ACCOUNTING AND NAVIGATING LEGITIMACY IN NGO'S

Andrew Goddard
Professor of Accounting
University of Southampton

and

Mussa Juma Assad
Head of Department of Accounting
University of Dar es Salaam

Accepted for Presentation at the
Fourth Asia Pacific Interdisciplinary Research in Accounting Conference
4 to 6 July 2004
Singapore

ACCOUNTING AND NAVIGATING LEGITIMACY IN NGO'S

ABSTRACT

This paper investigates the phenomenon of accounting in non-governmental organisations (NGOs). It seeks to understand accounting processes and reporting practices in NGOs and the conditions that sustain those processes and practices. NGOs have become important institutions in world affairs but accounting research has not developed significant interest in their operations. Premised on an interpretive theoretical orientation this research executes a grounded theory strategy as the principal line of inquiry (Strauss and Corbin, 1990; 1998). Fieldwork was undertaken in three Tanzanian NGOs. The research established the importance of accounting in the process of navigating organisational legitimacy. This was achieved due to its important role in symbolising organisational competence. When accounting was perceived to be adequate, organisational legitimacy was enhanced. Two principal strategies were employed by organisations in navigating legitimacy - building credibility and bargaining for change. Although accounting emerged as predominant in the process of navigating legitimacy, its importance was symbolic rather than functional. Indeed accounting had little relevance to the internal management of the organisations.

Key words: NGO accounting, grounded theory, legitimacy, regulation, culture.

ACCOUNTING AND NAVIGATING LEGITIMACY IN NGO'S

INTRODUCTION

This paper investigates the accounting phenomenon in non-governmental, not-for-profit organisations - an organisational form that has seen accelerated growth in the past decade particularly in developing countries. Non-governmental Organisations (NGOs)[1] are self-governing and autonomous (as opposed to government affiliated) not-for-profit organisations that have the objective of improving economic and/or social conditions of target disadvantaged populations or members of society (Vakil 1997). NGOs have become an important player in social development and economic interventions throughout the world. This is evidenced by a major shift in development funding that is routed through NGOs, which have often become preferred agents to governments. For example, in 1999 NGOs in Africa handled $3.5 billion in external aid compared to under $1 billion in 1990 and were involved in 54 percent of all approved World Bank projects in 1998 (World Bank, 1998; 1999). In a 22-country review of the not-for-profit sector Salamon *et al.*, 1999 report a 'global associational revolution' where these organisations emerge as a major force.

The literature has not been consistent in the use of the term 'non-governmental organisations'. Voluntary Organisations (VOs), Peoples Voluntary Organisations (PVOs), Not-for-profit Organisations (NFPOs) and Charities all possess some related attributes and have at times been used interchangeably. Vakil's (1997) structural-operational definition outlined above is perhaps the most helpful. Although generating and distributing profits may not be the primary objective of an NGO, the presence of profit distribution, such as in a community credit scheme, does not exclude an organisation as an NGO (Vakil, 1997). The concept of a non-governmental organisation is also much broader than that of a charity (Harris, 1988). Even so, international relief organisations are registered as charities, and are guided by the spirit of compassion, a sense of duty and moral commitment; qualities that are charitable in origin.

This paper seeks to advance our understanding of accounting processes and reporting practices and conditions in which these processes and practices were conducted. It obtains this understanding by probing interactional accounting experiences of organisational actors and stakeholders. The principal output of this investigation is a conceptual explanation or emergent theory which accounts for the social processes involved and seeks connections between events, actions, processes and structures. Much of the existing accounting research in non-governmental, not-for-profit entities, such as charities, is mainstream positivist. Questionnaire survey, data base research and content analyses determine *a priori* the precise set and structure of issues of interest. These methods do not accommodate emergent issues that become apparent from interactional experience - because the mode of response (e.g. rank scales) excludes interaction. Consequently, mainstream research does not provide empirical answers to questions such as, why and how particular practices get adopted and choices to report or not to report certain information, in particular form. They do not capture and convey experiences of organisational actors in their interactions and how accounting is implicated in their organisational lives. Although a significant body of interpretive accounting research literature has developed in the past two decades (Ferreira and Merchant, 1992;

[1] The term 'non governmental organisation' is relatively old and was first used in a United Nations Economic and Social Council resolution 288 (X) of 27th February 1950 to refer to those organisations officially recognised with a consultative status in the United Nations but which had no affiliation to any government. In a sense it is a negative term as it explains an entity by what it is not rather than what it is.

Parker,2001,2002), little has focused on not-for-profit organisations that are not affiliated to governments.

The research reported in this paper adopted a grounded theory strategy (Strauss, 1987; Strauss and Corbin, 1990; 1998) to counter the problems of positivistic approaches and to address the lacuna of NGO accounting research. Grounded theory also extends beyond mere presentation of empirical, qualitative data to develop field-informed accounting theories. This is a methodological enhancement that has been urged by Humphrey and Scapens (1996). Fieldwork research was undertaken in two phases over a period of a period of fifteen months in case studies comprising three non-governmental not-for-profit organisations in Tanzania.

The paper is organised as follows. The first section briefly reviews accounting research on non-governmental, not-for-profit organisations. The second section outlines the research methods, based on grounded theory methodology. This section also provides basic background detail of research sites. Findings are presented in the third section using a paradigm model to present the emergent grounded theory. The paper concludes with a discussion of the broad findings in relation to other prior literature.

PRIOR LITERATURE

NGO literature spans many fields, although each field has looked at NGOs from within its own theoretical and technical confines and little interdisciplinary discourse exists. There is a substantial literature devoted to NGOs in the fields of development economics and international development. Although this literature generally does not attempt to directly address the implications of accounting within organisations, concepts associated with accounting-such as 'accountability', 'efficiency', 'cost effectiveness', 'sustainability' have emerged (see for example, Edwards and Hulme, 1995; Farrington and Bebbington, 1993; Billis, 1989; Charlton and May, 1995; Mayo, 1996; Edwards, 1996; Harris, 1988; Leat, 1993). The emergence and use of these concepts is both useful and problematic. Useful because they reflect the need for evaluation of organisational resources and processes, but problematic because they are complex to measure and different meanings may be attributed to them. However, empirically much of this research is anecdotal and produced by operatives within the NGO community itself. Independent rigorous research on and about NGOs has not been so forthcoming (Edwards and Hulme, 1996). The following review comprises literature in the two areas; 'non-accounting' research in NGO organisations of relevance to accounting and a more extensive review of accounting research in non-governmental, not-for-profit organisations particularly charities.

Three studies are of interest in the first, 'non-accounting' area. Hyman and Dearden (1998) studied assessment systems for NGO micro enterprise, development programs in four major, US NGOs. Reflecting a familiar view in development economics and international development literature, they conclude that impact assessment systems ran the risk of becoming too complicated or costly. In their view, with limited finances it was more important to 'arrive at a common understanding of what information is necessary and how it will be used' (Hyman and Dearden, 1998, p. 274). Precisely how accounting information is understood and used by the different parties is the key to understanding what role accounting plays and/or could play in NGOs or any organisation.

Alsop and Farrington (1998) suggest a model for monitoring information exchange and decision making in a multiple stakeholder setting within which NGOs operate. The model

recognises that stakeholder groups come from different institutional backgrounds and could take varying frames of reference, may use dissimilar language, exploit distinct knowledge bases and pursue agendas that may not be wholly convergent. They suggest a 'nested system' (Alsop and Farrington, 1998, p. 253) which comprises of, 'multiple discrete but selectively linked information sets', (Alsop and Farrington, 1998, p. 253). Unfortunately Alsop and Farrington (1998) do not delve into how accounting is implicated within the 'nested system'. Nevertheless, the concept of independent information systems, which are protected and nurtured by actors in organisations who use these systems to inform themselves and selected others, rhymes very well with prior accounting research such as Dirsmith and Covaleski (1985), Preston (1986) and Jonsson and Gronlund (1988). Forbes (1998) conducted an extensive 20-year review of empirical studies in NGOs that addressed the concept of effectiveness. Forbes included quantitative archival data, such as financial reports and operational statements, as measures of effectiveness. He concluded that effectiveness in not-for-profit settings is a complex concept that was not only difficult to measure but also required a multidimensional approach and consideration of multiple constituents.

Empirical research in not-for-profit, charitable organisations can be classified into three major themes; user needs evaluation, annual reports and compliance and accounting practices and use of management techniques. Initial efforts at assessing user needs concentrated on the views of corporate donors and grant making trusts (Bird and Morgan-Jones, 1981). Gray (1984) suggested that much research in charity accounting was myopic, lacking in knowledge of user needs and failing to recognise that in charities, financial reporting played a subsidiary role in the overall oversight function. Holder (1987) explored financial reporting practices in charities and how accounting practitioners, industry representatives, and users of financial information perceived those practices. Holder reports that charities employed diverse accounting and reporting practices which ranged from single financial report sets in simple structure organisations, to variants of financial reports in complex organisations. Seville (1987) also assessed usefulness of financial reporting in charities and endorsed the applicability of general accounting standards to the not-for-profit sector. Hyndman (1990) reported that although users perceived information types of a financial nature as important, these were relatively less important than non-financial information types that were seldom disclosed. He argued for a shift in emphasis to non-financial information types to make disclosure more user-relevant. Hyndman (1991) concluded that information providers also recognised contributors as the most important users of charity reports.

Annual reports and compliance research concentrates upon the adoption of the Statement of Recommended Practice 2 (SORP2). Gambling *et al.* (1990) found that although SORP2 is meant to have taken into consideration all charity sector constituents' interests, the majority of operatives in the charity sector (preparers of accounting reports and trustees) were unaware of existence of SORP2. An analysis of responses to the exposure draft that preceded SORP2 seemed to support the conviction that 'SORP2 reflected the opinions of the accounting profession about charity accounting, rather than those of charities themselves' (Gambling *et al.,* 1990, p. 9). Hines and Jones (1992) found that SORP2 had not made a significant impact on accounting practices of charities although Williams and Palmer (1998) found that the majority of charities were at least in compliance with the SORP.

A number of researchers have studied accounting practices and use of management techniques in charities including Bird and Morgan-Jones (1981), Hines and Jones 1992), Bird (1985), Holder (1987) and Trigg and Nabangi (1995). They found a diversity of accounting practices due to the variety in charity establishments and their operations. Other studies

mainly in the US were driven by the need to evaluate 'efficiency' in not-for-profit organisations. These examined the use of financial and management techniques for decision making as well as efficiency measurement for organisational evaluation. Greenberg and Nunamaker (1987), and Callen and Falk (1993) adapted operations research techniques towards evaluation of charities. However, Greenberg and Nunamaker (1987) acknowledged that the utility of these techniques was the impression they gave to external regulators and resource providers. Vakkuri (2003) also found that such techniques were not regarded as important by these organisations. Zietlow (1989) reached a similar conclusion regarding the use of budgetary techniques such as Zero Base Budgeting, and Planning, Programming and Budgeting System.

In recent years a good deal of attention has been made to the applicability of business practices to NGOs. Some researchers such as Bradley et al (2003) advocate the adoption of such practices to improve efficiency. However, others such as Simsa (2003) and Myers and Slack (2003) recognise the complexity of NGOs in terms of their different strategies, internal ideologies and management styles. These complexities are likely to confound a simple transference of business practices. Westerdahl (2001) undertook one of the few empirical interpretive studies in NGO accounting. He concluded that accounting is intimately bound with organisational identity. Moreover accounting in NGOs is a central force in establishing legitimacy within and beyond the organisation.

However, as discussed above, much of the empirical research discussed above is informed by a mainstream positivist methodology with its consequent limitations. Further, the research is mainly restricted to the UK, Canada and the US. Limited effort has been made towards understanding non-governmental not-for-profit organisations in different settings; such as a developing region (and non-western) socio-cultural setting. Regulatory frameworks as well as internalised and shared norms, traditions, roles, and values are vital contextual variables that research in organisations and organisational actors must consider (Marshall and Rossman, 1995).

RESEARCH METHODOLOGY

The research reported in this paper was concerned with investigating the accounting phenomenon within a socio-cultural and a regulatory framework and sought to understand the nature of the phenomenon (accounting, accounting functions and accountability) from the perspectives of organisational actors. An interpretive, grounded theory (Strauss and Corbin, 1990, 1998_b) approach was adopted. Although previous accounting literature had proposed grounded theory as a valuable methodology to interpretive research (Covaleski and Dirsmith, 1990), it was Parker and Roffey (1997) who were its most ardent advocates. With grounded theory, they argued, it was possible to generate theory which was informed by the real experiences of the actors (Parker and Roffey, 1997, p. 216). They observed however, that despite being available for over a quarter of a century grounded theory's potential was not being realised. Accounting research using grounded theory still remains sparse though is developing in management accounting (Slagmulder 1997, Abdul Rahim and Goddard 1998).

The study was undertaken through case studies of three NGOs in Tanzania. Tanzania is a developing sub-Saharan country that has seen major growth in both numbers and funding for activities of NGOs in the past decade. Weaknesses had been observed in the technical accounting functions in such organisations (Kaijage *et al.,* 1997) and there are ongoing efforts to improve the technical functions of accounting. There have also been calls for a

regulatory mechanism. These features combined to offer an interesting opportunity within which to study the accounting phenomenon. A three-organisation setting for the whole research duration allowed cross-site analysis which allowed for comparing and contrasting major patterns and also took account of local variation. Multiple case studies allow the comparative multiple-case logic of replication that improves theoretical insight (Eisenhardt, 1991) while preserving holistic data from specific sites (Marshall and Rossman, 1995).

Fieldwork was undertaken over a fifteen month period. As well as three case study NGOs (KNGO, CHNGO, DNGO); three donor agencies, two government regulatory bodies and an accounting board were used as data sources. CHNGO was established in 1987, DNGO in 1991 and KNGO in 1992. KNGO's main objective was to advance general welfare of women and to serve as a catalyst for improving their living conditions. Its operations are in development work and advocacy. CHNGO's primary concern is similarly in women's welfare but it is more entrenched in violence against women – directly running shelters and undertaking public education and advocacy work. DNGO was set up in 1991 with the overall mission of building a reading culture in Tanzania, targeting children of all ages. It assists in the acquisition, production and distribution of reading material for children; encouraging and supporting indigenous authorship and publishing of children reading material; and generally promoting the love for books and reading among Tanzanian children. KNGO and CHNGO are membership organisations. DNGO, in contrast, is not a membership organisation. It started originally as a project sponsored by a single international donor that was eventually converted into an NGO status, tapping funds from multiple donors. In KNGO and CHNGO founder members play an influential role in the running of the organisations. At KNGO for example, the Director and two-thirds of members of the Board of Directors are founder members – a situation also observed at CHNGO where the current Manager and all members of the Executive Board are founder members. All organisations have been successful in attracting funding and have grown substantially in the past ten years. Table 1 summarises income streams from 1994 to 1998.

[Insert Table 1 about here]

The Annual General Meeting is the highest decision making organ in CHNGO and KNGO and the Stakeholders' Annual Meeting in DNGO. All organisations have a Board of Directors (KNGO and DNGO) or an Executive Board (CHNGO) to which Chief Executives report. In KNGO and CHNGO the Annual General Meeting elects members to the Board and receives and discusses the annual report and audited financial statements as well as plans of the subsequent year. The Stakeholders' Annual Meeting at DNGO is composed of members of the Board and a representative from the Ministry of Education; one representative from each of five donors; and one for all book sector associations (i.e. writers, publishers and booksellers).

In all organisations the Board is the policy-making organ and oversees the running of the organisations. One marked difference in the structures of these organisations was the way the accounting function was incorporated in the hierarchies. KNGO had only a bookkeeper located at a low hierarchical level, whereas CHNGO had three positions, Financial Consultant, Accountant and Accounts Clerk, at higher levels. DNGO did not have any accounting positions at all. The Administrative Assistant cum Secretary was coached in-house on how to input data into a personal finance software, installed with the help of one institutional donor.

Data sources

Data was collected by participant observation, in-depth interviewing and document analysis. Participant observation involved the systematic description of events, behaviour, objects and artefacts as seen by the researcher in the social setting using primarily a marginal observer mode. Hammersley and Atkinson (1995) point to the advantage of a marginal position in allowing a participant perspective when appropriate but minimising the dangers of over-rapport (Hammersley and Atkinson, 1995, p. 112). Two days a week were spent interacting in a marginal observer mode with organisational actors and 84 days in total were spent in the organisations.

Although some interviews were spontaneous, informal occasions (casual conversations and brief questioning), all except one of the tape-recorded interviews were formally pre-arranged events. The structure of interviews was not decided in advance because the study followed reflexive interviewing (Hammersley and Atkinson, 1995) and formulated only an agenda for the interview to control proceedings. The objective was to maintain flexibility and allow a natural flow of a discussion where the interviewee could talk on his/her terms, although as the interview progressed the researcher focused and re-focused the conversation into issues of relevance to the research agenda. A total of 31 tape-recorded interviews were conducted as summarised in Table 2.

[Insert Table 2 about here]

Documentary analysis was of immense value not only at the preliminary stages but also throughout the fieldwork and the subsequent interpretation phase. The principal printed documentary data types included contemporary records such as annual reports and audited accounts and accounting and internal control manuals; confidential documents such as internal files, external evaluation reports from donors and consultants' internal organisational assessment reports and funding proposals; government documents such as policy statements and reports; and publicly available information such as newspaper archives and accounting standards.

Data analysis using grounded theory procedures

Constant comparison and contrasting of empirical indicators forms the basis of grounded theory and provides the platform on which all its other operations are undertaken. Empirical indicators are actions and events captured in the different forms of data (words in interviews, figures and texts in documents, memorised objects and events). The classification of empirical indicators into associated categories directs the conceptual coding processes (open coding, axial coding and selective coding) which lead to generation and selection of the core code(s) and eventually theory generation.

Open coding is the initial and provisional production of concepts that 'opens up' the data. It is an attempt to fracture the data and allow one to identify categories, together with their properties and dimensions (Strauss and Corbin, 1990). It also enables the researcher to become less immersed in the literal dimension of data and more immersed in concepts and their relationships (Strauss, 1987). Open coding involves scrutinising generated data closely to find concepts which can be associated with others. Initial open codes are necessarily tentative because subsequent steps may result in their adoption, modification or abandonment. Use was also made of theoretical memos, which are 'a running record of

insights, hunches, hypotheses, discussions about implications of codes, additional thoughts, etc.' (Strauss, 1987, pp. 30-31), and are an essential part of theory generation. Theoretical memos document the continuing internal dialogue that ensues between the researcher, laden with experiential data, and the generated data.

Open coding was principally undertaken in a sentence or paragraph mode (Strauss and Corbin, 1990,1998). Transcripts and documents were coded at least twice, the first being an early impression. Open coding normally results in large numbers of concepts and by the end of the first fieldwork, for example, 78 concepts had been identified and labelled from research data.. These were subsequently reduced in number by grouping related concepts into broader categories. Twenty categories were developed in total. Following the counsel of Strauss and Corbin (1990) categories were developed first in terms of properties which were later expanded into their dimensional ranges. Properties are attributes or characteristics pertaining to a category (Strauss and Corbin, 1990). They provide a basis by which events, incidents and other observations of phenomena of interest can be represented and described in a single category. Dimensions are locations of properties of a category, usually along a continuum or range. An example of the properties and dimensions of one category, 'aspects of organisational culture', is shown in Table 3.

[Insert Table 3 about here]

Axial coding builds and consolidates open coding by intense analysis of categories along larger relationships that transcend beyond the early dimensions and properties. The focus is on linking categories or phenomena together and developing the relationships with other categories. Axial coding, like open coding, was an iterative process and involved going back and forth to data sources. The product of axial coding was a rich mesh of main categories sufficiently linked to enable some aggregation, patterning and generation of potential core categories that on further analysis could uphold a theory.

Selective coding is axial coding executed at a higher and more abstract level and an attempt is made to establish core categories (Strauss and Corbin, 1990; 1998). The core categories form the backbone to the theory while their relationships with other subservient categories provides patterns and fills in the richness and conceptual density necessary for good theory. Selective coding also requires the selection of the focal core category, that is, the central phenomenon which has emerged from the axial coding process. All other categories derived from that axial coding process must be related in some way to this focal core code, either directly or indirectly (Parker and Roffey, 1997).

The research addressed threats to validity and reliability by making use of sound strategies in research design, data collection and analysis. Two strategies were employed; a *multi-site research design* and a *discontinuous residence in the field*. Multi site/case research design allowed not only greater representativeness but also variation across cases. This strategy increased the range of emergent concepts by exposing them to negative incidents across the three organisations. Discontinuous residence in the field was achieved by a two-phase research strategy. Breaking the fieldwork allowed the researcher to 'stand back and review critically' (Miles and Huberman, 1994, p. 264) – a stance that permitted construction of interim findings that were subsequently host-validated and prevented over rapport that develops from continued long residence in the field. Use of multiple sources (*triangulation*) of data was built into the research design as a strategy for data collection. Triangulation was achieved by data source (elite/peripheral personnel, arranged/impromptu, internal/external)

and by method (pre-arranged interview, casual conversation, observation, documentary data – text and numerical).

TOWARDS A SUBSTANTIVE GROUNDED THEORY: ACCOUNTING AND NAVIGATING LEGITIMACY IN NGOS

The paradigm model - a tool for grounded theory composition and presentation - is employed as the integrating device for describing and explaining the emergent relationships among the main categories. At the core of the paradigm model is the core category or central phenomenon which emerges from the coding process as described above. Strauss and Corbin (1998) describe the other basic components of the paradigm model as follows:

> 'there are *conditions*, a conceptual way of grouping answers to the questions why, where, how come, and when. These together form the structure, or set of circumstances or situations, in which phenomena are embedded. There are *actions/interactions*, which are strategic or routine responses made by individuals or groups to issues, problems, happenings, or events that arise under those conditions. Actions/interactions are represented by the questions by whom and how. There are *consequences*, which are outcomes of actions/interactions. Consequences are represented by questions as to what happens as a result of those actions/interactions or failure of persons or groups to respond to situations by actions/interactions, which constitutes an important finding in and of itself'.
>
> Strauss and Corbin (1998, p.128).

Navigating legitimacy in NGOs - the central phenomenon

The emergent grounded theory is anchored around the central phenomenon - the basic process of *navigating legitimacy*. This central phenomenon captures the main theme of the research. As the paradigm model subsequently shows it links all other main categories and sustains the variations observed in the specific dimensions of some categories.

The main story from the data was how and the extent to which NGOs succeeded in accessing resources from donors and the modes by which these organisations justified resource utilisation to a spectrum of stakeholders. The organisations solely depended on donated resources for their existence and in this respect resource attainment and utilisation turned out to be critical aspects in the way organisations attained, lost, maintained or enhanced legitimacy. The nature of their responses to, and interactions with stakeholders can be summarised as a process of navigating legitimacy. This process is construed as both a proactive and reactive continuous endeavour to justify resources endowed to organisations.

Accounting was implicated in the resource-attaining phase as well as in the justification for resource utilisation. First, it was a communicating facility for expressing the scale and activities of resource need via budget submissions. Secondly, it was the primary channel for reporting resource utilisation not only to donors but also to other stakeholders. Since these organisations could not survive without donated resources the process of justifying resource utilisation necessarily also justified organisational existence. Thirdly, the perceived strength or otherwise of the accounting function was itself an important tool in symbolising organisational competence - competence to handle and properly 'account' for entrusted resources. In this respect accounting acted as a legitimating tool and when it was perceived to

be adequate it enhanced organisational legitimacy. The flow of accounting information and reporting mirrored the flow of resources. Speed, frequency and intensity of accounting reporting reflected the significance organisations accorded to different stakeholders. The more significant the stakeholder the more influential they were in determining the legitimacy status of organisations and the more accounting activity appeared to be directed to them.

Navigating and legitimacy; the two concepts yielding the core category are terms borrowed from extant literature. A standard and basic dictionary meaning is taken for the term 'navigating'. The Oxford English Dictionary definition includes the following;

> **Navigate** *v.* **1 a** *tr.* manage or direct the course of (a ship, aircraft, etc.).
>
> (The Oxford English Dictionary, 1995, p. 908)

This definition can be applied to organisations to mean managing the course organisational legitimacy and finding the right course to steer. This adequately captures the concept of 'navigating' as it was observed and employed in this research.

Legitimacy is a term often invoked in accounting literature but rarely defined (see for example, Hines *et al*., 2001; Walker and Llewellyn, 2000; Davie, 2000; Bailey *et al*., 2000; Wilmshurst and Frost, 2000; Gallhofer *et al*., 2000; Burns, 2000; Funnell, 1996). Suchman (1995) emphasises the socially constitutive nature of legitimacy. He defined legitimacy as follows:

> 'Legitimacy is a generalized perception that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Legitimacy represents an umbrella evaluation, it transcends specific adverse acts or consequences; thus legitimacy is resilient to particular events, yet it is dependent on a history of events. .. it represents a reaction of observers to the organisation as they see it; thus, legitimacy is possessed objectively, yet created subjectively. Legitimacy is socially constructed in that it reflects congruence between the behaviors of the legitimated entity and the shared (or assumedly shared) beliefs of some of the social group'
>
> (Suchman, 1995, p. 574).

The central phenomenon in this research, *navigating legitimacy,* has two properties; *navigating conditions* and the *legitimacy standing*. Navigating conditions refers to the circumstances under which organisations sought to attain a desired level of legitimacy. Navigating conditions ranged from smooth when conducive, to difficult when not conducive. The legitimacy standing was the level of legitimacy achieved by the organisation. Navigating conditions facilitated or constrained specific actions of navigating legitimacy. The evolution of organisations and their experiences point to this process of navigating along a legitimacy continuum; moving forward and at times backwards. Legitimacy was unquestioned when the organisation had donor appeal, high general public standing and its leaders had high credibility; questionable when these attributes were substantially lacking. Legitimacy was however never absolute because even in highly credible organisations, stakeholders continued to demand, and management continued to seek, improvements.

[Insert Figure 1 about here]

Navigating legitimacy is therefore a temporal process of varying speed and scope. It is a process that encompasses not only management actions and reactions in response to conditioning contexts but also includes pre-emptive actions towards influencing these conditioning contexts. These aspects are dealt with in the section describing interactional strategies. Fig. 1 graphically illustrates the dimensions of the properties of the core category and traces the experience of one of the organisations - CHNGO - through some of the dimensions.

CHNGO began in 1987 as one of the highly regarded pioneer NGOs in the country. It expanded rapidly within five years of establishment such that organisational arrangements that worked well during the formative years became inadequate - accounting being central among these. As an inspection report had observed:

> 'With CHNGO's rapid growth in recent years not enough attention has been devoted to subjects such as internal organisation, internal control guarantees and matters relating to management and accounting.'
>
> (Donor inspection report: CHNGO, 1999).

The beginning of the crisis was associated with the increased flow of donor funds. When the organisation was poor all members contributed their efforts and energies as activists but when resources became available some of the activities were remunerated while others were not. The organisation's leadership at the time used this development for personal interest. As one member who was actively involved during the crisis period stated:

> 'The money started coming in and I think resentment started building. Resentment in the sense that there were those who got paid, consultancies, (and) there were those who were not being paid, volunteers. Then the former chairperson had built a very strong base here, a system of patronage (in terms of money and foreign travel). You know it was like you scratch my back I scratch yours. So I suppose the main reason was because we did not have systems and we did not have policies, the constitution was weak and I suppose members were not cohesive sufficiently, we did not have team spirit and did not know how to confront the problem, to deal with it.'
>
> (NGO Official)

At the peak of the crisis in mid-1994, there were only fifteen members, of which only nine were active. Technically therefore, the executive committee ran the organisation and served as the Board as well as the Annual General Meeting. By 1995, the organisation had been deserted by institutional donors, the majority of its members were no longer actively involved in its activities and it experienced a major crisis. Between 1995 and March 1997 the organisation underwent a re-orientation that began with a meeting of all factions. Subsequent to that meeting three workshops were held, each with increasing attendance, to spell out how the organisation was to operate in the future. By the end of the organisational development process in March 1997 membership had risen to 130 and there was renewed vigour and enthusiasm among membership. The resolution of crisis led to the removal of the old leadership and installation of a new one, with a limited tenure of three years. It also entailed a new constitution, a new leadership, and a re-vitalised accounting function. CHNGO was en route to legitimacy restoration that five years later saw it back among the 'prime' NGOs in the country.

KNGO on the other hand had been able to maintain smooth navigating conditions and a high legitimacy standing since its establishment in 1993 through a combination of strategies that have seen it emerge as one of the most financially secure NGOs in the country. DNGO maintained almost a steady legitimacy profile by directly involving very closely its key stakeholders in its management structures and operations.

STRATEGIES FOR NAVIGATING LEGITIMACY

Two interactional strategies were employed by organisations to manage the process of navigating legitimacy. These comprised two interrelated and progressive stages or sub-processes – *building and rebuilding credibility*; and *bargaining for change*. These reflect the ways organisations created and managed good impressions with definitive stakeholders then sought their long-term commitment. Finally having created a good impression and obtained a good measure of long-term commitment, organisations attempted to bargain with these stakeholders to create a less burdensome accounting and reporting environment.

Building and rebuilding credibility

In this phase five sub-strategies are outlined and discussed. These are judicious conformity with accounting requirements; character witnessing; managing the audit; improving organisational governance; fostering a distinct cultural identity and engendering trust.

Judicious conformity refers to meeting the reporting requirements of important stakeholders. In the case of multiple donors, financial reporting and audit requirements were burdensome but conveyed to donors a sense of sound financial stewardship. Despite the increased reporting burden organisations recognised the importance of lodging the required accounting reports in restoring and maintaining credibility.

> 'We just cope somehow, we work overtime. Occasionally we put our foot down but I suppose we said the first two years *let us build a base* and then we will have the clout to bargain. We had no respectability .. so let us build a base.'
>
> (NGO Official, emphasis added)

Organisations were dedicated to meeting multiple donor financial reporting requirements even when reports had little direct internal relevance. Timely reporting maintained credibility while delayed reporting eroded it. A donor exemplifying this stated

> 'We must have the report, the financial report….that is also why some organisations are very quick to deliver the report because they know that if they deliver the report they are credible and then they can enhance that relationship.'
>
> (Embassy official).

Financial reports were delivered on time, sometimes even entailing a measure of accounting deceit especially when a report was due for an activity that had not been completed. It was not uncommon in such circumstances for future financial commitments to be reported as moneys already spent. As one accountant stated:

> 'So you show in a donor report that you have made payments and the money has been spent while actually the trainee has not been paid at that time. In order for us to hand in the donor report, because the payment is committed, we show it as having been paid already and this can be problematic sometimes.'
>
> (NGO Official)

Use of periodic reporting as a credibility-building tool was not limited to donors. An illustration of the use of financial reporting to earn public appeal and enhance organisational legitimacy was a recent initiative by both KNGO and CHNGO to translate annual reports and newsletters hitherto available only in English (the language of donors) into Swahili (the language of the majority of beneficiary communities and the general public). This was in response to media criticism that organisations had ignored reporting to less powerful and dependent stakeholders such as beneficiaries and local communities.

Character witnessing by previous donor organisations was important in ensuring a favourable outcome in new funding relationships. Organisations sought to trade on reputations they have built with stakeholders of high standing. Organisations' reports included for example, their key funding institutions in highly visible opening pages and it was evident in conversations that a donor's standing was important. These key funding institutions were requested and performed the role of character witnesses to influence decisions of others:

> 'We thought we needed to show we could manage our activities well, so we needed to show the credibility we have gained with donors.'
>
> (NGO Official)

The audit process emerged as an important channel for attaining legitimacy and stakeholders viewed it as such. Not only was the audit report important but also the stature of the audit firm:

> 'This year we did two things which were excellent fund raising devices. First….we requested an external evaluation….and second we changed auditors….this also helped with the funders.'
>
> (NGO Official)

Because of the importance of the audit process organisations managed it to maximise its legitimacy attaining potential. CHNGO appointed a multinational accounting firm as auditors to replace a local audit firm, a decision that resulted in a three-fold increase in audit fees. However, management as well as donors saw the association with the multinational accounting firm as of symbolic as well as professional significance in the eyes of readers of audited financial statements.

Within a year KNGO followed suit, it discharged the local audit firm and appointed a multinational audit firm. Donors, despite acknowledging the competence of the local audit firm, had tacitly signalled the desire for a multinational audit firm as the following quote demonstrates:

> 'My meeting with (the) partner left me with the impression that KNGO's external audit is conducted in a professional manner. (The) firm is linked with

> BC&D (a multinational accounting firm), and the name BC&D will in future appear in the audit report on KNGO's annual accounts.'
>
> (Donor inspection report: KNGO, 1999)

What KNGO did in this case was to carefully read the script that reflected the preferences of its institutional donors and acted accordingly. At the time of writing KNGO had achieved what no other NGO was able to achieve - the agreement of institutional donors to a basket funding arrangement. The appointment of a multinational audit firm is acknowledged to have swayed the previously more reluctant institutional donors.

Improving organisational governance as a credibility building strategy was both real and symbolic. It was manifest as a strategy for navigating legitimacy where an organisation's legitimacy was eroded because of bad practices such as poor accounting, financial mistrust and inept leadership. For example, when an important donor agency indicated renewed interest in financing and turning around a fledging organisation in deep crisis, CHNGO immediately responded by replacing its founder chairperson of eight years. It was symbolically important for the organisation to immediately distance itself from a founder chairperson who was associated with the demise of the organisation. It was important in this instance that the organisation regained the confidence and the renewed interest of funding agencies and the sacking a founding chairperson demonstrated a commitment to improve oversight. This was despite the fact that behind the scenes the founder chairperson retained a ceremonial position on the Board.

Immediately thereafter funds were made available for an organisational development exercise - a process that culminated with a reconstitution of the Board of Trustees and the introduction of a fixed term tenure of leadership. Fixed tenure of leadership was intended to check the observed effects of the 'founders' syndrome' - the tendency for founders in leadership to be tolerant and uncritical of each other. This was experienced at CHNGO where for a number of years board members acquiesced to alleged financial abuse. Installation of a more robust accounting system and recruitment of 'honest' accounting personnel were other governance enhancing actions instituted by the new leadership.

Management consultants were also used as a symbol of improving governance. Since questionable accounting was a major concern during CHNGO's organisational crisis, it created subsequent to the crisis, a 'financial consultant' position in its organisation structure for an expert who visited twice weekly. As the accountant confided, the consultant does not enhance the work of the accountant but it is a post of symbolic significance. The routine presence of an expert outsider, it appears, confers a sense of reliability and integrity to the accounting processes. Similarly, at KNGO, two separate management consultants carried out an assignment to design an accounting system within the space of five years. Yet their recommendations were largely ignored and the accounting system has remained essentially unchanged. Readily accommodating consultants into organisations and subsequently flouting their recommendations at first seemed inconsistent. However, it seemed to be a prudent course of action to oblige donors (who often contract the consultants) yet preserves preferred accounting and administrative arrangements. Management consultants depict expertise and competence. The association of organisations with consulting activities seems to signify endeavours to improve governance.

The cultural identity of the organisation refers to the values to which it ascribes. This was important to stakeholders. CHNGO and KNGO both portrayed a set of values that can be

labelled as activist in cultural orientation. There was a high level of commitment among organisational actors as well as a high degree of value sharing. Both organisations were keen on building and maintaining alliances with other organisations. The activist cultural orientation was associated with a high level of transparency and commitment. When salient stakeholders accepted this identity for an organisation there developed a confidence that resources were utilised properly regardless of the strength or otherwise of accounting systems. Consequently sustaining an activist cultural orientation emerged as one of the key strategies for navigating organisational legitimacy. KNGO had a weak accounting system - a fact that institutional donors also recognised; yet it's funding had consistently grown since its establishment. This was attributed to its ability to project an image of a secure and committed organisation that could be trusted with large amounts of money. CHNGO on the other hand had suffered a deficiency of legitimacy before 1996. Although its annual income was nearly half that of KNGO it had in place a much stronger accounting system with more accounting personnel and had instituted internal control procedures. The identity as an activist organisation was not in this case sufficient to erase the negative image earned five years previously. Instead, it was accounting practices which provided validation.

Managing and articulating a distinct organisational identity was an ongoing endeavour. Opportunities were taken to confirm a desired image and rituals such as sharing a communal salad bowl with all individuals present at lunchtime served as identity validating practices. Other devices employed were: a non-territorial office layout that encouraged exposure and informality; collective leadership based on short internal periodic evaluative sessions; and a process of culturally initiating and assimilating new entrants into organisations.

Finally engendering trust appeared to be central in depicting financial probity. Across all organisations 'trust' and 'honesty' were repeatedly invoked when referring to relationships among internal actors within organisations or relationships with external constituents. Clearly 'trust and commitment' were offered as substitutes for technical accounting requirements. These also appeared in all organisations as much sought after qualities in staff recruitment.

Bargaining for change

> 'Most of the funders we treat as partners. We are not subservient to them. We had a serious disagreement with XY-AID, they are the biggest funders in Tanzania, we had a disagreement and we walked out, but then we got reconciled. We have some clout, *we bargain with them.'*
>
> (NGO Official, emphasis added)

As the above quote indicates bargaining needed to be accompanied by 'clout'. Earning some 'clout' was therefore a process that preceded bargaining for change. It entailed consolidating relationships with key stakeholders. Organisations achieved this by co-opting institutional donors into long-term relationships that transcended the initial funding encounters. The objective was to seek their purposeful involvement into activities of the NGO and explore future common interests:

> 'A good relationship with the main funders, is an important attribute towards the achievements of the organisation. The funders are really partners, understanding our situation as well as that of the country in which we operate.'
>
> (NGO Official)

Bargaining was essentially associated with the more dominant stakeholders; the government and institutional donors and involved non-confrontational as well as confrontational approaches. It was undertaken separately by individual organisations or in consort with other organisations. The concept of bargaining indicated that organisations had accumulated sufficient credibility to make a case for their legitimate claims to donors and the government. The process of bargaining for change comprises four specific bargaining sub-strategies. These are selling the 'basket funding' idea; joint venturing one-off projects; selective rejection of project-format funding; and stalling the NGO policy initiative.

'Basket funding' is an arrangement where different donors contribute funds to a central holding point, a basket. The organisation, and not the donors allocate funds to specific programmes. A single report is then provided for all donors detailing how funds and other resources were utilised. Selling the 'basket funding' idea was a strategy initiated by individual organisations which sought to lessen the burden of multiple donor financial reporting. NGOs distinguished institutional donors in terms of their rigidity towards accounting requirements; there were those who would accept a common annual report and there were those who required complete and total compliance to contracted formats. Organisations sought the understanding and support of donors with which they had consolidated partnerships. These were then expected to influence other donors into accepting common reporting. The following narrative thoroughly summarises such a strategy as executed by KNGO:

> '(Country A) are quite comfortable but when you come to (Country B), or (Country C) or (Country D) you must follow the format they prescribe to the dot. So we thought we needed to show we could manage our activities well, so we needed to show the credibility we have gained with donors who are not into this petty reporting so that they could influence other donors. So we prepared a three-year plan and the strategy was tried to sell it holistically so that we did not want one donor to pick in there a workshop or a conference. So we were arguing for basket funding, we are the ones who know where the need is, so even when one donor is interested in funding a training programme, we may consider an information programme important as well and allocate appropriate funding, you cannot train without information, so it should be up to us. So we called a donor meeting for fund raising but the majority rejected the basket funding idea, while (country A) were receptive to the idea, so basket funding flopped. So we sold core activities individually but (we) keep advocating for basket funding.'
>
> (NGO Official)

Following resolute high profile lobbying, a year after recording this narrative KNGO successfully got institutional donors to accede to the basket funding arrangement. The decision to appoint a multinational audit firm appeared to have a bearing on the decision of donors to accede to the basket funding arrangement.

Joint venturing of one-off projects was a non-confrontational and innovative mutual strategy conceived by a coalition of local NGOs with the collaboration of a number of institutional donors. It paired willing funders with keen implementers for project activities of a short-term duration. The desired end result was to lighten the administrative workload arising from donor financial reporting and individual grant audit requirements. Through two sets of coalitions; one for funding agencies and one for implementers it was possible to have a single financial report submitted to a lead institutional donor with the remaining parties absolved of

the accounting and reporting burden. It took goodwill and confidence in local NGOs for institutional donors tied with home-country accounting regulations to agree to pool funds in this way. Other institutional donors would not contemplate such an arrangement. This may be a subtle form of exporting 'home country' regulations and accounting practices into accounting practices of Tanzanian NGOs.

Selective rejection of project-format funding was another strategy in bargaining for change.

> 'There has been a growing tendency among donors to approach KNGO with proposals for additional interventions. Many of the programme activities proposed by donors match KNGO's mission. However, there is a need for the organisation to keep saying 'NO'.'
>
> (Annual Report: KNGO, 1998, p. 15).

For organisations that are largely dependent on institutional donors rejection of funds is an extreme measure. Outright rejection of funding was a confrontational approach and rarely occurred but when used it was an effective bargaining tactic. Many NGOs cannot afford this stance as only those large NGOs with high social standing and credibility can employ such a strategy.

The Tanzanian government's NGO policy initiative sought to enhance the regulatory regime and define the formal boundaries of legitimacy - outlining reporting relationships, supervisory powers and penalties for deviation. With regard to accounting it specifically sought to 'establish financial and accountability mechanisms to ensure sustainability of the activities of NGOs' (Tanzania National Policy of Non-governmental Organisations, 5th Draft, 1999, p. 3). The NGOs sought to influence the proposed regulatory arrangements in a way which was more appealing to them. They successfully highlighted the weak accountability and wastage in the central government itself - issues that the government was repeatedly being taken to task in the Controller and Auditor General's annual reports. NGO actors argued that the government had no moral authority to demand from NGOs what it was not capable of performing. This strategy appears to have succeeded in influencing the adoption of a policy that does not suggest specific and clearly implementable directions for enhancing financial or operational accountability. On the subject of accountability the final draft policy states for example that:

> 'NGOs will make general account of their work, methods and activities, scope (local, national, international), organisational structure, general statement of sources of income/funds and areas of expenditure and a list of partners accessible by all interested parties. NGOs will ensure financial transparency by preparing financial reports and have annual accounts prepared and/or audited.'
>
> (Tanzania National Policy of Non-governmental Organisations, 5th Draft, 1999, p. 11).

This position is not significantly different from the current status and cannot be said to have addressed the stated objective of the policy initiative. NGOs have been successful in preventing what they perceived as the government's intrusion into finances of NGOs.

THE CONDITIONING CONTEXTS OF 'NAVIGATING LEGITIMACY' IN NGOS

Navigating legitimacy and its associated strategies do not occur in isolation but are subject to a broader context. In grounded theory terms these are referred to as conditioning contexts. The conditioning contexts discovered in this research and which facilitate the phenomenon of navigating legitimacy are of macro and micro nature. The macro conditioning contexts are international and national in dimension while the micro conditioning contexts are organisational in dimension. Although these two aspects are interrelated it is useful to distinguish sources of their impacts.

International and 'macro' conditioning contexts

There are two macro conditioning contexts; *favourable funding environment* and existence of *an outdated and weak regulatory regime*. The past two decades have seen transformation of donor agendas in developing countries in pursuance of neo-liberal economic policies. These policies promote 'good governance' and a robust civil sector is seen as one of the principle components of promoting and sustaining 'good governance'. More donor funding has therefore been made available towards financing activities of NGOs. This increase in funds to NGOs finds a regulatory regime that is outdated and weak because statutes are old (the principal legislation was enacted in 1954) and an accounting and reporting framework for NGOs is non-existent.

These two macro-conditioning contexts combine to influence a scenario of unregulated growth in the activities of NGOs - a phenomenon that informants referred to as 'mushrooming of NGOs'. Tanzania had 163 registered NGOs in 1990, 813 by 1994 and in June 2001 the Minister for Home Affairs reported that between 1995 and May 2001 an additional 2,350 had been registered. It appears that the existence of an outdated and weak regulatory regime and the general regulatory ambiguity is being exploited and the increase in numbers and operations on NGOs might be, in essence, a response to financial opportunities signalled by donor interest. This view finds support among the focal stakeholder groups as reflected in the following quotes:

> 'Another overriding problem observed unfortunately is that too often, NGOs do not follow up the ideals and missions stated in their constitutions with correspondingly altruistic actions. This may be partly due to infancy of the NGO movement. However, this phenomenon is also partly due to the fact that some individuals working for NGOs see the movement primarily as an opportunity to access funding without stringent checks and balances attached, instead of as an opportunity to address the needs of the people at the grass roots.'
>
> (Speech extract - NGO official)

> 'I want to inform you that there are many NGOs formed due to retrenchment (every retrenchee wants to form an NGO), environmental issues, AIDS, etc. Region-wise it is very disappointing, because if you asked a regional leader to give the number of NGOs in the plan there are no statistics. Very few regions can give this information. It is difficult to know who (sic) is an NGO because some of the NGOs have no board of directors, they are just 'one-man show'.'
>
> (Government regulatory official)

Because of increasing public awareness of, and questions over financial probity within NGOs as well as the government's own interests, a process had ensued to prepare and put in place a national NGO policy to govern operations of NGOs. Financial accountability is a key component of the new policy framework. It is now seen as vital that governance structures such as a regulatory regime for NGOs work well and are perceived to be legitimate because they are important in sustaining trust among stakeholders. A weak and outdated regulatory regime for NGOs eroded this dimension of trust, which may explain the adoption of stringent reporting requirements by institutional donors along with individual grant audits and on-site inspections.

Organisational 'micro' conditioning contexts

Micro conditioning contexts are the organisation-specific circumstances that either facilitated or constrained the way organisations managed the process of navigating legitimacy. These are *internal organisation* and *accountability patterns*.

Internal organisation comprised two aspects: conflict~stability and growth~decline. It facilitated the process of navigating legitimacy especially when organisations were experiencing long phases of stability. In the existing funding environment organisational stability ensured continued donor funding and therefore organisational growth. Provided the accounting and financial reporting requirements of fund providers were met, organisations were able to maintain legitimacy. This was the case at KNGO and DNGO. Internal organisation constrained the process of navigating legitimacy in situations where there were conflicts and organisations lost leadership credibility and donor appeal. Funds dried up and organisational decline quickly ensued. It became much more difficult to restore organisational legitimacy if eroded by a long running internal conflict as was the case at CHNGO. In CHNGO, accounting and accountants were implicated in organisational conflict because money and how it was utilised was a contentious issue. Since financial abuse was the central concern, credibility of the audit, the accounts, and the accountant were seriously compromised. Consequently, restoration of organisational legitimacy had to involve new accounting and auditing arrangements.

Accountability patterns have properties of scope and quality. Accountability that includes only the definitive stakeholders such as donors is narrow in scope. In such cases donor accounting and reporting is fragmented. It is oriented only to activities that donors individually funded and does not therefore provide an overall picture of activities of organisations. Donor reports are also rarely available to other stakeholders - a problem of accessibility. Accountability that is wide in scope provides a broader picture to a larger audience. Quality of accountability concerns the accuracy and integrity of the account itself. Financial accounting is, among modern day institutions, a standardised primary norm for measuring and communicating results of organisational activities. It incorporates standards and practices to ensure (or appear to ensure) accuracy and integrity of accounts. It is for this reason that accounting is heavily implicated in the process of navigating legitimacy. All organisations in this study were seeking accountability patterns comprising a broad scope and high quality. Accountability patterns negotiated between an organisation and its dominant stakeholders influenced the process of navigating legitimacy.

CONSEQUENCES OF 'NAVIGATING LEGITIMACY'

Navigating legitimacy and its associated strategies also have consequences for the organisations. Four consequences were observed; an ascending functional profile of accounting; stagnation of accounting for internal information needs; erosion of treasured organisational traits by creeping managerialism and emerging interest in formulating a national accounting and financial reporting framework for NGOs.

Ascending functional profile of accounting

Changes in the profile of accounting and accounting processes during the life of the organisations testify to the process of navigating legitimacy. From a token cash tracking role during formative years accounting seems to be transforming into a more visible organisational function. As recounted earlier, while CHNGO had only a part time accountant working from home during the first seven years of its existence, KNGO did not altogether have an accounting function until 1996 - four years after its formation. By 2000 CHNGO had completely transformed its accounting. KNGO had not made significant change but ongoing negotiations and preparations point to an increasing profile of accounting as the organisation seeks to implement changes aimed at;

> 'strengthening the financial systems tools and staff capacity for increased efficient utilisation of basket funding for the coming three years'
> (Six months Report, January - June 2000: KNGO, p. 25).

The differences and variations in the nature of accounting in the organisations are attributable to differing internal upheavals as well as direct stakeholder influence in specific organisations. At CHNGO a major long running crisis associated with accounting failure led to erosion of trust, organisational commitment and member cohesiveness and the organisation suffered gross legitimacy deficiency. Restoration of legitimacy called for increased accommodation of accounting requirements because accounting was seen to be able to secure good use of financial and other resources entrusted to the organisation. The profile of accounting has therefore grown much faster at CHNGO than at other organisations. The ascendancy of accounting functions occured within the overall context of improving organisational governance and legitimacy. It was largely a result of pressures for improvement exerted by providers of funds. The ascendancy of accounting was not able to penetrate and influence operational aspects. Accounting appeared to have had an inconsequential impact on internal decision processes.

Stagnation of accounting for internal information needs

The ascendancy of the functional profile of accounting has therefore been one-dimensional. Because the ascendancy of the accounting was driven by external definitive stakeholders' evaluation and monitoring interests, accounting processes focused almost entirely on donor accounting. Accounting processes and outputs have therefore turned out to be only marginally relevant to internal accounting information needs. The following quote demonstrates this stagnation:

> 'Every one of the donors wanted their own accounts and reports so you deliver that and you are finished with them. You were not consolidating as long as you gave the (X) their report, (Y) theirs, (Z) theirs and they are

> comfortable, well accounted for as so on. You forget your own internal needs, we had not considered consolidating the piecemeal reports so that we could reflect on how much we handle; this is our total income and this is our total expenditure.'
>
> (NGO Official)

Some 'understanding' donors have even come to see the detrimental effect of stringent multiple donor accounting demands to institutional capacity development and are now at the forefront of the current wave of changes in support of basket funding and enhancing organisations' overall accounting capacities.

Erosion of treasured organisational traits - creeping 'managerialism'

> Several (NGOs) have become consciously involved in promoting a more efficient, professional mode of work and management structure, including KNGO – the problem is how to balance efficiency with vision, so we don't lose the soul of the organisation.'
>
> (NGO Trustee)

The 'soul' of the organisation in the view of this Trustee is the activist cultural orientation. Such orientations were more concerned with getting things done well than with procedures. Increases in funding and the attendant reporting obligations do not sit well with activist cultures. There is recurring tension between these cultures and the need for incorporating 'sound management practices' in the organisations. The devotion to the organisational culture nurtured at KNGO and its acceptance by institutional donors seemed to explain how KNGO was able to achieve growth but at the same time successfully resist external pressures to enhance the profile of accounting. It was also this collection of distinct values and attitudes that prevented the regressive and organisationally damaging tendencies experienced at CHNGO. Nevertheless, subsequent to agreement of the basket funding arrangement, KNGO was in the early stages of overhauling its accounting function on strong recommendations from its institutional donors.

New-found interest in a national accounting framework

The advent of NGOs as implementing agents of interventions in social and economic development during the past decade has brought with it increased publicity in, and awareness of NGO operations as well as personalities involved with these organisations. While the National Board of Accountant and Auditors remained for many years unconcerned with accounting in NGOs it now can no longer afford to maintain a disinterested stance in their affairs. In recent years it hurriedly introduced a Statement of Recommended Accounting Practice (SRAP) for NGOs. This was a groundbreaking event in that the Accounting Board elected to take an active role in seeking to regulate accounting in NGOs. Subsequent discourses on the SRAP will necessarily have far reaching implications to the future of accounting in NGOs.

SUMMARY

The grounded theory developed in this research is summarised diagrammatically in figure 2. Navigating legitimacy was identified as the central category of the emergent grounded theory. A number of strategies and tactics that organisations employed in navigating

legitimacy were described. These fell into two sub-strategies - *building credibility*; and *bargaining for change*. It was shown that during the phase of building credibility organisations initially sought to establish a good track record with key stakeholders, especially funding agencies. Organisations enhanced credibility through judicious conformity with accounting requirements; character witnessing by other institutional donors; managing management consulting and auditing processes to exploit their legitimacy generating potentials; improving organisational governance; and fostering distinct cultural identities. Organisations may suffer loss of legitimacy in times of crisis and a rebuilding strategy becomes essential.

Building credibility was followed by a stage where organisations sought to consolidate long-term relationships with key stakeholders such as donors and government officials in sensitive positions. This was achieved through co-opting institutional donors into long-term relationships that transcended the initial funding encounters and through active networking – targeting key donor or government officials. Finally, having established a good track record and appropriate support among key stakeholders, organisations attempted to lessen, through a bargaining strategy, the burden of multiple accounting and financial reporting. Organisations implemented bargaining strategies through selling the 'basket funding' idea; joint venturing one-off projects; selective rejection of project-format funding; and stalling the NGO policy initiative.

Accounting emerged as predominant in the whole process of navigating legitimacy. Conformity with formal accounting and reporting stakeholder requirements was essential for accountability. Good financial reports that were properly audited were important in discharging organisational accountability and building legitimacy. The identification of organisations with sound management practices such as accounting portrayed them as competent entities. The measured utilisation of expert professionals such as management consultants and auditors was also shown to have a similar effect of legitimising an entity. These factors were also important in rebuilding legitimacy in times of crisis.

Four conditioning contexts were identified as facilitating the phenomenon of navigating legitimacy. These were firstly; increased availability of easily accessible donor funds, combined with secondly; a weak and outdated regulatory regime. It was the combination of these two conditions that appeared to explain the phenomenon of 'mushrooming of NGOs' - the high rate of unregulated growth in NGOs in the past ten years. The other contexts were the internal organisation and accountability patterns of the organisations.

The consequences of the process of navigating legitimacy included the increasing profile of accounting functions. As funding increased accounting functions, over time, gained functional prominence. Nevertheless this did not translate into accounting earning an influential role in internal decision processes of organisations. This paradox was explained by the apparent motive for accounting to provide a symbolically important technical validation for organisations in the eyes of demanding external stakeholders. Also evident as a consequence appears to be the emerging 'professionalisation' of NGOs - a process that threatens to erode some of trusted and treasured (activist-oriented) values and work ethics. Finally the increasing visibility of high income generating capacities of large NGOs has persuaded the Accounting Board to finally seek to exert its authority over their 'accountings'.

DISCUSSION OF FINDINGS

This discussion places the emergent grounded theory within a broader prior literature. This is an attempt to search for logical extensions to, and comparisons with, the prior literature (Sutton and Callahan, 1987; Strauss, 1995; Locke and Golden-Biddle, 1997). Such comparisons are essential for theory building (Eisenhardt, 1989) because by tying the emergent theory with prior theorising the emergent theory becomes increasingly cumulative (Strauss, 1995). The discussion is organised under the following subheadings: accounting, organisational legitimacy and accountability; and accounting in its constitutive capacities.

Accounting, organisational legitimacy and accountability

In the accounting literature, Corporate Social Reporting (CSR) is probably the principal field with an interest in legitimacy theory (see for example, Campbell, 2000; Brown and Deegan, 1999; Gray *et al.*, 1997; Gray *et al.*, 1995; Wilmshurst and Frost, 2000; Unerman, 2000; Lehman, 1999). Nevertheless, CSR is mainly concerned with disclosure or non-disclosure patterns or intensity of disclosures. The emergent theory, in contrast, focuses not on the outputs (such as disclosure items) of the accounting process but on accounting functions and practices themselves as legitimating devices. In the field of organisational accounting Burchell *et al.* (1980) also pointed out the use made of accounting as legitimating devices. The emerging thesis in the grounded theory - that organisations incorporated sound accounting practices as legitimating devices echoes theoretical ideas brought forth in the institutional theory tradition (Meyer and Rowan, 1977; Meyer and Rowan, 1991; Powell and DiMaggio, 1991). Meyer and Rowan (1977, p.340) for example, suggest that;

> 'organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organisational work and institutionalized in society. Organisations that do so increase their legitimacy and their survival prospects, independent of the immediate efficacy of the acquired practices and procedures.'

A related aspect of legitimation by organisations that emerged from the research is that of using professional experts - consultants. Although recommendations of these experts were not always implemented the consultation process had a ritual significance as well. This also concurs with Meyer and Rowan (1977, p.355) who suggest that;

> 'highly professionalized consultants who bring external blessings on an organization are often difficult to justify in terms of improved productivity, yet may be very important in maintaining internal and external legitimacy.'

The appointment of auditors was yet another aspect of use of professional experts that organisations appeared to manage to portray quality of the audit process and its result - the audit report. Between the start and completion of this research two organisations had appointed multinational audit firms in place of local audit firms. The underlying justification had little to do with professionalism or opinion shopping - two themes of growing interest in studies of auditor switching (see for example Lennox, 2000; Beattie and Fearnley, 1998). The justification for auditor change was rather the perceived positive effect on the organisations as a result of being audited by renowned multinational audit firms. The audit, as Jacobs (2000, p.377) also found, was a 'powerful form of symbolic capital'.

An important dimension of organisational legitimacy which found echoes in the grounded theory was the scope and quality of organisational accountability. Accuracy and integrity of

communicated 'accounts' were found to be important attributes in attaining or losing legitimacy. Accountability also embraced issues of accessibility and transparency of the organisation to stakeholders because it was observed that the more accessible and transparent an organisation the more accountable it was perceived to be. Organisations therefore sought to portray themselves as committed to being transparent and accountable.

The audit of financial statements has been suggested in extant literature as a necessary condition for organisational accountability (Gray *et al*., 1997; Tower, 1993; Scott, 2000). The emergent theory lends support to this proposition. However, it also recognises the inadequacy of accounting and auditing in attaining the highest levels of organisational accountability. The accounting system and its outputs did not necessarily make an organisation accountable to its stakeholders. Accounting and auditing were not neutral practices promulgating financial truth (Roberts, 1991) - they were at times implicated in suspect conduct. In this respect the emergent theory is in tune with an old proposition by Normanton (1971, p.314) that;

> 'It is not accountability merely to submit a certified financial account each year. To be accountable means to give reasons for, and explanations of, actions taken; but an account rarely provides explanations and it never gives reasons. It does not as a rule even contain much information about what has been done; it is not a sufficient record of policy and transactions. Any major financial account hides far more than it reveals. It is a protection against fraud, and the law provides that it may not conceal criminal sins; but other kinds of sins may be lost without trace within it.'

Legality is yet another dimension of accountability suggested in the literature (Scott, 2000). Indeed, legality was an important aspect of accountability in the emergent theory as illustrated by conceptualisation of 'regulatory regime' as a main category. The emergent theory however, qualifies the magnitude of legality in contributing to organisational accountability. It appeared that legislative regulation provided only the basic framework and minimum care provisions for organisational accountability (such as records of registered offices, constitutions, names of trustees and annual reporting obligations). These provisions did not however, sustain superior modes of accountability, which seemed to reside outside the regulatory structures and processes. The proliferation of 'briefcase' NGOs was testimony to inferior accountability in spite of regulatory oversight.

Accounting in its constitutive capacities

The prior literature acknowledges accounting in its capacities to shape and create organisational reality and influence courses of organisational transformations (Roberts, 1991; Burchell *et al*., 1980; Hopwood, 1990). This is achieved through creating observability by recording and communicating phenomena that are not normally observable and therefore 'providing a basis for their observation, monitoring and control' (Hopwood, 1990, p. 9). However in this study, accounting did not have a significant constituting effect on organisational practices because it was has not accorded sufficient importance in internal decision processes. Rather it was the symbolic use of accounting to constitute a reality of legitimacy in the perceptions of donors which was most important. Ansari and Euske (1987) have also noted this;

> 'both accounting and accountants are symbols of rationality for external groups. They therefore play an important role in reifying the abstract qualities

> of efficiency, productivity and accountability that are valued by an organisation's external constituencies.'
>
> (Ansari and Euske, 1987, p. 563).

Berry *et al*. (1985) make a similar observation where continued investment in improving National Coal Board's accounting information system was not in order to meet internal accounting needs but to give an impression of sound financial control.

The ascendancy of accounting in the organisations did not translate into increased use of accounting in internal decision processes. This is because externally initiated accounting change had not succeeded in penetrating the activist cultural orientations within organisations. For instance, in one organisation there was passive resistance to accounting change that involved ignoring 'expert' recommendations or overlooking internal control protocols and expenditure authority limits. Observed from the outside, accounting was becoming increasingly visible but changes were fundamentally superficial and did not penetrate established internal working arrangements. This observation resembles the way externally initiated changes on GP practices were handled in such a way that they eventually had little noticeable impact on culture, values and belief systems of GPs (Broadbent, 1992; Broadbent and Laughlin, 1998; Laughlin *et al*., 1994).

The phenomenon of passive resistance to expert recommendations is also suggested by Humphrey *et al*. (1993, p.18) who referring cultures of professionals in medicine and the police observed that;

> 'What may appear as acceptance can be passive rejection - with organizations going along with formality of the reforms for purposes of external legitimation but ensuring that they have little practical effect on day-to-day operational activities. Similarly, the different impact of reforms may also have been due to the varying strengths of particular organizational cultures.'

Ezzamel and Willmott (1993, p.122) also refer to;

> 'professionals (who) have represented financial and accounting systems principally as a passive, bureaucratic means of recording the financial consequences of their professional judgement. Such systems are deemed by these professionals to be of little importance within these organisations. Why? Because in principle, their own commitment and integrity is understood to ensure all available resources are already well directed.'

Organisational cultural orientations do not, however, remain unchanged when impacted with increasing accounting requirements. Encroachment by accounting in NGOs was perceived as a threat to continued existence of the 'souls of the organisations', in the words of one Trustee. Lipsky and Smith (1989, p.626) also observe the effect of new regulations, changing contract requirements, and increasing administrative oversight in shifting organisational norms of non-profit agencies. Fowler (2000, p.638) refers to this impact of externally derived requirements as 'mainstreaming of best practices'. Buckmaster (1999, p.188) notes the effect of this is to divert, 'precious resources from value creating activities into an accountability process.

Changes in accounting within NGOs in the past decade can be summarised as a form of 'morphostatic colonisation' (Gray *et al.*, 1995) where there is subtle incremental evolution of accounting functions in ways that have not up to the present, significantly altered the traditional and established ways treasured by the organisations.

However in one of the organisations, who had endured a six-year crisis, transformation of the accounting function registered more success. The experience of this organisation suggests that where an organisation is already overwhelmed by adverse credibility, the bigger threat of organisational mortality creates an atmosphere that readily accepts accounting change. It would seem that acceptance or rejection of accounting change is a complex process dependent on many contextual, interrelational and cultural factors.

CONCLUSION

It is hoped this paper has made several contributions to our understanding of accounting in NGOs specifically and in the public services more generally. It also represents a contribution to the developing, though still relatively small, research using grounded theory methodology. By adopting an interpretive research perspective this research addresses a long outstanding theoretical appeal for research in not-for-profit organisations to transcend the technical-rational perspective of accounting (Broadbent, 1999). The established research tradition in charities accounting - the closest organisational form to NGOs - has been unreceptive to an interpretive research perspective. Findings of this research complements the central premise in the prior literature that accounting is a component part of social and institutional interactions, affecting and being affected by human interactions and institutional conditions.

The principal finding of the paper is that in the NGO's studied the primary purpose of accounting was its symbolic use in navigating legitimacy. This transcended any technical or even informational contributions of accounting reports. It also transcended the use of internal accounting information within the organisations for decision making. This is an important finding for practice as well as for understanding and knowledge. This research also demonstrates the influences of organisational culture in resisting accounting. It nevertheless recognises the perceived potential threat of organisational mortality as a constituent attribute that may explain why accounting changes could not be successfully resisted in some situations but were successfully resisted in others. The research also supports and illustrates the symbolic role accounting plays in legitimating organisations even in circumstances where accounting itself had a minimal role to play in internal decision processes

Finally, the paper sheds light on accountability in NGOs by narrating how the phenomenon is constructed, its features and dimensions and finally how it was perceived by organisations and stakeholders. It suggests that accountability transcended technical issues related to accounting. Organisations with stronger accounting functions, better qualified accounting personnel and well documented accounting systems were not necessarily perceived by stakeholders to be more accountable. Superior accountability was seen to be associated with organisational accessibility to societal scrutiny and the transparency with which its affairs were conducted.

REFERENCES

Abdul-Rahman, A. and Goddard, A. "An Interpretive Inquiry of Accounting Practices in Religious Organisations", *Financial Accountability and Management*, Vol. 14, No.3, 1998, pp.183-201.

Alsop, R. and Farrington, J. "Nests, Nodes and Niches: A System for Process Monitoring, Information Exchange and Decision Making for Multiple Stakeholders", *World Development*, Vol. 26, No. 2, 1998, pp. 249-260.

Ansari, S. and Euske, K. "Rationalizing and Reifying Uses of Accounting Data in Organisations", *Accounting, Organizations and Society*, Vol. 12, No. 6, 1987, pp. 549-570.

Bailey, D. Harte, G. and Sugden, R. "Corporate Disclosure and the Deregulation of International Investment", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 2, 2000, pp. 197-218.

Beattie, V. and Fearnley, S. "Auditor Changes and Tendering - UK Interview Evidence", *Accounting, Auditing & Accountability Journal*, Vol. 11, No. 1, 1998, pp. 72-98.

Berry, A. Capps, T. Ferguson, P. Hopper, T. and Lowe, E. "Management Control in an Area of the NCB: Rationales of Accounting Practices in a Public Enterprise", *Accounting, Organizations and Society*, Vol. 10, No. 1, 1985, pp. 3-28.

Billis, D. "A Theory of the Voluntary Sector – Implications for Policy and Practice", *Centre for Voluntary Organisation Working Papers*, Working Paper 5. 1989.

Bird, P. "The Level of Reserves in Fund-raising Charities", *Financial Accountability and Management*, Vol. 1, No. 2, 1985, pp. 161-171.

Bird, P. and Morgan-Jones T., *Financial Reporting by Charities*, (London: The Institute of Chartered Accountants in England and Wales, 1981).

Broadbent, J. "Change in Organisations: A Case Study of the use of Accounting Information in the NHS", *British Accounting Review*, Vol. 24, No. 4, 1992, pp. 343-367.

Bradley, B., Jansen, P. and Silverman C. "The Non Profit Sector's $100 Billion Opportunity", *Harvard Business Review*, May, 2003.

Broadbent, J. "The State of Public Sector Accounting Research: The APIRA Conference and Some Personal Reflections", *Accounting, Auditing & Accountability Journal*, Vol. 12, No. 1, 1999, pp. 52-57.

Broadbent, J. and Laughlin, R. "Resisting the 'New Public Management' – Absorption and Absorbing Groups in Schools and GP Practices in the UK", *Accounting, Auditing & Accountability Journal*, Vol. 11, No. 4, 1998, pp. 403-435.

Brown, N. and Deegan, C. "The Public Disclosure of Environmental Performance Information - A Dual Test of Media Agenda Setting Theory and Legitimacy Theory", *Accounting and Business Research*, Vol. 29, No. 1, 1999, pp. 21-41.

Burchell, S. Clubb, C. Hopwood, A. Hughes, J. and Nahapiet, J. "The Roles of Accounting in Organizations and Society", *Accounting Organizations and Society*, Vol. 5, No. 1, 1980, pp. 5-27.

Burns, J. "The Dynamics of Accounting Cchange: Inter-play Between New Practices, Routines, Institutions, Power and Politics", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 5, 2000, pp. 566-596.

Callen, J. and Falk, H. "Agency and Efficiency in Nonprofit Organisations: The Case of 'Specific Health Focus' Charities", *The Accounting Review*, Vol. 68, No. 1, 1993, pp. 48-65.

Campbell, D. "Legitimacy Theory or Managerial Reality Construction? Corporate Social Disclosure in Marks and Spencer Plc Corporate Reports, 1969-1997", *Accounting Forum*, Vol. 24, No.1, 2000, pp. 80-100.

Charlton, R. and May, R. "NGOs, Politics, Projects and Probity: A Policy Implementation Perspective", *Third World Quarterly*, Vol. 16, No. 2, 1995, pp. 237-255.

Covaleski, M. and Dirsmith, M. "Dialectic Tension, Double Reflexivity and the Everyday Accounting Researcher: On Using Qualitative Methods", *Accounting, Organizations and Society*, Vol. 15, No. 6, 1990, pp. 543-573.

Davie, S. "Accounting for imperialism: a case of British-imposed indigenous collaboration", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 3, 2000, pp. 330-359.

Dirsmith, M. and Covaleski, M. "Informal Communications, Nonformal Communications and Mentoring in Public Accounting Firms", *Accounting, Organizations and Society*, Vol. 10, No. 2, 1985, pp. 149-169.

Edwards, M. "NGO Performance – What Breeds Success? A Study of Approaches to Work in South Asia", *Working Paper No. 14*, Save the Children. 1996.

Edwards, M. and Hulme, D. "NGO Performance and Accountability: An Introduction and Overview", in M. Edwards and D. Hulme, (eds.) *Non-governmental Organisation Performance and Accountability - Beyond the Magic Bullet*, (Earthscan, 1995).

Edwards, M. and Hulme, D. "Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations", *World Development*, Vol. 24, No. 6, 1996, pp. 961-973.

Eisenhardt, K. "Building Theories from Case Study Research", *The Academy of Management Review*, Vol. 14, No. 4, 1989, pp. 532-550.

Eisenhardt, K. "Better Stories and Better Constructs: The Case for Rigor and Comparative Logic", *The Academy of Management Review*, Vol. 16, No. 3, 1991, pp. 620-627.

Ezzamel, M. and Willmott, H. "Corporate Governance and Financial Accountability: Recent Reforms in the UK Public Sector", *Accounting, Auditing & Accountability Journal*, Vol. 6, No. 3, 1993, pp. 109-132.

Farrington, J. and Bebbington, A. with Wells, K. and Lewis, D. *Reluctant Partners? Non-governmental Organisations, the State and Sustainable Agricultural Development*, (London: Routledge, 1993).

Ferreira, L. and Merchant, K. "Field Research in Management Accounting and Control: A Review and Evaluation", *Accounting, Auditing & Accountability Journal*, Vol. 5, No. 4, 1992, pp. 3-34.

Forbes, D. "Measuring the Unmeasurable: Empirical Studies of Nonprofit Organisations Effectiveness from 1977 to 1997", *Nonprofit and Voluntary Sector Quarterly*, Vol. 27, No. 2, 1998, pp. 83-202.

Fowler, A. "NGDOs As a Moment in History: Beyond Aid to Social Entrepreneurship or Civic Innovation?", *Third World Quarterly*, Vol. 21, No. 4, 2000, pp. 637-654.

Funnell, W. "Preserving History in Accounting: Seeking Common Ground Between "New" and "Old" Accounting History", *Accounting, Auditing & Accountability Journal*, Vol. 9, No. 4, 1996, pp. 38-64.

Gallhofer, S. Gibson, K. Haslam, J. McNicholas, P. and Takiari, B. "Developing Environmental Accounting: Insights From Indigenous Cultures", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 3, 2000, pp. 381-409.

Gambling, T. Jones, R. Kunz, C. and Pendlebury, M. *Certified Research Report 21 - Accounting by Charities: The Application of SORP2*, (London: Certified Accountant Publications Limited, 1990).

Gray, R. " Uncharitable View of Accounting", *Accountancy*, August, 1984, p. 84.

Gray, R. Dey, C. Owen, D. Evans, R. and Zadek, S. "Struggling With The Praxis of Social Accounting – Stakeholders, Accountability, Audits and Procedures", *Accounting, Auditing & Accountability Journal*, Vol. 10, No. 3, 1997, pp. 325-364.

Gray, R. Walters, D. Bebbington, J. and Thompson, I. "The Greening of an Enterprise: An Exploration of the (Non) Role of Environmental Accounting and Environmental Accountants in Organisational Change", *Critical Perspectives on Accounting*, Vol. 6, No. 3, 1995, pp. 211-239.

Greenberg, R. and Nunamaker, T. "A Generalised Multiple Criteria Model for Control and Evaluation of Nonprofit Organizations", *Financial Accountability and Management*, Vol. 3, No. 4, 1987, pp. 331-342.

Hammersley, M. and Atkinson, P. *Ethnography: Principles in practice*, (London: Routledge, 1995).

Harris, M. "On Charities and NGOs", in Poulton, R and Harris, M. (Eds.) *Putting People First – Voluntary organisations and Third World development*, (London: Macmillan, 1988).

Hines, A. and Jones, M. "The Impact of SORP2 on the UK Charitable Sector: An Empirical Study", *Financial Accountability and Management*, Vol. 8, No. 1, 1992, pp. 49-67.

Hines, T. McBride, K., Fearnley, S. and Brandt, R. "We're Off to See The Wizard: An Evaluation of Directors' and Auditors' Experiences With The Financial Reporting Review Panel", *Accounting, Auditing & Accountability Journal*, Vol. 14, No. 1, 2001, pp. 53-84.

Holder, W. "The Not-for-profit Organization Financial Reporting Entity: An Exploratory Study of Current Practice", *Financial Accountability and Management*, Vol. 3, No. 4, 1987, pp. 311-330.

Hopwood, A. "Accounting and Organisation Change", *Accounting, Auditing & Accountability Journal*, Vol. 3, No. 1, 1990, pp. 7-17.

Humphrey, C. and Scapens, R. "Theories and case studies of organisational accounting practices: limitation or liberation?" *Accounting, Auditing & Accountability Journal*, Vol. 9, No. 4, 1996, pp. 86-106.

Humphrey, C. Miller, P. and Scapens, R. "Accountability and Accountable Management in the UK Public Sector", *Accounting, Auditing & Accountability Journal*, Vol. 6, No. 3, 1993, pp. 7-29.

Hyman, E. and Dearden, K. "Comprehensive Impact Assessment Systems for NGO Microenterprise Development Programs", *World Development*, Vol. 26, No. 2, 1998, pp. 261-276.

Hyndman, N. "Charity Accounting – An Empirical Study of the Information Needs of Contributors to UK Fund Raising Charities", *Financial Accountability and Management*, Vol. 6, No. 4, 1990, pp. 295-307.

Hyndman, N. "Contributors to Charities - A Comparison of their Information Needs and the Perceptions of such by the Providers of Information", *Financial Accountability and Management*, Vol. 7, No. 3, 1991, pp. 69-82.

Jacobs, K. "Evaluating accountability: finding a place for the treaty of Waitangi in the New Zealand public sector", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 3, 2000, pp. 360-380.

Jonsson, S. and Gronlund, A. "Life with a Sub-contractor: The New Technology and Management Accounting", *Accounting, Organizations and Society*, Vol. 13, No. 5, 1988, pp. 512-532.

Kaijage, E. Baisi, M. and Minja, E. *Management and Financial Systems for Non-Governmental Organizations: A Research Report*, (Arusha, Tanzania: The Eastern and Southern African Management Institute,1997)

Laughlin, R. Broadbent, J. and Willig-Atherton, H. "Recent Financial and Administrative Changes in GP Practices in the UK: Initial Experiences and Effects", *Accounting, Auditing & Accountability Journal*, Vol. 7, No. 3, 1994, pp. 96-124.

Leat, D*Managing Across Sectors: Similarities and Differences Between For-Profit and Voluntary Non-Profit Organisations*, (London: VOLPROF City University Business School, 1993).

Lehman, G. "Disclosing New Worlds: A Role for Social and Environmental Accounting and Auditing", *Accounting, Organizations and Society*, Vol. 24, No. 3, 1999, pp. 217-241.

Lennox C. "Do Companies Successfully Engage In Opinion-shopping? Evidence from the UK", *Journal of Accounting and Economics*, Vol. 29, No. 3, 2000, pp. 321-337.

Lipsky, M. and Smith, S. "Nonprofit Organisations, Government, and the Welfare State", *Political Science Quarterly*, Vol. 104, No. 4, 1989, pp. 625-648.

Locke, K. and Golden-Biddle, K. "Constructing Opportunities for Contribution: Structuring Intertextual Coherence and 'Problematizing' in Organisational Studies", *Academy of Management Journal*, Vol. 40, No. 5, 1997, pp. 1023-1062.

Marshall, C. and Rossman, G. *Designing Qualitative Research*, (London: SAGE Publications, 2nd Edition, 1995).

Mayo, E. *Social Auditing for Voluntary Organisations*, (London: VOLPROF City University Business School, 1996).

Meyer, J. and Rowan, B. "Institutionalized Organisations: Formal Structures as Myth and Ceremony", *American Journal of Sociology*, Vol. 83, No. 2, 1977, pp. 340-363.

Meyer, J. and Rowan, B. "Institutionalized Organizations: Formal Structure as Myth and Ceremony", in Powell, W. and DiMaggio, P. (Eds.) *The New Institutionalism in Organizational Analysis*, (Chicago: The University of Chicago Press, 1991, pp. 41-62).

Miles, M. and Huberman, A. *Qualitative Data Analysis*, (London: SAGE Publications, 2nd Edition, 1994).

Myers, J. and Sacks R. "Tools, Techniques and Tightropes: The Art of Walking and Talking Private Sector Management in Non-profit Organisations", *Financial Accountability and Management*, Vol 19 No 3, 2003, pp 267-306.

Normanton, E. "Public Accountability and Audit: A Reconnaissance", in B. Smith and D. Hague (eds.), *The Dilemma of Accountability in Modern Government*, (London: Macmillan, 1971, pp. 311-346).

Parker, L.D. "Reactive Planning in a Christian Bureaucracy", *Management Accounting Research*, Vol. 12, No. 3, 2001, pp. 321-356.

Parker, L.D. "Budgetary Incrementalism in a Christian Bureaucracy", *Management Accounting Research*, Vol. 13, No. 1, 2002, pp. 71-100.

Parker, L. and Roffey, B. "Back to the Drawing Board: Revisiting Grounded Theory and the Everyday Accountant's and Manager's Reality", *Accounting, Auditing & Accountability Journal*, Vol. 10, No. 2, 1997, pp. 212-247.

Poulton, R. "On Theories and Strategies", in R. Poulton and M. Harris (eds.) *Putting People First – Voluntary organisations and Third World development*, (London: Macmillan, 1988).

Powell, W. and DiMaggio, P. *The New Institutionalism in Organizational Analysis*, (Chicago: The University of Chicago Press, 1991).

Preston, A. "Interactions and Arrangements in the Process of Informing", *Accounting, Organizations and Society*, Vol. 11, No. 6, 1986, pp. 521-540.

Roberts, J. "Possibilities of Accountability", *Accounting, Organizations and Society*, Vol. 16, No. 4, 1991, pp. 355 - 368.

Salamon, L. Anheier, H. List, R. Toepler, S. Sokolowski, S. and Associates *Global Civil Society: Dimensions of the Nonprofit Sector*, (Johns Hopkins Institute for Policy Studies, 1999).

Scott, C. "Accountability in the Regulatory State", *Journal of Law and Society*, Vol. 27, No. 1, 2000, pp. 38-60.

Seville, M. "Accounting and Information about Voluntary Health and Welfare Organisations", *Financial Accountability and Management*, Vol. 3, No. 4, 1987, pp. 367-380.

Simsa, R. "Fighting Heroes, Repair-workers or Collaborators? Strategies of NPO's and Their Consequences", *Financial Accountability and Management*, Vol. 19, No. 3, 2003, pp 225-242.

Slagmulder, R. "Using Management Control Systems to Achieve Alignment Between Strategic Investment Decisions and Strategy, *Management Accounting Research*, Vol. 8, No. 1, 1997, pp. 103-139.

Strauss, A. *Qualitative analysis for social scientists*, (Cambridge University Press 1987).

Strauss, A. "Notes on the Nature and Development of General Theories", *Qualitative Inquiry*, Vol. 1, No. 1, 1995, pp. 7-18.

Strauss, A. and Corbin, J. *Basics of Qualitative Research - Grounded Theory Procedures and Techniques*, (London: SAGE Publications,1990).

Strauss, A. and Corbin, J. *Basics of Qualitative Research – Techniques and Procedures for Developing Grounded Theory*, (London: SAGE Publications, 2nd Edition, 1998).

Strauss, A. and Corbin, J. "Grounded Theory Methodology: An Overview", in Denzin, N. and Lincoln, Y. (Eds.) *Strategies of Qualitative Inquiry*, (London: SAGE Publications, 1998, pp. 158-183).

Suchman, M. "Managing Legitimacy: Strategic and Institutional Approached", *Academy of Management Review*, Vol. 20, No. 3, 1995, pp. 571-610.

Sutton, R. and Callahan, A. "The Stigma of Bankruptcy: Spoiled Organisational Image and Its Management, *Academy of Management Journal*, Vol. 30, No. 3, 1987, pp. 405-436.

Tower, G. "A Public Accountability Model Of Accounting Regulation, *British Accounting Review*, Vol. 25, No. 1, 1993, pp. 61-85.

Trigg, R. and Nabangi, F. "Representation of the Financial Position of Nonprofit Organizations: The Habitat for Humanity Situation", *Financial Accountability and Management*, Vol. 11, No. 3, 1995, pp. 259-269.

Unerman, J. "Methodological Issues - Reflections on Quantification in Corporate Social Reporting Content Analysis", *Accounting, Auditing & Accountability Journal,* Vol. 13, No. 5, 2000, pp. 667-680.

Vakil, A. "Confronting the Classification Problem: Toward a Taxonomy of NGOs", *World Development*, Vol. 25, No. 12, 1997, pp. 2057-2070.

Walker, S. and Llewellyn, S. "Accounting at Home: Some Interdisciplinary Perspectives", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 4, 2000, pp. 425-449.

Westerdahl, S. "Between Business and Community: As Accounting Practice", *Financial Accountability and Management*, Vol 17 No 1, 2001, pp. 59-72.

Williams, S. and Palmer, P. "The State of Charity Accounting – Developments, Improvements and Continuing Problems", *Financial Accountability and Management*, Vol. 14, No. 4, 1998, pp. 265-279.

Wilmshurst, T. and Frost, G. "Corporate Environmental Reporting: A Test of Legitimacy Theory", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 1, 2000, pp. 10-26.

World Bank, *NGOs in Bank-supported Projects: An Operations Evaluation Department Review*, (New York: World Bank, 1998).

World Bank *Annual Review Reports on Cooperation between the World Bank and NGOs*, (New York: NGOs Unit, World Bank,1999).

Vakkuri, J. "Research Techniques and Their Use in Managing Non-Profit Organisations – An Illustration of DEA Analysis in NPO Environments", *Financial Accountability and Management*, Vol. 19, No. 3, 2003, pp 243-264.

Zietlow, J. "Capital and Operating Budgeting Practices in Pure Nonprofit Organisations", *Financial Accountability and Management*, Vol. 5, No. 4, 1989, pp. 219-232.

Table 1 : Financial summaries

Incomes in Tanzanian shillings					
Year	*1994*	*1995*	*1996*	*1997*	*1998*
CHNGO	67,250,674	102,909,570	104,658,470	233,074,174	264,334,853
KNGO	185,236,451	271,437,981	304,895,720	457,388,145	543,050,276
DNGO	95,508,000	129,715,000	219,390,000	283,651,000	378,217,000

Table 2 : Interviewee details

Position	*Interviews*	*Organisation*
NGOs:		
Director	3	KNGO
Bookkeeper	3	KNGO
Trustee	1	KNGO
Manager	3	CHNGO
Accountant	3	CHNGO
Treasurer/Trustee	1	CHNGO
Executive Secretary	2	DNGO
Office Management Secretary	2	DNGO
Regulatory bodies:		
Director NGO Division	2	Vice President's Office
State Attorney	2	Registrar of Societies
Director	2	Accounting Board
Donors:		
First Officer	1	Tanish Embassy
Programme Officer	1	Royal Kenish Embassy
Accountant – AID	1	Anian Embassy/ Anian AID
Projects Officer – NGO and Trusts	1	Zrosh Development Corporation
Others:		
Chairperson	1	Umbrella NGO organisation
Co-ordinator	2	NGO Training Project
Total	**31**	

Table 3: Dimensions and properties of the category 'Aspects of organisational culture'

Category/concept			
Aspects of organisational culture			
Properties	*Dimensions*	*Dimensional range*	
Commonality of values	Sharing and participation	Low	High
Commitment	Team spirit	Low	High
Alliances building	Number of alliances	None	Many
	Strength of alliances	Weak	Strong
Staff interaction	Office layout	Non-territorial	Territorial
	Staff communication	Easy-informal	Formal

Fig. 1: Properties and dimensions of navigating legitimacy

