A STAKEHOLDER APPROACH TO RESPONSIVENESS AND ACCOUNTABILITY IN NON-PROFIT ORGANISATIONS

Mark Barrett
Contracts Manager
Resourcing Division
Ministry of Education

Abstract

The importance of non-profit organisations as providers of social services has grown in many countries during the past 15 to 20 years as governments have contracted out direct social service provision. Arguments in favour of social service provision by the non-profit sector can be grouped into three categories: effectiveness, cost and responsiveness to community needs – the last of which is the focus of this paper. If claims of greater responsiveness in non-profit organisations are valid, it might be expected that such responsiveness would be manifested in a high level of stakeholder awareness and engagement on the part of non-profit organisations. Stakeholder theory (developed in the for-profit sector) is used here in the case study of a small non-profit organisation, both to explore the issue of stakeholder awareness and engagement, and to test the applicability of stakeholder theory to the non-profit sector. Key findings of the study were:

• Stakeholder theory could be meaningfully applied to the non-profit organisation under study.
• The organisation had a strong sense of obligation to a number of groups it had identified as sharing its objectives, although the concept stakeholder was not used by the organisation.
• It was possible to assess the organisation’s level of responsiveness to the various stakeholder groups and the factors that impinged on this level of responsiveness.

Implications for accountability in non-profit organisations are also addressed.

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Correspondence
mark.barrett@minedu.govt.nz
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INTRODUCTION

This paper is concerned with responsiveness and accountability in non-profit organisations. Non-profit organisations deliver a wide range of services including sport, arts and culture, and social services. In particular, their importance in social service delivery has grown.

Forms of selective, individualised welfare assistance delivered through quasi-markets are a defining characteristic of the new welfare state model emerging in some countries such as Australia, New Zealand and the USA. (Considine 2000:292)

Changes in our welfare systems have seen governments choosing to exit from direct service provision, contracting instead to a growing number of non-profit organisations. Some commentators explain this with reference to a change in the perceived role and purpose of government. Caragata (1998), a New Zealander writing on the topic, argues that:

The principle reason for [the] disillusionment with big government is that, if it grows beyond a certain point, the public sector reduces welfare rather than increases it. (p.279)

Whether or not one agrees with Caragata’s analysis, arguably a perception has developed that social services delivered by the non-profit sector are superior to services delivered by government. Arguments for non-governmental provision of social services can usefully be grouped into three categories: effectiveness, cost, and community-centredness or responsiveness, the last of which is the concern of this paper.

The key characteristics of [voluntary sector] agencies are innovation, advocacy, guardianship of voluntaristic, particularistic or sectarian values and service delivery, and...involve[ment of] consumers in policy making. (Smith 1994:31)

For simplicity, this paper uses the term “responsiveness” to characterise the set of values and beliefs that perceive non-profit organisations as more representative of community needs and aspirations than other forms of organisation.

It is not obvious how the non-profit organisational form per se should lead to more responsive services. Intuitively it seems likely that the responsiveness of non-profit organisations should be particular to the organisation in question. Factors such as how the organisation is governed and its attitude to community participation would seem to be crucial. Considine (2000) states that a vigorous non-government social services
sector may contribute to greater innovation and greater responsiveness to the needs of
groups with special needs. However, empirical evidence in this area is very sparse.

This paper does not attempt to address the general question as to whether non-profit
organisations are more responsive to communities than other kinds of organisations.
Rather it seeks to address how we would know whether an organisation is responsive.
Building on stakeholder theory the paper argues that if non-profit organisations are
responsive this ought to be manifested in how they manage relationships with their
stakeholders. Before developing these ideas further, however, a brief introduction to
stakeholder theory is presented below.

STAKEHOLDER THEORY

Freeman (1984) is widely credited as being the founder of stakeholder theory, although
he points out that many of the key concepts go back to the 1960s. There are today a
large number of respected writers on the topic, one of the better known being Max
Clarkson. Clarkson (1995) defines stakeholders in the following way:

Stakeholders are persons or groups that have, or claim, ownership, rights, or
interests in a corporation and its activities, past, present, or future. Such
claimed rights or interests are the result of transactions with, or actions taken
by, the corporation, and may be legal or moral, individual or collective.
Stakeholders with similar interests, claims, or rights can be classified as
belonging to the same group: employees, shareholders, customers and so
on. (p.106)

Notable in this definition is Clarkson’s view that stakeholder interests in a firm may be
based on moral grounds as well as legal ones. Whether or not a particular stakeholder
has legal rights, the firm may have obligations to them based on natural justice. It may
also be good business practice to maintain good relationships with stakeholders. This
issue is discussed later.

Clarkson’s paper makes a distinction between stakeholder issues and social issues.
While an organisation may have responsibilities to its stakeholders, wider social issues,
in Clarkson’s eyes, are more properly the business of government. Social issues can
generally be recognised by the fact that government chooses to regulate for them.
Building on this idea, Clarkson argues that it is more meaningful to discuss corporate
responsiveness to stakeholders rather than corporate social responsibility.

So why should organisations be responsive to their stakeholders? Donaldson and
Preston (1995) argue that there are two possible perspectives on this, the first being
normative, the second instrumental. From a normative perspective, organisations
should be responsive to their stakeholders because it is intrinsically desirable that they be so. Normatively based stakeholder theory is based on ethical principles. In some cases it takes the form of codes of ethics (see Samuels et al. 1996, Cadbury 1998, 1999).

The normative approach can be contrasted with the instrumental approach, which argues that it is good business for organisations to be responsive to their stakeholders. A useful statement of this approach can be found in McMillan and Downing (1999), who argue that the bulk of the value of modern companies is goodwill. Or, expressed another way, the value of a company is determined by the quality of its relationships.

Until recently there was little empirical evidence about the relationship between stakeholder relationships and the financial performance of companies. However, in the past two to three years a number of articles have been published which suggest that positive stakeholder relationships can contribute to improved financial performance – Agle et al. (1999) and Waddock and Graves (1997a, 1997b) are three examples. Waddock and Graves explore whether responsiveness to stakeholders leads to improved company performance or whether the reverse applies – i.e. companies with plentiful resources can afford to be more responsive to stakeholders. They found that both relationships apply, suggesting that the relationship between stakeholder relationships and company financial performance is complex. Waddock and Graves suggest that the relationship between firm financial performance and stakeholder relationships is mediated by a third factor, which is the quality of an organisation’s management.

To summarise, from an instrumental stakeholder perspective, an organisation, whether it is for-profit or non-profit, public or private, can be seen as a network of individuals and groups who choose to cooperate for mutual benefit. The role of governance in organisations is to ensure that the maximum possible value is generated by an organisation for the benefit of all stakeholders.

COMMUNITY RESPONSIVENESS IN NON-PROFIT ORGANISATIONS

The discussion above draws on published material about the for-profit sector because there is a lack of published literature on stakeholder theory as applied to non-profit organisations. Nevertheless it is the author’s view that stakeholder theory is relevant to all organisations. This paper suggests that stakeholder theory can be used as a conceptual tool for understanding responsiveness in non-profit organisations.

This paper takes the position that the relationship that non-profit organisations have with their communities is akin to the relationship that for-profit organisations have with their shareholders. Just as for-profit organisations are accountable to the people that own them, non-profit organisations ought to be accountable to the communities that support them.
Herzlinger (1994, 1996) explores accountability of non-profit organisations by proposing a code of best practice for non-profit boards. Its key elements are disclosure, analysis, dissemination and sanctions.

- **Disclosure** – Non-profit organisations are generally not subject to the same financial reporting requirements as for-profit organisations. However, since the enactment of The Public Finance Act 1989, New Zealand government organisations are subject to these requirements.

- **Analysis** – In the absence of adequate performance data, it is very difficult for the performance of non-profit organisations to be assessed.

  The little information that does exist about the performance of non-profits and governments is rarely analysed. Analysis is difficult because counterparts to the financial ratios and other techniques widely used to evaluate business performance barely exist for non-profits and governments. (Herzlinger 1996:101)

- **Dissemination** – Accountability requires transparency. Performance information needs to be freely available to the persons to whom the organisation is accountable, but “no clearinghouse exists for disseminating material information about non-profits” (ibid.:102).

- **Sanctions** – In the absence of externally imposed sanctions that require accountability from non-profit organisations performance will not improve.

  Publicly owned companies that fail to disclose, analyse and disseminate required information face sanctions by the SEC [Securities and Exchange Commission in the United States]...No comparable sanctions exist for non-profits. (ibid.:102)

Herzlinger’s model focuses on financial accountability of non-profit organisations and draws the conclusion that the formal requirements for financial accountability in non-profit organisations are inadequate. While not explicitly stated, Herzlinger’s analysis suggests that governments ought to take action to impose more stringent financial accountability processes on non-profit organisations. This may well be a good idea, but Herzlinger’s analysis is too narrow – financial accountability is just one of a variety of forms that accountability can take.

A second gap in Herzlinger’s analysis is that it does not consider why or to whom non-profit organisations ought to be accountable. Crucial issues concerning who has a stake
in non-profit organisations and how those people should participate in governing those organisations are not addressed.

As already discussed, arguments in favour of the non-profit organisational form are based on effectiveness, cost and responsiveness. Where claims of responsiveness to the community are made, non-profit organisations should be able to demonstrate that they have a relationship with the community that provides for community input. This is likely to require more than transparent reporting of financial information. Community input into non-profit organisations could take a variety of forms, such as:

- Participation of stakeholders in management and/or governance of the organisation;
- Reporting to stakeholders on quality and effectiveness of service provision; and
- Reporting to donors and/or funders on what the organisation’s resources are used for and the effectiveness of the services provided.

A review of the literature has found very little written on these wider accountability issues in non-profit organisations.

To explore in more detail the applicability of stakeholder theory to accountability and responsiveness in non-profit organisations, the author undertook a case study of how one non-profit organisation manages its relationships with its stakeholders. The study was exploratory in scope and aimed to develop questions for further work rather than forming firm conclusions about responsiveness in the non-profit sector as a whole.

**CASE STUDY**

As discussed in the introduction, this paper asks the question, “How would we assess the responsiveness of a non-profit organisation?” The paper hypothesises that a useful model for assessing responsiveness in non-profit organisations is stakeholder theory.

The Wellington Violence Intervention Programmes Incorporated (VIP) is an incorporated society whose aim, according to its constitution, is “to promote and work towards the elimination of violence in New Zealand society”. It lists as its key principles:

- Family violence is a crime.
- The safety of women and children is paramount.
- Violence is unacceptable.
- VIP is committed to long-term solutions for stopping violence.
- A coordinated interagency approach to stopping family violence works best.
- VIP seeks to uphold the Treaty of Waitangi.
VIP seeks to achieve its aims through providing the following services:
- Assessment and group education programmes for men who are violent toward their partners;
- Support groups and a referral service for the female victims of family violence; and
- Provision of education and training on family violence issues for community groups and agencies.

Contact was made with the organisation through a friendship with a staff member. The researcher was permitted access to organisational documents and was able to interview agency staff and key stakeholders.

Organisational Analysis

VIP applies feminist and holistic/social systems approaches to understanding its core business. These approaches have led to it identifying a number of groups and organisations that it considers have an interest in its business. While the term “stakeholder” is not used in respect of these groups and organisations, the manner in which they have been identified is consistent with a stakeholder approach. VIP employs various mechanisms to manage its relationships with these stakeholders. These mechanisms include participation in VIP’s governance, monthly stakeholder meetings, and personal contact. The level of influence that the various stakeholders have varies, reflecting their perceived importance to VIP.

An analysis of an organisation based on the stakeholder literature should consider who contributes value to the organisation and who stands to benefit from achievement of the organisation’s objectives. A typical list of stakeholders applicable to a for-profit organisation might include customers, suppliers, shareholders and employees.

Applying this approach, a list of stakeholders was developed for VIP:
- Women and children;
- Partner agencies;
- Funders;
- Men who attend the programme;
- Programme staff and Incorporated Society members; and
- Society as a whole.

Women and Children

Women and children are stakeholders in VIP in two senses:
- As the community of women and children who have suffered, or may suffer, violence at the hands of men; and
• As the partners and children of men on the programme. VIP’s responses to the needs of these two groups are considered in turn.

VIP has clearly established wider aspirations for itself than simply providing group programmes aimed at stopping violence. The aim in the constitution “to promote and work toward the elimination of violence in New Zealand Society” has a focus on social change. It recognises that family violence occurs within a social context that frequently tolerates or ignores it. It is this statement of a wider perspective that acknowledges women and children in a wider sense as being stakeholders. This group of stakeholders is given a voice at VIP through the participation of Women’s Refuge and Help Foundation on VIP’s governing board. These organisations have a very significant role at VIP and are in a position to wield considerable influence. To a large extent, the degree to which they exercise this influence in the interests of all women and children depends upon the degree to which they themselves have an active engagement with the wider community of women. This was not assessed by the study. It is apparent that VIP relies very heavily on these organisations for input as it does not have mechanisms of its own for engaging with the wider community of women. It could be argued, however, that it should not do so, as there are women’s organisations that have identified this area as their core business.

VIP has taken particular care to ensure that the perspective of partners and family members is an integral focus for the programme. All partners are contacted and offered support. Their views are heard and are influential in the therapy their partners receive. There are sound clinical reasons for this approach. The problem of family violence is complex and multifaceted. An effective response to family violence also needs to be multifaceted.

Clearly the most important measure of programme success is the extent to which women and children are made safe. Regardless of changes observed in men in the group therapy context, if women and children continue to be unsafe then the programme is not working. In many ways, the programme itself has been designed with their needs in mind.

Partner Agencies

“Partner agencies” is a category of stakeholder that is unlikely to be applicable in most for-profit settings. However, VIP’s philosophical approach, the nature of stopping violence work, and the characteristics of non-profit social service organisations, dictate a need for interagency cooperation that might not be found in a normal commercial environment.
VIP’s constitution expresses a commitment to working in a coordinated way across agencies to address family violence, taking the view that, because family violence is a complex multifaceted social problem, the most effective approaches to reducing family violence are broad-based multi-agency approaches. Working in partnership with other agencies is therefore an imperative for the organisation.

As already discussed, Women’s Refuge, Help Foundation and the Wellington Community Law Centre all participate in the governance of VIP. This is an important role and gives these three agencies considerable influence over VIP’s governance and management. This relationship is not a reciprocal one; VIP does not have a similar level of influence over the governance and management of these partner agencies. This makes VIP accountable to these partner agencies, but does not make them accountable to VIP.

Relationships with other partner agencies are managed through monthly meetings of an interagency group. This group, led by VIP, comprises a number of agencies with a common interest in family violence. The Police, the Department of Child, Youth and Family Services, Women’s Refuge, Barnados, Catholic Social Services, Corrections and the Family Court are amongst those represented. All of these agencies provide various services for perpetrators or victims of family violence. The focus of the committee is less on accountability and more on information sharing and mutual support.

Comments from VIP staff on the effectiveness of the interagency committee varied. A key concern was the difficulty of getting some agencies to actively participate. This was exacerbated by the existence of other interagency forums in Wellington, and by the demands of agency core business that restrict resources available for interagency liaison. These comments highlight an issue for organisations in managing relationships with stakeholders, i.e. that the benefits of maintaining active stakeholder relationships must outweigh the resources expended in doing so.

Another partner agency with which VIP has a special relationship is the National Network of Stopping Violence Services, a national collective of approximately 30 “stopping violence” service providers. It has a code of ethics and a complaints procedure, and provides a national complaints service. The National Network regularly assesses programme providers for their compliance with the domestic violence regulations and the Network’s code of ethics. If the performance of providers is found to be unsatisfactory, their membership of the Network can be suspended or terminated. This, of course, can jeopardise their registration under the domestic violence regulations and lead to a loss of funding. Termination of Network membership is infrequent. Nevertheless one member organisation had its membership terminated in 2000.
VIP receives funding from three sources:
• The Department for Courts: 70% of clients in financial year 1999/2000 were referred either by the District Court or the Family Court;
• Fees paid by self-referred clients: 22% of clients in financial year 1999/2000 were self-referrals;
• The Department of Corrections: 8% of clients in financial year 1999/2000 were referred by Corrections. Corrections has given notice of its intention to cease buying family violence services after 2000/01 and replace them with services it provides itself.

Family violence services funded through the courts are covered by the Domestic Violence Act 1995. The relevant aspects of the legislation are not in the Act itself but in the Domestic Violence (Programmes) Regulations 1996 issued pursuant to the Act. The regulations provide for the registration of family violence service provider organisations requiring a code of ethics, a complaints procedure, and continuing education and peer supervision for staff. Where an organisation does not have all these features it may belong to an appropriate national organisation that does have them. In the case of VIP, it belongs to the National Network of Stopping Violence Services, which has a code of ethics and a complaints procedure.

The Regulations require that certain training and competency standards be met for registration under the Act. The Department for Courts contract with VIP specifies that the “contract is entirely conditional on you [VIP] retaining approval status ... throughout the term of the contract”.

All men referred by Corrections to the programme are referred on an individual basis by their probation officer, and on completion of the programme these clients complete an evaluation questionnaire on the programme for their probation officer. These assist Corrections to make decisions about further referrals. The results of questionnaires are not made available to VIP.

It is difficult not to be impressed with the provider accountability regime established by the Domestic Violence Act. As a relatively recent piece of legislation it reflects our current understanding of best practice in family violence services. The Act appears to be very effective at protecting the interests of the Department for Courts as the funder and the interests of court-mandated referees as clients.

If the regime is to be faulted it is that it emphasises compliance rather than dialogue. The Act does not lead naturally to a customer-supplier relationship between VIP and the Department for Courts. This almost certainly diminishes VIP’s opportunity to “fine
tune” its programme for particular groups of clients, and similarly reduces the ability of the Department for Courts to request changes to the programme where such requests are not specifically provided for by the Act, which seems hardly ideal. However, the relationships have been dictated by government to meet the needs of government and are not relationships in which VIP has any power. Nevertheless they are relationships crucial to VIP’s survival as an organisation and considerable resources are expended addressing the expectations of these stakeholders.

Men Who Attend the Programme

Programme attendees have a stakeholder interest in VIP as clients. In addition, the 22% who pay fees have an interest as paying customers. The enthusiastic participation of attendees is crucial to programme success.

National research carried out by the Department for Courts and the Department of Corrections (verbal report, unpublished) indicates that clients of stopping violence programmes are generally satisfied with both programme content and process. However, apart from questionnaires completed by Corrections clients, the views of VIP’s programme attendees are not systematically sought. Informal feedback obviously occurs, but systematic information on the experience of individuals on either the men’s or the partners’ programme is not collected. This lack of a formal feedback mechanism was discussed with VIP staff interviewed for the case study. Most saw it as an issue that needed to be addressed, but other more urgent priorities commanded attention.

In circumstances where funding from government departments is crucial for a voluntary social service organisation’s survival, it is understandable if the organisation tends to perceive those departments as its customers. In the writer’s view there is a degree to which this is the case for VIP. It often appeared that more effort was expended on understanding and addressing the needs of funders than the needs of programme clients. This is an entirely rational approach to VIP’s funding environment. However, in the author’s view, opportunities existed for understanding and responding to the needs of programme clients that were not exploited.

VIP Staff and Incorporated Society Members

VIP has only two permanent salaried staff members. Most programme staff members are employed on a contract basis. For most of these, employment by VIP is not their main source of income. As already stated, VIP is an incorporated society; and many of the people who choose to work for VIP are also members of the Incorporated Society. A staff member estimated VIP’s membership at 30 members.
Programme staff have input into the management of VIP through two mechanisms: regular meetings of clinical staff, and participation in the membership. The latter is discussed in the next section.

**Society as a Whole**

Society as a whole was identified as a stakeholder in VIP by the researcher using Carver and Carver’s concept of moral ownership (1996). Some might disagree with this approach, arguing that it is stretching the boundaries of stakeholder theory to see all of society as a stakeholder. However, the researcher considered that the statement “the overall aim is to promote and work towards the elimination of violence in New Zealand society” in VIP’s constitution makes wider society a stakeholder in VIP. Wider society also has an interest in VIP by virtue of the fact that it provides public funding (via government departments) to operate the programme.

The interests of society as a whole, and of VIP’s membership, are protected by the Incorporated Societies Act 1908. The main accountability mechanism in the Act is the requirement that incorporated societies provide the Registrar of Incorporated Societies with an annual report. At the time that the fieldwork for this report was undertaken, this had not occurred for three years, although the Registrar had recently requested a report. It is interesting that it had taken the Registrar this long to notice that a report had not been provided.

Another mechanism for accountability to society as whole is individual membership in VIP. In theory, people can express their interest in VIP and its objectives by becoming members. If VIP had a broad-based membership, the views of the wider community could be expressed through the annual general meeting and the election of officers. This does not occur at present because the membership is small and tends to be restricted to those who work for VIP in some capacity. The fact that most of VIP’s governing board is appointed also reduces the impact of this method of accountability.

Aside from arrangements for accountability to funding bodies and the accountability mechanisms that exist under the Incorporated Societies Act, VIP does not have mechanisms for accountability to the community as a whole. In general, involvement from the wider community is not sought. This may reflect the sensitive and confidential nature of the work undertaken by VIP. It may also reflect its overwhelming focus on addressing the expectations of funding agencies.

**CONCLUSION**

This paper has argued consistently that non-profit organisations ought to be accountable. This is especially the case where:
• they spend public money;
• they make claims of community responsiveness; and
• they have objectives that have implications for the community as a whole.

A difficulty with holding non-profit organisations accountable is that traditional understandings of accountability in organisations are linked to ownership. Non-profit organisations do not have owners. This paper has built upon Carver and Carver’s (1996) concept of moral ownership in arguing that non-profit organisations ought to be accountable to their stakeholders.

A problem with applying stakeholder theory to non-profit organisations is that stakeholder theory has developed primarily to address accountability issues in for-profit organisations. While there is published work on accountability issues in non-profit organisations this work does not use stakeholder theory. This paper has sought to test the applicability of stakeholder theory to non-profit organisations by considering whether it leads to meaningful conclusions when applied to a non-profit organisation in a real-life setting.

From a stakeholder perspective, an organisation consists of a collection of groups and individuals who form a coalition to achieve mutually desired outcomes. Anyone with an investment in an organisation’s success is a stakeholder. Organisations benefit when the active and positive participation of all stakeholders is achieved. Arguably, stakeholders have a right to participate in organisational decision making because they have an investment in the organisation, which may be financial or non-financial in nature.

The research reported on here has tested the usefulness of stakeholder theory in non-profit settings by applying it to a non-profit organisation. This research has demonstrated the following:
• It is possible to examine meaningfully a non-profit organisation using stakeholder theory.
• A typical list of stakeholders in a non-profit organisation is different from a typical list of stakeholders in a for-profit organisation.
• It is possible to describe those stakeholders and their interest in the organisation.
• It is also possible to assess how the organisation manages its relationship with its stakeholders and thereby assess how accountable the organisation is to its stakeholders.

Two things are immediately apparent from the application of stakeholder theory to VIP. Firstly, stakeholder theory is not the only theoretical framework that leads to the conclusion that external parties have a vital role in an organisation’s success. Social systems theory and feminism, both of which are used by VIP, also lead to this
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conclusion. Secondly, however, stakeholder theory is the only approach that systematically asks who has an investment in an organisation’s success and how they can be given a voice.

It is likely that accountability issues for non-profit organisations vary considerably depending on the nature of their business, their size, whether they contract with government, and a range of other factors. What is required is further research to test the stakeholder approach in a variety of non-profit organisations. Nevertheless, the overall relevance of stakeholder theory to non-profit settings has been demonstrated by this study.

It is apparent from this study that current thinking about accountability in non-profit organisations is relatively unsophisticated, as are methods for holding them accountable. The two most sophisticated accountability regimes considered by this project were:

- the Domestic Violence Act 1995; and
- the provider accountability regime operated by the National Network of Stopping Violence Services.

Both of these regimes have strengths and weaknesses. The Domestic Violence Act is a regime oriented primarily to the needs of government funding bodies and only indirectly meets the needs of other stakeholders. It provides considerable assurance of service quality, but provides for little in the way of consumer or public input. It also focuses strongly on compliance rather than on relationship management and does not encourage dialogue with providers.

The National Network regime does a great deal to ensure that providers of stopping violence programmes are ethical and competent. Again, however, this model does not provide for consumer or public input, except when persons wish to register a formal complaint.

Both the Domestic Violence Act and the National Network of Stopping Violence Services are accountability mechanisms limited to a specific industry, i.e. stopping violence services. Beyond this, and other pockets of industry-specific regulation, the only accountability mechanisms for non-profit organisations are those provided for in three, now rather old, pieces of legislation: the Charitable Trusts Act 1957, the Incorporated Societies Act 1908 and the Trustees Act 1956. The accountability provisions of this legislative framework can be summarised as:

- A requirement for the prudent management of financial resources in the Trustees Act;
- A right in the Charitable Trusts Act for donors to challenge the application of donated funds to purposes differing from the purposes for which they were given;
and

- Extensive protection of the rights of members of incorporated societies.

It is not hard to see incorporated society members being in some senses akin to owners, and the rights accorded to society members by the Incorporated Societies Act are in many respects similar to the rights accorded to shareholders under New Zealand’s companies legislation. This is consistent with the way accountability is seen as being linked to ownership. Aside from this stakeholder group, however, the accountability provisions in the legislative framework above are extremely weak.

So does any of this matter? In many ways the importance of the issues discussed in this paper are proportional to the importance of non-profit organisations in the life of our communities. The greater the influence that they have over our lives and the more public resources with which they are entrusted, the more important it is that they are accountable.

It would be clearly inappropriate to impose a complex and demanding accountability regime on every non-profit organisation. Many are essentially private organisations, e.g. family trusts and small societies, such as clubs, run exclusively for the benefit of their members. At the other end of the spectrum, funding bodies typically impose accountability requirements as part of their funding contracts, and this addresses accountability issues for the large number of non-profit service providers that deliver services under contract to government. However, there are many other non-profit organisations over which the public and/or consumers should expect to be able to exercise some influence.

I would argue that the legislative framework for non-profit organisations in New Zealand should be overhauled, and this is particularly important for the many non-profit organisations that are not government funded. The public should be able claim transparency and openness from organisations to which it donates money or other resources.

REFERENCES


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