Executive Summary: Whose Accountability Is It Anyway?

Non-governmental organizations (NGOs) have taken on for many years the mission to hold states and corporations accountable by shaping the expectations of appropriate and desirable behavior towards their stakeholders. The demands for accountability that have emerged from their initial targets of contention have now put external pressure on NGOs to adopt for themselves the prevailing models of assessment of governmental and for-profit organizations: financial accountability or the measure of how an organization allocates the funds donated to it. In this paper, I argue that reducing accountability to a financial assessment does not render a comprehensive picture of the possible accountability relationships within a not-for-profit organization, relationships emphasized by both academics and practitioners. In fact, financial accountability focuses almost exclusively on the relationship with one set of particular stakeholders: donors.

This study compares and contrasts the accountability assessments of 60 U.S.-based NGOs in order to explore variations in accountability levels according to the type of assessment used. To do this, I created an index of comprehensive accountability by analyzing the operationalization of accountability by the World Trust and the Global Accountability Project (GAP), the INGO Accountability Charter, the Bureau of Better Business (BBB) Wise Giving Alliance Standards for Charity Accountability, and InterAction's standards for private voluntary organizations (PVOs). The index captures accountability along six key dimensions identified by the leading standard-setting practitioners: governance, transparency, evaluation, responsiveness, participation and financial management.

To measure financial accountability, I used indicators from the Charity Navigator database—the leading financial charity assessment organization in the U.S., currently surveying more than 5,000 charities. This measure of accountability is based on the assumption that

accountable organizations devote the greater part of their donations towards their promised missions (Charity Navigator 2007, Methodology).

I find that the use of financial accountability as the key indicator of a not-for-profit's performance does not substitute for a comprehensive assessment of accountability. For financial accountability to be an appropriate proxy for overall accountability, I expected that organizations scoring high on financial accountability would also score high when measured against the more comprehensive accountability index. Organizations with higher levels of financial accountability scored better than their counterparts with lower financial accountability for each dimension of accountability and had an average accountability score of 58.4%, in comparison to an average score of 51.4% for organizations with lower financial accountability. However, none of these differences between highly financially accountable organizations and lesser ones was statistically significant. While financial accountability offers a broad proxy for a more comprehensive measurement of accountability, it fails to identify key target areas in which organizations need to improve their accountability performances. Focusing solely on financial accountability does not provide an opportunity for NGOs to learn and understand where they should improve their accountability performances.

Furthermore, the findings show statistical significance at a 0.01 level between organizational size and the overall comprehensive accountability score. As organizational size increases, the comprehensive accountability score improves. Perhaps larger organizations are more effective at displaying the necessary information about their accountability performance, in part because of organizational needs linked to the large amounts of resources they manage.

Finally, by exploring the differences in the various indicators used to assess a more comprehensive accountability, I suggest that using the comprehensive measure developed in this inquiry, organizations can learn to make relatively inexpensive changes concerning the accessibility of information and the display of their accountability to a broad set of stakeholders.