The Many Faces of Nonprofit Accountability

Alnoor Ebrahim

Working Paper

10-069

Copyright © 2010 by Alnoor S. Ebrahim

Working papers are in draft form. This working paper is distributed for purposes of comment and discussion only. It may not be reproduced without permission of the copyright holder. Copies of working papers are available from the author.
The Many Faces of Nonprofit Accountability

ABSTRACT

What does it mean for a nonprofit organization to be accountable? Nonprofit leaders tend to pay attention to accountability once a problem of trust arises – a scandal in the sector or in their own organization, questions from citizens or donors who want to know if their money is being well spent, or pressure from regulators to demonstrate that they are serving a public purpose and thus merit tax-exempt status. Amid this clamor for accountability, it is tempting to accept the popular view that more accountability is better. But is it feasible, or even desirable, for nonprofit organizations to be accountable to everyone for everything? The challenge for leadership and management is to prioritize among competing accountability demands. This involves deciding both to whom and for what they owe accountability. This paper provides an overview of the accountability pressures facing nonprofit leaders, and examines several mechanisms available to them: disclosures, performance evaluations, self-regulation, participation, and adaptive learning. Nonprofit leaders must adapt any such mechanisms to suit their organization — be it a membership-based organization, a service-delivery nonprofit, or an advocacy network. More crucially, they need to pay greater attention to strategy-driven forms of accountability that can help them to achieve their missions.

1 This paper is a preprint draft of a chapter accepted for publication in the Jossey-Bass Handbook of Nonprofit Leadership and Management (Third Edition, 2010). It is a much expanded and revised version of an entry that was first published in the International Encyclopedia of Civil Society (Ebrahim, 2010).
INTRODUCTION

Calls for greater accountability are not new. Leaders of organizations, be they nonprofit, business, or government, face a constant stream of demands from various constituents demanding accountable behavior. But what does it mean to be accountable?

At its core, accountability is about trust. By and large, nonprofit leaders tend to pay attention to accountability once a problem of trust arises – a scandal in the sector or in their own organization, questions from citizens or donors who want to know if their money is being well spent, or pressure from regulators to demonstrate that they are serving a public purpose and thus merit tax-exempt status. Amid this clamor for accountability, it is tempting to accept the popular normative view that more accountability is better. But is it feasible, or even desirable, for nonprofit organizations to be accountable to everyone for everything? The challenge for leadership and management is to prioritize among competing accountability demands. This involves deciding both to whom and for what they owe accountability. The purpose of this chapter is to provide an overview of the current debates on nonprofit accountability, while also examining the tradeoffs inherent in a range of accountability mechanisms.

Numerous definitions of accountability have been offered by scholars and practitioners in the nonprofit and non-governmental sector. Many describe accountability in terms of a “process of holding actors responsible for actions” (Fox and Brown, 1998: 12) or as “the means by which individuals and organizations report to a recognized authority (or authorities) and are held
responsible for their actions” (Edwards and Hulme, 1996b: 967). The literature further identifies four core components of accountability (Ebrahim and Weisband, 2007):

1) **Transparency**, which involves collecting information and making it available and accessible for public scrutiny;

2) **Answerability or Justification**, which requires providing clear reasoning for actions and decisions, including those not adopted, so that they may reasonably be questioned;

3) **Compliance**, through the monitoring and evaluation of procedures and outcomes, combined with transparency in reporting those findings; and,

4) **Enforcement or Sanctions** for shortfalls in compliance, justification, or transparency.

For many observers, it is enforceability that ultimately gives any accountability mechanism power or “teeth.” Others, however, find such an approach to be too narrow in its dependence on punitive forms of compliance. They broaden this perspective by suggesting that accountability is not just about responding to others but also about “taking responsibility” for oneself (Cornwall, et al., 2000: 3). As such, accountability has both an external dimension in terms of “an obligation to meet prescribed standards of behavior” (Chisolm, 1995: 141) and an internal one motivated by “felt responsibility” as expressed through individual action and organizational mission (Fry, 1995). For example, the One World Trust in the United Kingdom, which assesses the accountability of large global organizations — multinational corporations, international NGOs, and intergovernmental agencies — defines accountability as “the processes through which an organization makes a commitment to respond to and balance the needs of stakeholders in its
decision making processes and activities, and delivers against this commitment” (Lloyd, et al., 2007: 11).

At the very least, what the above definitions share is an understanding that accountability centers on the relationships among various actors, with some giving accounts of their behavior and others receiving and judging those accounts. Most discussions about the concept thus also pose two further questions: Accountability to whom? And accountability for what?

ACCOUNTABILITY TO WHOM?

Accountability relationships are complicated by the fact that nonprofits are expected to be accountable to multiple actors: upwards to their funders or patrons, downwards to clients, and internally to themselves and their missions [(Edwards and Hulme, 1996a; Kearns, 1996; Lindenberg and Bryant, 2001; Najam, 1996) “Upwards” accountability usually refers to relationships with donors, foundations, and governments and is often focused on the use of funds. Accountability to clients refers primarily to “downward” relationships with groups receiving services, although it may also include communities or regions indirectly impacted by nonprofit programs. The third category of accountability concerns nonprofits themselves. This internal (or horizontal) accountability centers on an organization’s responsibility to its mission and staff, which includes decision makers as well as field-level implementers. Some scholars have even suggested that there are as many types of accountability as there are distinct relationships among people and organizations, with some characterizing this condition as “multiple accountabilities disorder” (Koppell, 2005; Lerner and Tetlock, 1999).
At a minimum, to whom one is accountable varies with organization type, be it a membership organization, a service-delivery nonprofit, or a network engaged in policy advocacy. While these three “types” of nonprofits do not capture the diversity in the sector, they illustrate critical differences:

- **Membership organizations** are largely oriented towards serving the interests of their members, and are often run by and for their members (e.g., the American Association of Retired Persons, cooperatives and unions, as well as clubs and societies). The mechanisms of accountability available to members include the exercise of “voice” by voting for the organization’s leaders, “exit” by revoking membership and dues or joining another organization, and “loyalty” by attempting to reform the organization either by influencing leaders or by running for a leadership position.\(^2\) Because the members/clients are internal to the organization, membership organizations combine internal accountability (to members of the organizations) with downward accountability (to clients, who are members). In short, there is a structural equality between principals and agents, and thus a significant potential for the use of exit, voice, and loyalty options.

- **Service organizations** typically provide a range of services to their clients or beneficiaries, ranging from health and education to housing and rural development. Their clients are usually not involved in creating the nonprofit in the way that members are; they are external actors to the organization and therefore have less voice in shaping its activities and direction.

For many, the demands of funders or patrons (i.e., upward accountability) tend to be the most

---
\(^2\) These options of exit, voice, or loyalty draw from Hirschman (1970).
formalized, for example, through grant contracts, reporting requirements, and formal
evaluations. This imbalance is reproduced in their relations with clients, who are often in a
“take it or leave it” relationship with respect to services offered (Uphoff, 1996: 25), except in
highly competitive contexts where clients have multiple service-providers from which to
choose. A key accountability challenge lies in increasing “downward” accountability from
funders to the nonprofit, and from the nonprofit to clients.

- **Policy advocacy networks** display characteristics that are common to membership as well as
service organizations, and also characteristics that are unique. For example, organizations
like the Sierra Club and Amnesty International both have individual members who pay dues
and thus have the option of taking their dues elsewhere should the organization fail to satisfy
their interests. But they are not self-help organizations in the way that cooperatives are, and
most members do not have direct access to organizational decision making or even to other
members (nor do they necessarily desire such access), despite the fact that they elect board
members. They are more like clients of service organizations. In other words, while their
options for exit (revoking membership dues) are potentially powerful, their actions are likely
to be remote and isolated. On the other hand, some network organizations attract members
by virtue of their policy advocacy work — thereby seeking to hold policy makers and public
officials accountable to the views and values of their members. The mechanisms of
accountability available to them are advocacy-oriented (voice), including lobbying, litigation,
protest, negotiation, fact-finding and demanding transparency in the reporting of information
and events. Networks in which the members are organizations, rather than individuals,
involve an additional layer of accountability that depends on negotiation and coordination
among member organizations. Accountability is collective in the sense that it depends on reliable coordination and pooling of resources among key players.\(^3\)

In short, the demands of accountability “to whom” are multifold and can seldom be reduced to simple terms. Accountability is a relational concept; it varies according to the relationships among actors, and it also varies across different types of organizations (e.g., membership, service, and advocacy networks). Furthermore, asymmetric relationships among stakeholders are likely to result in a skewing towards accountability mechanisms that satisfy the interests of the most powerful actors. In other words, accountability is also about power, in that asymmetries in resources become important in influencing who is able to hold whom to account.

**ACCOUNTABILITY FOR WHAT?**

Given that nonprofit organizations face demands for accountability from multiple actors, it follows that they are expected to be accountable for different things by different people. These expectations may be broken down into four broad, but far from comprehensive, categories: accountability for finances, governance, performance, and mission (Behn, 2001; Ebrahim, 2009).

Questions about **finances** have received considerable attention in the wake of various accounting scandals and crises not only in the nonprofit world but also in the private sector (e.g., the fall of

\(^3\) Nonprofit organizations engaged in policy advocacy face an additional accountability challenge increasingly leveled by their critics: “Whom do you represent? Who elected you?” This challenge is less of a problem for organizations that are membership based, and who can thus claim to be accountable to their members for their lobbying and advocacy activities. Non-membership organizations, on the other hand, tend to claim authorization on the grounds of what, rather than whom, they represent – such as a set of values, a social purpose or mission, expertise and experience in an issue area such as health or education, or a particular set of interests such as those of marginalized or unorganized groups (Peruzzotti, 2006: 52-3).
firms such as Enron and WorldCom in 2001 and 2002, as well as industry-wide failures in mortgage-backed securities and financial derivatives markets in 2008). Public policy responses, particularly to firm-level failures, typically call for greater disclosure of financial transactions, transparency in the use and oversight of funds by executives and trustees, as well as protections for whistleblowers who reveal information about mismanagement. Accountability, in this context, is constituted as coercive or punitive, with an emphasis on disclosure, a reliance on legislative or regulatory oversight, and backed up by threats of sanctions for non-compliance, such as fines, imprisonment, or loss of tax-exempt status.

The second type of expectation focuses on organizational governance which, especially in the United States and United Kingdom, has often centered on the role of the board of directors. The board is the nexus of standards of care, loyalty and obedience: board members are responsible for seeking and considering adequate information on which to base decisions (care), for disclosing conflicts of interest and placing the organization’s interests over personal ones (loyalty), and for acting within the organization’s mission while also adhering to internal organizational protocols for decision making (obedience). The board’s fiduciary responsibilities typically focus on its financial oversight role, about how the organization raises and spends money, follows donor intent, and whether it is in compliance with the law. The basic premise is that boards are responsible for oversight of internal controls and legal compliance, such that failures within an organization are reflective of failures of guidance and oversight at the board level. But boards are increasingly also expected to be accountable for the broader purposes of the organization: for its performance in achieving results, for identifying an effective strategy, and
for focusing on a mission that creates the greatest social value. These functions require much more than fiduciary oversight, demanding that boards play a more “generative” role (Chait, et al., 2005), particularly in the development and maintenance of mission (McFarlan and Epstein, 2009).

Thus, the third broad stream of accountability demands centers on performance, built on the premise that organizations should be held to account for what they deliver. The purpose of such accountability is to demonstrate “results.” Performance-based accountability often uses tools such as logic models (called logical framework analysis in the international development world), in which a project’s objectives and expected results are identified in a matrix with a list of indicators used in measuring and verifying progress. This kind of accountability relies on a range of technical and professional skills related to performance measurement, indicator development, evaluation and impact assessment, all of which converge towards metrics that link goals to outcomes. This type of accountability is encouraged by funder reporting requirements that reward clear outputs and outcomes. Some critical observers have cautioned, however, that an overemphasis on measurable outcomes can lead to a push for quick fixes, potentially conflicting with or even undermining the work of nonprofits engaged in relationship building and empowerment-related work, and whose efforts may take time to bear fruit (Benjamin, 2008; Lindenberg and Bryant, 2001: 214). They stress a need to examine long-term effectiveness and less easily measurable goals related to political and social change.

---

4 The author is grateful to Herman “Dutch” Leonard for this insight, which underpins a “Governing for Nonprofit Excellence” executive education program at Harvard Business School chaired by Professor Leonard.
This leads to a fourth and more emergent type of accountability that focuses on the very core of nonprofit activity: organizational mission. If nonprofits exist for purposes of public good, why not ask them to demonstrate progress towards achieving that mission? One might describe this as a mission-centered variant of performance-based accountability, which it extends in two respects. First, it embraces a long-term view of performance measurement by emphasizing iteration and learning—on the basis that nonprofit managers are unlikely to know how best to achieve their goals and what to measure along the way, but repeated trials and critical scrutiny can lead to new insights and convergence. This suggests there are no panaceas to social problems, but instead that social problem solving requires an ability to cope with uncertainty and changing circumstances. It also indicates a critical role for nonprofit boards in internalizing the mission, regularly monitoring performance against it, and periodically reviewing it in light of changing external conditions (McFarlan and Epstein, 2009). And second, organizational goals and strategies are themselves subject to adaptation, as managers learn more about the social problems that they are trying to understand and solve. A central managerial challenge becomes putting in place processes that can engender systematic critical reflection and adaptation, while remaining focused on solving social problems (Ebrahim, 2005).

These four “whats” of accountability — for finances, governance, performance, and mission — are not mutually exclusive, but are instead integrative. For example, boards have not only fiduciary responsibility but also serve the mission and oversee performance. Donors consider mission in selecting which organizations to fund, and many provide considerable flexibility with respect to performance assessment. And chief executives are expected to work with boards and staff to align mission, strategy and performance.
ACCOUNTABILITY HOW?

If nonprofits are expected to be accountable to multiple actors (accountability to whom) and for multiple purposes (accountability for what), what then are the mechanisms of accountability actually available to them (accountability how)? And how can we compare these mechanisms?

The discussion below explores five broad (but far from comprehensive) types of accountability mechanisms used by nonprofits in practice: reports and disclosure statements, evaluations and performance assessments, industry self-regulation, participation, and adaptive learning (Ebrahim, 2003). The comparative strengths and weaknesses of each of these mechanisms are also further analyzed. This discussion does not examine challenges of democratic accountability, where nonprofits may claim to represent the views of a specific community; this would require a separate discussion on representation.

In beginning, it may be helpful to differentiate between those mechanisms that are “tools” and those that are “processes.” In basic terms, accountability tools refer to discrete devices or techniques used to achieve accountability. They are often applied over a limited period of time, can be tangibly documented, and can be repeated. For example, financial reports and disclosures are tools that are applied and repeated quarterly or annually, and are documented as financial statements, ledgers, or reports. Performance evaluations are also often carried out at specific points in time, usually at the end of a specific project, and result in an evaluation report. On the other hand, process mechanisms such as participation and adaptive learning are generally more
broad and multifaceted than tools, while also being less tangible and time-bound, although each may utilize a set of tools for achieving accountability. Process mechanisms thus emphasize a course of action rather than a distinct end-product, in which the means are important in and of themselves. These distinctions are discussed in greater detail below.

**Disclosure Statements and Reports**

Disclosure statements and reports are among the most widely used tools of accountability and are frequently required by federal or state laws in many countries. These include, for example, application requirements for tax exemption under section 501(c)(3) of the Internal Revenue Code, and annual filings of the Form 990 which requests disclosures on finances, organizational structure, and programs. Furthermore, state law provisions also often include registration and reporting statutes that involve annual financial reporting (Fremont-Smith, 2004).

Such legal disclosures enable some degree of accountability to donors, clients and members who wish to access these reports, and also serve as means for nonprofit boards to fulfill their fiduciary responsibilities. On the other hand, donors and clients of a nonprofit organization in the United States generally have very limited legal standing to challenge an organization for falling short of legal requirements, with primary responsibility falling on the attorney general as the representative of society at large or on the Internal Revenue Service for matters of tax exemption. At the same time, legal requirements can also be abused by governments to keep tabs on organizations that challenge them, as has been documented in many parts of the world (International Center for Not-for-Profit Law (ICNL), 2006). These problems have become more
pronounced in a post 9/11 context where nonprofit activities are subject to greater scrutiny by their governments, where funders are being asked to prove that their moneys are not being channeled to activities of concern to state security, and where some sub-sectors, such as Muslim charities, suffer “from a loss of the presumption of innocence” (Jordan and Van Tuijl, 2006: 8).

Apart from legally mandated reports, donors require regular reports from organizations that they fund. The nature of these reports varies considerably among funders and projects, and it is not uncommon for nonprofit staff to complain about multiple reporting requirements.

Such reports and legal disclosures are significant tools of accountability in that they make available (either to the public or to oversight bodies) basic data on nonprofit operations. Their distinct and tangible nature makes them easily accessible. Yet, the bulk of this reporting emphasizes upward reporting of financial data, with only limited indication of the quality of nonprofit work and almost no attention to downward accountability to stakeholders. These are external approaches to accountability, enforced through punitive threats such as the loss of nonprofit status or revocation of funds. While no doubt important as deterrents, these external approaches have limited potential for encouraging organizations and individuals to take internal responsibility for shaping their organizational mission, values, and performance or for promoting ethical behavior.

Evaluation and Performance Assessment

Another widely used set of tools for facilitating accountability includes various kinds of evaluation, including performance and impact assessments. Funders commonly conduct external
evaluations of nonprofit work near the end of a grant or program phase, and are increasingly employing mid-term assessments as well. Such evaluations typically aim to assess whether and to what extent program goals and objectives have been achieved, and they can be pivotal to future funding. These appraisals may focus on short-term results (i.e., “activities” or “outputs” such as training programs offered or jobs secured) or medium- and long-term results (i.e., “outcomes” and “impacts” such as sustained improvements in client income, health, natural resource base, etc.). Internal evaluations are also common, in which nonprofit staff gauge their own progress, either towards the objectives of externally funded programs or towards internal goals and missions.

As a means of accountability, evaluations often run into conflicts among nonprofits and funders over whether they should be assessing activities, processes, outputs, or outcomes and impacts (accountability for what). As donors increasingly demand information about long-term outcomes and impacts, many nonprofit leaders have expressed concern about the difficulty, reliability, and expense of such measurement, particularly in accounting for causal factors well beyond their control. Randomized control trials, regarded by some as a gold standard for evaluation, are costly to conduct and are feasible only in circumstances where cause-effect relationships are sufficiently linear and testable (Center for Global Development, 2006; Jones, et al., 2009; Rogers, 2009; White, 2009). Moreover, the question of what should be evaluated may vary according to different stakeholders (accountability to whom). In cases where an organization’s work is fairly straightforward to measure (e.g., a nonprofit that aims to serve meals to the poor), and performance criteria are likely to be shared across different stakeholder groups, a simple logic model can be helpful in clarifying results. However, in cases where performance criteria
may vary among stakeholders, such as in empowerment and rights-based work or policy advocacy, nonprofit leaders face the challenge of prioritizing and coordinating among multiple interests and constituents.

Control over evaluations thus remains a central tension between nonprofits and their stakeholders, and particularly with funders who must make decisions on allocating or cutting funding. Some scholars have shown that funders can come to somewhat different conclusions about the same set of nonprofits as a result of how they frame their evaluations (Tassie, et al., 1998: 63). A related concern raised by small nonprofits is that their limited staff and resources are stretched too thin by evaluation and reporting requests of funders, and that nonprofit size and capacity should be key factors in determining the scale of an appraisal. These concerns notwithstanding, the strength of evaluation as a mechanism of accountability lies in its explicit attention to results (whether those be outputs or outcomes), and the impetus it provides to nonprofits for collecting some form of performance data.

**Self-Regulation**

Nonprofits have also increasingly turned to industry-wide accountability standards. The term “self-regulation,” as used here, refers specifically to efforts by nonprofit networks to develop standards or codes of behavior and performance. These standards have emerged partly as an effort to redeem the image of the sector (as a result of public scandals or exaggerated claims of performance) while establishing norms around quality, and in some instances to forestall potentially restrictive government regulation.
Standards and their certification are most ubiquitous and longstanding in the education and health-care sectors, where there is a mix of government oversight and industry self-regulation, and a combination of public, private, and nonprofit players. In education, for example, certification of teachers and educational facilities is common but not always required. Moreover, the entire higher education industry is organized around programs that must be accredited in order to grant degrees (e.g., in business, law, medicine, education, public administration, public health, accounting, city planning, and social work, to name just a handful). Similarly, the health care field relies on certification and licensing of its professionals (doctors, nurses, administrators, technicians, etc.), and also offers certification of facilities and services.

More broadly, the past two decades have seen the emergence of an array of voluntary codes of conduct and third-party certification standards across nonprofit industries—intended to send signals of good housekeeping to the outside world. Hundreds of national and international codes have been documented globally. For example, the Independent Sector in the United States, and Bond in the United Kingdom (formerly British Overseas NGOs for Development), together list over a hundred standards and codes promoted by charity watchdogs, nonprofit and NGO associations, foundations, individual organizations, and governments. Some standards systems are inclusive in nature, seeking to improve governance across a spectrum of nonprofits, and are typically sponsored by umbrella associations. Others are exclusive in nature, seeking to screen organizations and professions through a certification process (Gugerty and Prakash, 2010 (forthcoming)).

---

In the United States, a widely cited set of standards was developed in 1993 by InterAction, a membership association of U.S. private voluntary organizations active in international development. The 1990s also saw the rise of state-level nonprofit associations adopting and promoting codes and certification standards, with the most heavily promoted being the “Standards of Excellence” developed by the Maryland Association of Nonprofit Organizations (MANO). Most of these standards lay out, in considerable detail, requirements concerning governance, organizational integrity, finances, public communication and disclosure, management and hiring practices, and public policy involvement. For instance, governance standards typically require organizations to have an independent board of directors and even specify some of the tasks of the board and minimum frequency of meetings. Integrity standards emphasize truthfulness in conduct and require that each organization develop a written standard of conduct (including conflict of interest) for its directors, employees, and volunteers. InterAction’s code further provides guidelines and requirements for promoting gender equity, diversity, and people with disabilities. These standards have had impacts beyond the United States. For example, a code of ethics used by the Canadian Council for International Co-operation contains very similar content to InterAction’s code. While implementation of these standards is often based on self-certification (e.g., InterAction), some organizations require external or third-party certification (e.g., MANO).

Whether and how the adoption of such self-regulation actually improves nonprofit accountability remains to be empirically tested. At the very least, their value is symbolic, sending signals about sector identity and values to an increasingly skeptical public. Even then, self-regulatory efforts
face at least two challenges. First, as the number of such standards has grown, it has become
difficult for donors and citizens to compare them. Their power as seals of good housekeeping
may thus rely on two different pathways — either more clear differentiation among codes, or a
consolidation among them. Second, while most self-regulatory efforts have focused internally on
the governance and operations of their members (accountability for what), few have been explicit
about accountability to key constituents (accountability to whom). A notable exception is the
Humanitarian Accountability Partnership, established in 2003, which specifically prioritizes
accountability to its intended beneficiaries (disaster survivors), and which requires all
participating organizations to articulate an explicit “accountability framework.”

Participation

As an accountability mechanism, participation is quite distinct from disclosure reports and
evaluations because it is a process rather than a tool, and it is thus part of ongoing routines in an
organization. In examining participation, it is helpful to distinguish between four different levels
or kinds of participation common to nonprofit and public activities (Arnstein, 1969; Gardner and
Lewis, 1996). At one level, participation refers to information about a planned intervention being
made available to the public, and can include public meetings or hearings, surveys, or a formal
dialogue on project options. In this form, participation involves consultation with community
leaders and members but decision-making power remains with the project planners. A second
level of participation includes public involvement in actual project-related activities, and it may

---

6 For examples of codes, see InterAction (www.gdrc.org/ngo/pvo-stand.html), Maryland Association for Nonprofits
(www.marylandnonprofits.org/html/standards/index.asp), the Philippine Council for NGO Certification
(www.pcnc.com.ph), the International NGO Accountability Charter (www.ingoaccountabilitycharter.org), and the
be in the form of community contribution towards labor and funds for project implementation, and possibly in the maintenance of services or facilities. At a third level, citizens are able to negotiate and bargain over decisions with nonprofits or state agencies, or even hold veto power over decisions. At this level, citizens are able to exercise greater control over local resources and development activities. And finally, at a fourth tier of participation, are people’s own initiatives that occur independently of nonprofit- and state-sponsored projects. Examples of this kind of participation include social movements such as the environmental and women’s movements.

The first two forms of participation are commonly espoused by state agencies, donors, and nonprofits, and are based on an assumption that social problems such as poverty can be eliminated by increasing local access to resources and services. At both of these levels, little decision making authority is vested in communities or clients, with actual project objectives being determined by nonprofits and funders long before any participation occurs. This sort of participation has been criticized by some observers as being a feel-good exercise in which “the sham of participation translates into the sham of accountability” because “[u]nlike donors, [communities] cannot withdraw their funding; unlike governments, they cannot impose conditionalities” (Najam, 1996: 346-7). The act of participation or the exercise of “voice” and “exit” is largely symbolic in such settings. The primary argument is that without some mechanism for addressing unequal power relations, participation appears unlikely to lead to downwards accountability (Cooke and Kothari, 2001).

There have been a number of innovations in this area over past decade, especially in combining participation with evaluation to involve communities in evaluating nonprofits, or nonprofits in
evaluating funders. For example, the Grantee Perception Reports developed by the Center for Effective Philanthropy in the United States, seek anonymous feedback from nonprofit grantees about their relationships with funders (Center for Effective Philanthropy, 2004). Similarly, a Comparative Constituency Feedback tool developed by Keystone Accountability in the United Kingdom aims to give nonprofits or funders data on how their constituents view and evaluate their relationships and interventions (Bonbright, et al., 2009). There have also been innovations in participatory budgeting, pioneered by citizens in municipalities in Brazil, and social audits and public hearings in which citizens assess the work of NGOs and governments (Malena, et al., 2004). Each of these approaches combine tools of evaluation and performance assessment with processes of participation to enhance downward accountability.

Adaptive Learning

Another process mechanism is adaptive learning, in which nonprofits create regular opportunities for critical reflection and analysis in order to make progress towards achieving their missions. Building such learning into an organization requires at least three sets of building blocks: a supportive learning environment, where staff are given time for reflection and the psychological safety to discuss mistakes or express disagreement; concrete learning processes and practices that enable experimentation, analysis, capacity building, and forums for sharing information; and, supportive leadership that reinforces learning by encouraging dialogue and debate, and providing resources for reflection (Garvin, et al., 2008). Learning, as such, seeks to “improv[e] actions through better knowledge and understanding” (Fiol and Lyles, 1985: 803) or, in more
technical terms, to “encod[e] inferences from history into routines that guide behavior” (Levitt and March, 1988: 320).

As an accountability mechanism, adaptive learning focuses internally on organizational mission rather than externally on accountability to funders, although it may also enhance the latter. It also offers a way for nonprofit leaders to address a common myopia — the focus on immediate short-term demands at the expense of longer-term and more sustained results. The central managerial challenge becomes putting in place processes that can engender systematic critical reflection and remain focused on achieving the mission.

This is easier said than done. Evaluations or performance assessments that reward success while punishing failure (e.g., through revocation of funds or additional conditions on funding) seem unlikely to engender learning since they encourage nonprofits to exaggerate successes, while discouraging them from revealing and closely scrutinizing their mistakes. At the same time, onerous data requirements can lead nonprofits to develop monitoring and evaluation systems that, while satisfying donor needs for information, are of limited value for internal learning and decision making.

Despite these impediments, a number of global nonprofit organizations have been experimenting over the past decade with building learning into their work. This has been especially true of multi-site organizations seeking to share knowledge across teams in dozens of countries. For example, ActionAid International revamped its entire planning and reporting processes in 2000, launching a new Accountability, Learning and Planning System (ALPS). Its aim was to reduce
unnecessary internal bureaucracy, while reshaping the expert-driven task of measurement and reporting into a more critical and reflective process (ActionAid International, 2006: 4; David and Mancini, 2004). Many other international nonprofits, such as CARE and Oxfam, have undertaken their own experiments to find practical and useful approaches to measurement, reporting, and learning. At the same time, there has been a burst in the development of participatory tools for evaluation and learning such as outcome mapping, constituency feedback, and most significant changes techniques (Bonbright, et al., 2009; Davies and Dart, 2005; Earl, et al., 2001; Khagram, et al., forthcoming).

DISCUSSION AND IMPLICATIONS

Key characteristics of the accountability mechanisms discussed above are summarized in Table 1 below.

[Table 1 About Here]

The first column lists each of the five mechanisms, and distinguishes among those that are tools and those that are processes. The second and third columns respond to the questions of “accountability to whom” and “accountability for what”? For example, disclosure statements and reports are currently used primarily for upwards accountability from nonprofits to donors, and tend to focus on reporting about annual or quarterly performance and finances. Similarly, tools of evaluation and performance assessment are also mostly targeted towards satisfying funder demands for assessing performance, although they have a tremendous under-utilized potential for downwards accountability — by making nonprofits more accountable to communities and by
making funders more accountable to nonprofits. While funders frequently require nonprofits to seek community input in evaluating projects, they rarely seek nonprofit input in evaluating themselves. Similarly, participation, which is primarily conceived by nonprofits as a tool of downwards accountability to communities, has received only scant attention as a tool for increasing the responsiveness of funders to nonprofits. Self-regulation, often driven by a crisis of confidence in the sector, is seen as enabling accountability within the sector and also to donors who seek a seal of good housekeeping. And it is only adaptive learning processes that tend to focus on accountability to organizational mission, although related mechanisms such as performance assessment also have the potential to do so.

There are several broad implications to these observations. First, while traditional approaches to improving accountability, such as increased oversight through reporting and disclosure requirements, enable a degree of upwards accountability, they are of limited use for enhancing downwards accountability. A more balanced approach thus requires a greater role for nonprofits in evaluating funders and for clients in evaluating nonprofits. The emergence of feedback tools such as grantee perception reports and constituency voice suggest that it is possible to find low-risk ways for nonprofits to express their views on funders. These efforts notwithstanding, the key point is that downward accountability mechanisms remain comparatively underdeveloped.

A second implication is that improving accountability within nonprofits themselves also needs attention to a range of mechanisms. The fourth column in Table 1 focuses on the inducements or drivers behind each accountability mechanism. In many cases the inducements are external, such as legal requirements for annual reports (e.g., for retaining nonprofit tax status) or requests
by donors for quarterly progress data, backed up by sanctions for noncompliance (such as loss of funding). External inducements can also be more subtle, such as the erosion of public confidence in nonprofits as a result of scandals or exaggerated claims of achievement.

The key point here is that while externally driven mechanisms matter, the legitimacy and reputation of the social sector needs to be buttressed by internally driven mechanisms. To be sure, internal inducements exist and are often driven by core values, for example about participation and democratic practice. But for a sector that views itself as largely mission-driven, there is an urgent need for nonprofit leaders to take performance assessment seriously in order to justify activities with substantiated evidence rather than with anecdote or rhetoric. Funders and regulators also bear responsibility in this regard. Funders that want nonprofits to measure impacts, but at the same time are unwilling to fund management capacity building and overhead costs for performance measurement, end up undermining both the nonprofits and themselves.

The third implication concerns the primary type of organizational response that a mechanism generates — whether it is compliance-driven or strategy-driven (see last column in Table 1). Compliance-driven accountability is a reactive response to concerns about public trust. It is about doing what one has to do, such as complying with the law, disclosing whatever information is necessary in order to account for resource use, and taking fiduciary responsibility seriously in order to prevent fraud or malfeasance. Under this approach, nonprofit leaders share information about their performance or operations largely because funders or regulators demand it. Strategy-driven accountability, on the other hand, is a proactive approach to addressing concerns about public trust (Brown, et al., 2004; Jordan, 2007). It is focused on improving performance and
achieving mission. Under this approach, nonprofit leaders seek and share information that can help them achieve their long-term goals.

The most common mechanisms of accountability, such as disclosure statements, reports, and project evaluations, mainly serve a compliance purpose because they tend to focus on accounting for funds and reporting their short-term results (often within specified budget cycles). The complex nature of nonprofit work suggests, however, that attention to more strategic processes of accountability are necessary for lasting social and political change. While reporting requirements that are biased in favor of easily measurable assessments of progress might be sufficient for funding and regulatory purposes, they undervalue adaptive assessments that are essential for understanding how a nonprofit might improve its work. A strategy-driven accountability requires building internal capacity in nonprofits for adaptive learning.

Self-regulation may also be seen as a strategic response in the sense that it is targeted towards change at a sector-wide level, not only by raising the standards for an industry, but also by forming umbrella organizations that can engage in national-level policy debates. But self-regulation also runs the risk of becoming a compliance response if the adopted standards are weak, pro-forma, and do not actually improve behavior.

CONCLUSIONS

In the end, accountability is both about being held to account by external actors and standards, as well as about taking internal responsibility for actions. An integrated perspective suggests that
nonprofit leaders face multiple, and sometimes competing, accountability demands: from numerous actors (upward, downward, internal), for varying purposes (finances, governance, performance, mission), and requiring differing levels of organizational response (compliance and strategic).

The current emphasis among nonprofits and funders on the upwards and compliance dimensions of accountability is problematic, as it skews organizational attention towards the interests of those who control critical resources. In such cases, patrons hold powers of punishment and can revoke funds, impose conditionalities, or even tarnish nonprofit reputations. The predominant emphasis on compliance-driven accountability tends to reward nonprofits for short-term responses with quick and tangible impacts, while neglecting longer-term strategic responses or riskier innovations that can address more systemic issues of social and political change.

Yet it is inescapable that nonprofits will continue to face multiple and competing accountability demands. After all, funders have a right to demand accountability for their resources, and many are increasingly attentive to the concerns and interests of nonprofits they support. The critical challenge for nonprofit leaders lies in finding a balance between upward accountability to their patrons, while remaining true to their missions. At the same time, few nonprofits have paid serious attention to how they might be more accountable to the communities they seek to serve. The above review of accountability offers four key insights for practice:

- Nonprofit leaders must be deliberate in prioritizing among accountabilities. They cannot be accountable to everyone for everything. But it is a fact of life in the social sector that
they will continue to be pulled in all directions. Rather than aiming simply to comply with the demands of the most powerful actors, nonprofit leaders need to focus their attention on accountabilities that really matter.

- Nonprofits are expected to be accountable for multiple purposes: finances, governance, performance, and mission. These expectations cannot be handled separately, but require integration and alignment throughout the organization.

- There are many mechanisms of accountability available to nonprofits — including, for example, better information disclosure, evaluation and performance assessment, industry codes and standards, participation, and adaptive learning (to name just a few). Nonprofit leaders must adapt any such mechanisms to suit their organization — whether it is a membership-based organization, a service-delivery nonprofit, or an advocacy network (among others).

The broader conclusion is that accountability is not simply about compliance with laws or industry standards, but is more deeply connected to organizational purpose and public trust. Nonprofit leaders might thus pay greater attention to strategy-driven forms of accountability that can help them to achieve their missions. New innovations are unlikely to lie in oversight and punishment, but in creative forms of adaptation and learning in order to solve pressing societal problems.
Table 1: Characteristics of Accountability Mechanisms

<table>
<thead>
<tr>
<th>Accountability How? (tool or process)</th>
<th>Accountability to Whom? (upward, downward, internal)</th>
<th>Accountability for What? (finances, governance, performance, mission)</th>
<th>Inducement (internal or external)</th>
<th>Organizational Response (compliance or strategic)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disclosures / Reports</strong> (tool)</td>
<td>• Upwards to funders and oversight agencies</td>
<td>• finances and performance, depending on what is being reported</td>
<td>• Legal requirement</td>
<td>• Primarily compliance, with a focus on letter of law and short-term results</td>
</tr>
<tr>
<td></td>
<td>• Downwards (to a lesser degree) to clients or members who read the reports</td>
<td></td>
<td>• Tax status</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• performance, often short-term outputs but with increasing emphasis on impacts</td>
<td>• Funding requirement (external)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Potential to become a learning tool (internal)</td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation and Performance Assessment</strong> (tool)</td>
<td>• Upwards to funders</td>
<td>• performance, often short-term outputs but with increasing emphasis on impacts</td>
<td>• Funding requirement (internal)</td>
<td>• Primarily compliance at present, with possibilities for longer-term strategic assessments</td>
</tr>
<tr>
<td></td>
<td>• Significant potential for downwards from nonprofits to communities and from funders to nonprofits</td>
<td></td>
<td>• Potential to become a learning tool (internal)</td>
<td></td>
</tr>
<tr>
<td><strong>Self-Regulation</strong> (tool and process)</td>
<td>• To nonprofits themselves, as a sector</td>
<td>• finances and governance, depending on what the codes or standards emphasize</td>
<td>• Erosion of public confidence due to scandals and exaggeration of accomplishment s (external loss of funds; internal loss of reputation)</td>
<td>• Strategic if it raises industry standards and enables policy voice</td>
</tr>
<tr>
<td></td>
<td>• To donors as a seal of good housekeeping</td>
<td></td>
<td></td>
<td>• Compliance if standards are weak and adopted pro-forma</td>
</tr>
<tr>
<td><strong>Participation</strong> (process)</td>
<td>• Downwards from nonprofits to clients and communities</td>
<td>• depends on the purpose of participation, e.g., whether it is seek input on implementation (performance) or to influence agendas (governance)</td>
<td>• Organizational values (internal)</td>
<td>• Primarily compliance if participation is limited to consultation and implementation</td>
</tr>
<tr>
<td></td>
<td>• Internally to nonprofits themselves</td>
<td></td>
<td>• Funding requirement (external)</td>
<td>• Strategic if it increases power of clients in influencing nonprofit agendas, or increases power of nonprofits in influencing funders</td>
</tr>
<tr>
<td></td>
<td>• Significant potential downwards from funders to nonprofits.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adaptive Learning</strong> (process)</td>
<td>• To nonprofits themselves</td>
<td>• mission and performance</td>
<td>• Improve performance in order to achieve mission (internal)</td>
<td>• Strategic if it focuses attention and resources on how to solve social problems</td>
</tr>
<tr>
<td></td>
<td>• Downwards and upwards to stakeholders</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
REFERENCES


David, R. and A. Mancini (2004) "Going against the flow: making organisational systems part of the solution rather than part of the problem", Lessons for Change in Policy &
Organisations (No. 8).


