will be analysed through the lens of a theoretical framework.

There is a risk that you might share some personal information or that you may feel uncomfortable with some of the questions. If there is a question that you would rather not answer, I will move to the next one. You are free to withdraw from the interview at any time.

While I do have the support of Dr. Martin Quinn, my doctoral supervisor in Dublin City University, to engage in this research, it is being conducted by me in a personal capacity. You do not have to participate in this study if you do not wish to do so.

I would like to thank you for taking the time to read this letter. If you would like to know more about my study before deciding whether to participate, please contact me at ‘x’@gmail.com. If you agree to participate, I would be grateful if you could read and sign the certificate of consent on the page below. Please return a scan of this certificate to me at ‘x’@gmail.com.

Yours sincerely,

Brendan Clerkin

TERMS OF REFERENCE

Title: Management Accounting at International Development NGOs

This doctoral study is primarily interested in the use of financial information by staff at NGOs. The only financial figures that may be cited in the study are those that are publicly available, such as the annual reports of the organisation. This study is not concerned with obtaining or using specific financial data that is not already publicly available.

The core research objective this study aims to address is:

To explore management accounting at international development NGOs.

CERTIFICATE OF CONSENT

I have read the foregoing information. I have had the opportunity to ask questions about it and any questions I have asked have been answered to my satisfaction. I consent voluntarily to be a participant in this study and I understand that I can withdraw from the discussion at any time without any impact on my job.

Print Name of Participant:

Signature of Participant:

Date:

APPENDIX F

ADDITIONAL ARTEFACTS EXAMINED

Organisation	Location	Interview Stage	Additional Artefacts		
			Management Reports ¹⁰ (in hard-copy or soft-copy)	Finance Manual	Publicly-Available Documents (e.g. Brochures, M&E Reports, Annual Reports, Websites, etc)
Organisation A	Ireland	Preliminary	Yes	Yes	Yes
		Main	Yes	No	Yes
	Uganda	Preliminary	Yes	Yes	Yes
		Main	No	No	Yes
Organisation B	Ireland	Preliminary	Yes	No	Yes
		Main	Yes	Yes	Yes
	Uganda	Preliminary	Yes	Yes	Yes
		Main	No	No	Yes
Organisation C	Ireland	Preliminary	Yes	Yes	Yes
		Main	Yes	No	Yes
	Uganda	Preliminary	Yes	No	Yes
		Main	No	No	Yes

¹⁰ The management reports examined were consistent with the data provided in Figures 4.4 and 4.5. The most common format for management reports was Microsoft Excel style tables that were broken into columns of time periods showing either the actual income and expenditure compared to the budget or else future projections, and broken into rows of categories outlining direct program expenditures, indirect program expenditures, administration costs, and salaries, for example.