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Building Strategic Accountability Systems for International NGOs



As international NGOs (INGOs) and other civil-society organisations have become increasingly visible and influential actors in national and international arenas on issues such as sustainable development, human rights, environmental preservation and economic justice, questions have been raised about their accountability. This article offers a framework for assessing INGO accountabilities, building accountability systems, and using those systems to manage performance, foster organisational learning, and strengthen INGO legitimacy.

INGOs are *accountable* when they are answerable for their performance promises to key stakeholders.¹ More than many other organisations, INGOs have to deal with multiple accountabilities: to donors who provide resources; to regulators responsible for certifications; to clients who use their services; to allies who cooperate in projects; to staff who invest their talents and time; and to members who expect to be represented.

Standards for NGO accountability are often ambiguous or non-existent. In

some fields, society has a settled view, defined in legal systems or widely held norms and expectations, about to whom, for what and how organisations should be accountable. But no such commonly held objective social ideal has been established for most INGOs. In other circumstances, communities of organisations have developed shared standards for accountability on the basis of experience and best practices, but such negotiated-domain standards are not available for most INGOs. In the absence of such community standards, INGO leaders may have a lot of organisational strategic choice about how they will define their stakeholders and the accountabilities they owe to them. They are not completely free to choose, since there are consequences to the choices they make – but they do have some latitude in deciding about how to prioritise and implement their accountabilities to different stakeholders. It is this strategic accountability that is the focus of this analysis.

The most widely used underlying conception of accountability is the **principal-agent model**. This model assumes that principals' goals

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1 L.D. Brown and M.H. Moore, 'Accountability, Strategy and International Nongovernmental Organisations', *Nonprofit and Voluntary Sector Quarterly* 30.3 (2001): 569-87.

predominate, and it focuses on how to motivate agents to achieve those goals rather than their own. From this perspective, the major challenge in creating accountability systems is to design incentives that will keep the agent faithful to the principal's interests when they are in conflict with the agent's. Principal-agent accountability emphasises agreements that assume the principal's interests are primary, clarify the fiduciary responsibilities of agents, and provide economic and legal incentives to encourage agents to act for the interests of principals.²

An alternative model that is increasingly seen as relevant to civil-society actors focuses on creating morally and socially binding expectations among mutually influential actors organised around shared values and common causes. In the **mutual accountability model** the parties have compacts or covenants that bind members through their values, aspirations and social identities rather than economic or legal incentives. The parties to mutual accountability accept responsibility for achieving shared goals, so they have 'bought in' to a moral responsibility for keeping their promises. The sanctions for violating expectations grounded in mutual accountability are more likely to be

social and relational rather than economic or legal, and building relationships and trust become critical elements in the construction of shared understanding.³

Table 1 summarises differences among these models. Principal-agent forms have been extensively used in the market sector, and are often seen as equally relevant to the state and civil-society sectors as well. On the other hand, mutual accountability may be particularly relevant to civil-society organisations, for which accountability may be rooted in shared values and relations with networks.⁴

Different models may be appropriate to different circumstances. When one party has high status and bargaining power and clear goals, it may want principal-agent accountability – when a donor organisation, for example, may seek agent accountability from an INGO to deliver a well-understood service. When the parties share commitments to values and problem definitions and they have relationships of trust and mutual respect, the mutual accountability may enable flexible agreements buttressed by social and moral incentives and sanctions from peers rather than the legal and economic consequences backed by third parties.

2 M. Jensen and W. Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Capital Structure', *Journal of Financial Economics* 3 (1976): 305-60.

3 L.D. Brown, *Multiparty Social Action and Mutual Accountability (Working Paper, Hauser Center for Nonprofit Organisations, 2002)*.

4 D. Ashman, 'Strengthening North-South Partnerships for Sustainable Development', *Nonprofit and Voluntary Sector Quarterly* 30.1 (2001): 74-98.

“Identifying key stakeholders associated with INGO strategies is central to constructing accountability systems that support those strategies”

Table 1. Different forms of accountability relationships

	Principal/agent	Mutual
Status of parties	Principal most important	All parties important
Bargaining relationship	Agent is subordinate to principal	Parties have mutual respect, trust, and influence
Desired outcomes	Defined primarily by principal	Defined by shared values and problem definitions
Transparency	Agent is transparent to principal	Parties are transparent to each other
Source of incentives and sanctions	Legal and economic; third party enforces	Social and moral; peer networks enforce
Scope for revision	Broad for principal	Broad for both

1. Assessing accountabilities

We focus on organisational strategic choice as a way of defining accountabilities and creating the basis for constructing accountability systems. Strategic choice is particularly relevant for defining INGO accountabilities, since their diverse stakeholders, novel problems, and operations across diverse contexts make it difficult to negotiate shared-domain standards or establish shared social ideals. Assessing accountabilities requires that INGO leaders focus on (a) mapping organisational stakeholders, (b) clarifying value creation processes, and (c) prioritising among stakeholders who might have conflicting accountability claims.

The strategic choice view puts INGO missions and strategies at the centre of assessing and defining accountabilities. We use the ‘strategic triangle’ to focus attention on three fundamental issues: the value the INGO seeks to create, the legitimacy and support it needs to survive, and the operational capacity it requires to accomplish its mission.⁵ Effective strategies for carrying out INGO missions need to take account of all these issues simultaneously.

a. Mapping stakeholders

Identifying key stakeholders associated with INGO strategies is central to constructing accountability systems that support those strategies. Stakeholder maps can be constructed

5 M. Moore, ‘Managing for Value: Organisational Strategy in For-profit, Nonprofit, and Governmental Organisations’, *Nonprofit and Voluntary Sector Quarterly* 29 (1, Supplement; 2000): 183-204.

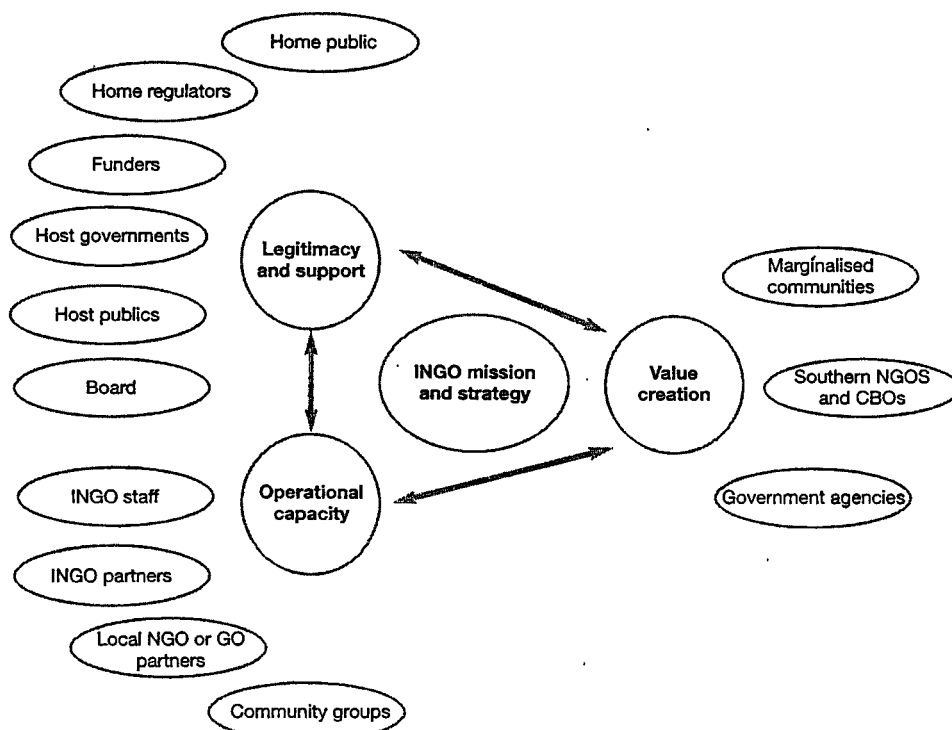
by asking questions such as: Who currently asks for information about INGO performance? Who affects or is affected by that performance?

Answers to such questions can be used to map key stakeholders and their links to strategic issues. Figure 1 maps the stakeholders of a hypothetical capacity-building INGO, organised around strategic issues. Stakeholders for the value-creation issue include marginalised communities, local NGOs and CBOs, and host-government agencies. The

stakeholders for the legitimacy and support issue include funders, regulators and general publics. Operational capacity stakeholders include agency staff, INGO partners, local NGO and government partners, and community groups who co-produce outcomes.

Note that stakeholders may appear in different places on this map. Governments are often stakeholders that confer legitimacy and support,

Figure 1. Stakeholders for a capacity-building INGO



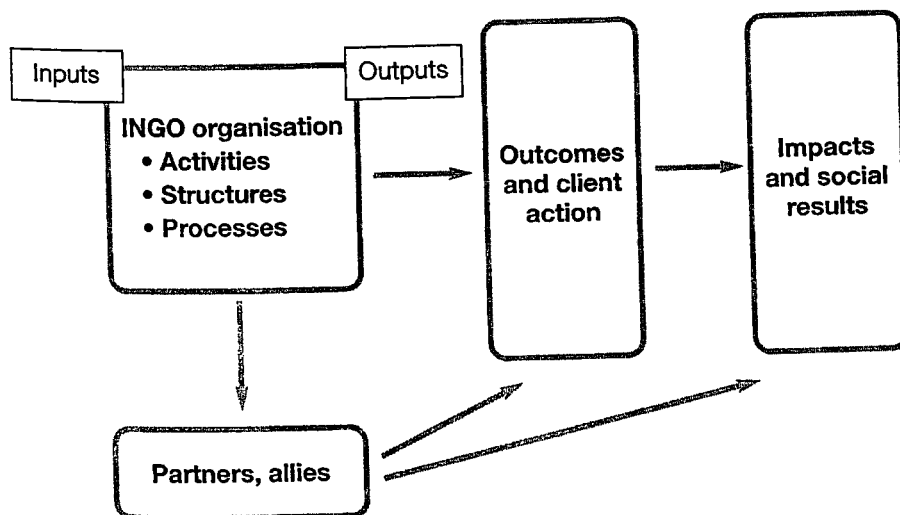
but they may also be clients for capacity-building services and so part of the value-creation segment of the map or partners in delivering services and so part of the INGO's operational capacity. Where key actors fit in stakeholder maps often requires close assessment of their roles in the strategy of the INGO.

Stakeholder maps often reveal large discrepancies in INGO attention to different stakeholders. Many INGO accountabilities are largely defined by stakeholders positioned to impose high practical costs, such as donors or government regulators. 'Upward' and 'outward' accountabilities to powerful external stakeholders are often better developed than 'downward' and

'inward' accountabilities to clients or staff. Creating accountability to stakeholders with less voice often requires actively constructing systems that ensure attention to them.

b. Describing the value creation chain
INGO strategies include a more or less explicit theory about how their activities will create value. Such 'value chains' indicate how inputs are transformed by the INGO's activities and processes into outputs intended to influence other actors. These outputs catalyse outcomes, often in the form of changes in stakeholder behaviour that contribute to social, economic and political impacts. Figure 2 represents such an INGO value chain, indicating the flow of inputs

Figure 2. Value creation chain



that are transformed by INGO processes into outputs that affect client outcomes to shape impacts and social results. It also suggests that, for many INGOs, allies or partners are critical elements of the value chain, affecting programme outputs and contributing to client outcomes as well as to longer-term impacts.

Different organisational strategies imply different value chains. Service-delivery NGOs may use funds and expertise to carry out health programme activities whose outputs help beneficiaries improve their health over the long term. Capacity-building INGOs may use funds and information to deliver educational programmes that enhance client literacy or problem-solving skills, and so enable them to earn larger incomes or gain wider opportunities. Advocacy INGOs may use information and political support for policy analysis and advocacy that alter government activities or programmes. In all three cases, tracing the value chain can refine stakeholder maps, identify critical steps in value creation, and suggest measures of performance.

Note that the more distant the result is from organisational boundaries (that is, farther to the right in Figure 2), the more challenging it becomes to establish the contribution of the

INGO. While information about long-term impacts is helpful in assessing INGO activities, that information is likely to be unavailable in the short term and ambiguous about causal impacts even when it is available. INGOs may need a combination of easy-to-get, immediate information about processes and outputs, and more ambiguous information about longer-term outcomes and impacts.

c. Prioritising accountabilities

Clarity about strategies, value chains and stakeholder accountability claims can be the basis for setting priorities among those claims that will support strategic goals. At least three questions can be asked about each claim:

1. Are we accountable on *moral* grounds to this stakeholder? Are we answerable in terms of core values of the society, the domain, or our own organisation?
2. Are we accountable on *legal* grounds to this stakeholder? Are we answerable in terms of laws, regulations, formal policies or 'customs having the force of law'?
3. Are we accountable on *prudential* grounds to this stakeholder? Are we answerable because the stakeholder can impose high

“INGOs might have moral, legal and prudential reasons to deal honestly with allies on whose cooperation their success relies”

practical costs for failures to respond?

INGOs may feel answerable on two or three dimensions to some stakeholders, and on one or none to others. INGOs might have moral, legal and prudential reasons to deal honestly with allies on whose cooperation their success relies; they might feel moral obligations to deliver good services to beneficiaries who have little legal or practical power to compel accountability. Or they might accept accountability to powerful actors in their domain for prudential reasons even if they do not feel morally or legally responsible to them. Identifying stakeholders and the grounds for accountability to them is a first step in prioritising among the duties owed to different claimants. Setting priorities among stakeholders may be particularly important when the costs of responding to their demands are high or when their demands are in conflict.

There is no easy formula for weighting moral, legal and prudential considerations to decide which stakeholders have highest priority. For many INGOs, this approach to assessing accountabilities produces a discomfiting awareness that many existing accountability systems are grounded in legal and prudential

terms – so powerful stakeholders (such as donors or regulators) get much more attention than stakeholders who might have high priority in terms of INGO values and missions (such as clients). In theory, INGO leaders might want to carry out an exhaustive analysis of the bases for accountability to all stakeholders, but often in practice the sheer variety of INGO stakeholders compels focusing on a few of the most important. When INGOs seek to give high priority to all their myriad stakeholders, they may end up in a kind of multiple-stakeholder-induced paralysis, rather than focusing their energies on their strategies and missions.

2. Constructing accountability systems

Accountability systems are organisational arrangements for recognising, negotiating and responding to obligations to various stakeholders. They may be formally and explicitly defined, as in the case of written expectations about how the INGO will account for activities to stakeholders, or they may be more informally defined. Accountability systems may include tools (such as disclosures, reports or performance evaluations), processes (such as participation or self-regulation), and combinations of tools and processes (such as social auditing).⁶ Building

6 A. Ebrahim, 'Accountability in Practice: Mechanisms for NGOs', *World Development* 31.3 (2003): 813-29.

“Paying explicit attention to a range of stakeholders can reduce the likelihood of donor dominance of accountability systems by default”

accountability systems begins with assessing accountabilities. Three other tasks are required for effective accountability systems: (a) negotiating expectations with key stakeholders, (b) creating performance measurement systems, and (c) enabling sanctions.

a. Negotiating expectations

Many INGOs have paid little attention to discussing accountability expectations unless powerful stakeholders demanded information (such as funders requiring financial accounts). But negotiating expectations across stakeholders has several advantages. INGOs that face competing accountability claims can reduce misunderstanding and conflict by setting realistic expectations. Involving stakeholders in defining indicators of performance can shape their participation in joint work, which is particularly important when results are co-produced. Negotiating expectations clarifies the variety of claims on the INGO – even when those expectations are quite vague – and so may reduce unrealistic hopes that the INGO can respond fully to all its stakeholders.

Stakeholders often vary considerably in their abilities to negotiate accountability expectations: Donor agencies may have clear standards and

considerable capacity to impose them, while clients may have much less capacity to protect their interests. It is not surprising that many INGO activities are perceived as ‘donor-driven’, since donors are often the major voices heard in negotiating accountability expectations. Paying explicit attention to a range of stakeholders can reduce the likelihood of donor dominance of accountability systems by default.

Negotiating accountabilities with all stakeholders is potentially a huge task. As in assessing priorities, negotiations should begin with high-priority stakeholders, and particularly those whose expectations have not been clearly voiced in the past. Negotiating expectations with less powerful or knowledgeable stakeholders can be particularly challenging, and may require special efforts by the INGO to promote participation and shared decision-making. Not all negotiations end in agreements, of course, but even articulating areas of disagreement about expectations can be the grounds for joint learning and mutual accountability in the future.

The nature of the negotiations will also turn on the form of accountability to be constructed. Thus in principal-agent forms of accountability, the process focuses on the needs and

interests of the principal. In mutual-accountability negotiations, the parties articulate shared values and commitments and build mutual understanding about their responsibilities in achieving joint goals. The emphasis in principal-agent agreements may be in setting the right incentives for agents; the emphasis in mutual accountability may be on building trust in each other to invest seriously in achieving shared visions of the future.

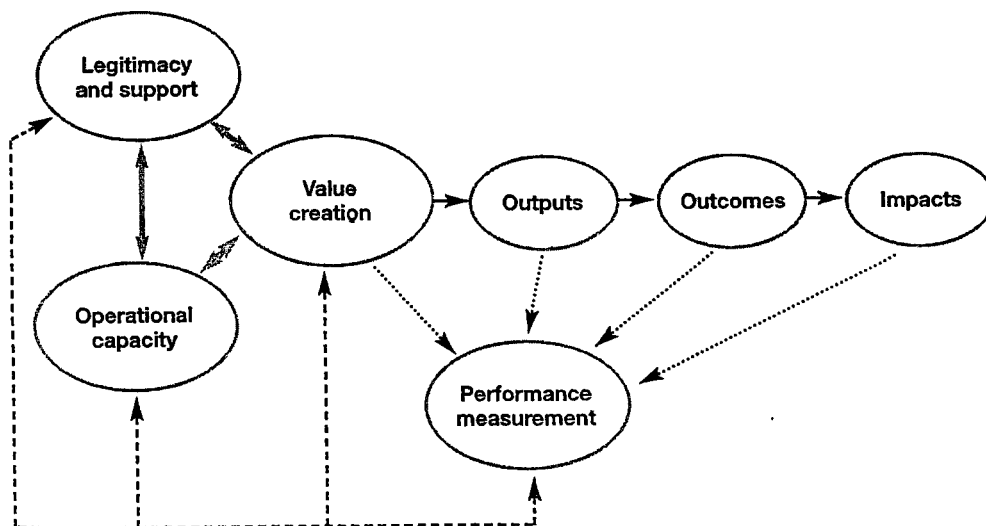
b. Creating performance measurement systems

Negotiating expectations for accountability involves decisions about how INGO performance can be

measured. INGO performance is often difficult to assess: outcomes such as improved services, enhanced capacity or policy reform can be difficult to measure, distant in time, and subject to a variety of influences other than the INGO. So performance measures for INGOs are often inherently ambiguous.

Nonetheless, it is feasible to develop some performance measurement indicators. Figure 3 combines the strategic triangle of Figure 1 with the value chain of Figure 2. The dotted arrows suggest areas from which performance indicators might be drawn, including organisational processes (programme activities,

Figure 3. Performance measurement and strategic accountability



accounting procedures), organisational outputs (training delivered, policy campaigns mounted), client outcomes (changed behaviours, satisfaction) and social impacts or results (increased incomes, reduced child mortality). Dashed arrows from the performance measurement system indicate the information can be used for all three strategic issues: clarifying and defining the value to be created; demonstrating that value for accounting to authorisers and supporters and so enhancing organisational legitimacy; and enabling performance management and organisational learning that focuses and improves operational capacity.

While many analysts have argued for focusing analysis on outcomes and impacts at the right of Figure 3, those results are often sufficiently distant from INGO activity to be less useful for managing performance than more immediate indicators such as outputs and processes. Studies of long-term impacts can strengthen the theoretical links along the value chain to make process, output and immediate outcomes useful proxies for the long-term impacts. Thus impact studies might demonstrate that improved literacy skills (output) increase participant use of information (outcomes) and result in higher

incomes and more political influence (impacts), and so support using literacy output indicators as a contributor to longer-term impacts on income and political efficacy.

Indicators, data-collection methods and interpretation of results must be tailored to specific INGO strategies, programmes and stakeholders. Negotiating expectations can engage stakeholders in identifying relevant indicators. For our purposes, constructing a system that produces performance indicators that are relevant and credible to key stakeholders is centrally important to enhancing accountability to them.

c. Enabling performance consequences
Accountability systems also require arrangements to communicate results and to provide positive and negative consequences to good and bad results that encourage performance improvement. How will stakeholders learn about INGO performance indicators, and how can they hold INGOs accountable for good and bad performance?

Communications systems provide stakeholders with information about INGO performance, from reports and evaluations of specific programmes to annual reports and audits of the INGO as a whole. Existing systems for

“INGOs who have ‘named and shamed’ business and government actors for deviations from good practice can be seriously harmed by questions about their own credibility and accountability”

communicating performance results are often closely tied to stakeholders who have the power to demand information about performance. When INGOs become widely visible as consumers of public or voluntary resources, then media attention may make information about their performance widely available. Many INGOs in the US and Europe, for example, have been the subject of media critiques of controversial uses of charitable donations.

Recognition, rewards and sanctions for INGO performance are less available to other stakeholders. Marginalised villagers in developing countries, for example, cannot easily challenge INGOs, and staff may be unwilling to question the decisions and performance of their superiors. But INGOs can create communications systems to share information about organisational activities with a wide range of stakeholders, from conferences with staff and allies to reflect on programme delivery to workshops with clients to assess programme performance. INGOs who use value-based appeals are particularly vulnerable to charges that they do not live up to their own values. INGOs who have ‘named and shamed’ business and government actors for deviations from good practice can be seriously harmed by

questions about their own credibility and accountability. When targets of policy influence campaigns can show that INGOs do not in fact speak for grass-roots groups they claim to represent, the credibility of the INGOs can be impaired with larger publics as well.⁷

The risks of sanctions and the possibility of incentives can help INGOs resist pressures from powerful stakeholders. When INGOs argue for participatory approaches and accountability to local clients, they may be able to reduce donor controls over their activities to enable the necessary flexibility. So creating systems that strengthen accountability pressures from otherwise unheard clients and allies may help to balance stakeholder pressures that might otherwise divert programmes away from local needs and concerns.

3. Using accountability systems

Accountability systems that generate information about INGO performance offer opportunities for creating performance management systems that focus and reward the efforts of staff and allies, enabling organisational learning from ongoing experience, and enhancing organisational legitimacy with key internal and external audiences.

7 L. Jordan and P. v. Tuijl, ‘Political Responsibility in Transnational NGO Advocacy’, *World Development* 28.12 (2000): 2,051-65.

(i) **Performance management systems** use systematic analysis of value creation chains to define organisational roles and responsibilities, design structures and tasks, and construct reward systems to enhance performance of key activities. Performance measures for particular roles or departments focus attention and resources on accomplishing critical tasks, and INGO leaders can assess, reward and promote staff on the basis of how well they meet those challenges. In some cases examining performance measures may lead to fundamental changes in organisational architectures – the interacting combinations of tasks, human resources, formal structures and systems, and informal cultural expectations that shape INGO activity in the service of its mission and strategy.⁸ As INGOs find themselves under pressure to do more with less, their ability to create systems that support high performance will become increasingly critical.

(ii) **Organisational learning** is critical for INGOs involved in social change and development. It includes operational learning to enhance the delivery of programmes and core activities and strategic learning to reshape missions and strategies. Accountability systems can foster organisational learning by indicating

how much programme activities lead to the outcomes and impacts predicted by value creation chains. When accountability systems engage key stakeholders to discuss past experience and negotiate future expectations, INGOs can benefit from diverse perspectives on their work. While investing in organisational learning can produce discomfort when results disconfirm expectations and hopes, there are few substitutes for a capacity to learn when the agency must operate in complex and rapidly changing environments – as do most INGOs concerned with social, political and economic development.

(iii) **Strengthening legitimacy** is a third potential outcome of constructing strategic accountability systems. As INGOs become more visible and influential with governments, multinational corporations, intergovernmental organisations and other large-scale actors, they are increasingly asked, 'Why should we listen to you?' and 'Whom do you represent?' The implication of many questions is that 'unelected NGOs' do not have a legitimate voice. Political legitimacy based on representativeness is one basis for legitimate INGO influence. Other bases include moral legitimacy that is grounded in some transcendent value, legal legitimacy that is rooted in

8 D.A. Nadler and M.L. Tushman, *'Designing Organisations that Have Good Fit'*, in D.A. Nadler et al. (eds.), *Organisational Architecture* (San Francisco: Jossey-Bass, 1992): 39-56.

compliance with legal and policy requirements, or expert legitimacy that grows out of technical expertise and past performance.⁹ Accountability systems can clarify why INGO

strategies are appropriate routes to accomplishing their missions, and so lay the groundwork for better-articulated claims to legitimate voice on the issue.

4. Conclusion

We have suggested that the growing influence and visibility of INGOs has produced increasing concern about their accountability. But the diversity of INGO stakeholders and the lack of agreement about standards can make response to those concerns difficult. We have suggested that INGOs can build strategic accountability systems to respond to these pressures in terms of their organisational missions and strategies. Assessing accountabilities involves mapping stakeholders, defining value creation processes, and prioritising accountabilities across stakeholders. Building accountability systems involves negotiating expectations with stakeholders, creating performance measurement systems, and enabling sanctions for INGO performance. Such accountability systems are resources for improving performance management, enhancing organisational learning, and strengthening organisational legitimacy – all important challenges for INGOs playing catalytic roles in rapidly changing, increasingly interdependent arenas.

9 L.D. Brown, 'Civil Society Legitimacy: A Discussion Guide', in L.D. Brown (ed.), *Practice-Research Engagement and Civil Society in a Globalizing World* (Washington, DC: CIVICUS: World Alliance for Citizen Participation and Hauser Center for Nonprofit Organisations, 2001).