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Accounting in Non-governmental organisations

Towards a Theory of Navigating Legitimacy

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ABSTRACT

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ACCOUNTING IN NON-GOVERNMENTAL ORGANISATIONS: TOWARDS A THEORY OF NAVIGATING LEGITIMACY

by Mussa Juma Assad

This research investigates the phenomenon of accounting in non-governmental organisations (NGOs). It seeks to understand accounting processes and reporting practices in NGOs and conditions that sustain those processes and practices. NGOs have become important institutions in world affairs but accounting research has not developed 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). However, since stakeholder relationships are important dimensions in NGOs, a stakeholder analysis framework (Mitchell et al., 1997) was also employed. Fieldwork was undertaken from June 1999 to October 2000 in three Tanzanian NGOs.

The research established the importance of accounting in the process of seeking, attaining and maintaining organisational legitimacy. Accounting communicated activities and scale of resource need and was the formal channel for justifying resource utilisation, but it was also an important legitimating catalyst because it symbolised organisational competence. When perceived to be adequate accounting enhanced organisational legitimacy. Increased availability of easily accessible donor funds; a weak and outdated regulatory regime; effects of stakeholder stature, organisational growth, conflicts; organisational credibility; the strength of cultural orientation; and the state of trust relationships emerged as other important conditions that facilitated or constrained the processes of navigating legitimacy.

This research contributes to interpretive accounting research by providing incremental evidence of previously observed phenomena but from organisational forms that have not been studied previously. It observes accounting to be intertwined with intra-organisational dynamics as well as inter-organisational dynamics that arise from interactions with, and meeting demands, of stakeholders. The research underscores the centrality of trust to organisational accountability and suggests that the relationship between accounting and trust is a multi dimensional one. Whereas accuracy, integrity, frequency, and coverage of accounting information affect levels of trust, the depth of trust relationships similarly influences the burden of accounting.

This research makes methodological contributions in two areas. It advocates stakeholder perspectives in sensitising interpretive accounting research, especially in not-for-profit organisations. It also systematically documents and evaluates the dynamics of the grounded theory generating processes. Analytical intricacies and difficulties encountered in different stages of analysis are discussed - a process that leads to a convergent grounded theory approach that is more pragmatic and flexible in employing elements of the paradigm model especially during axial coding but also during theory integration phases of grounded theory analysis.

Dedication

I dedicate this work to the memory of Asiya bint Abdillahi,
the loving mother who predeceased her four young children.

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¹ Names of organisations and individuals have been changed to protect their anonymity except where this would have been impractical such as was the case with the Accounting Board - the only accounting regulatory body in the country.

Chapter One

1 Introduction

1.1 Background to the research

This research investigated 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. The country setting is Tanzania. Non-governmental Organisations (NGOs) 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. The concept of a non-governmental organisation is much broader than that of a charity.

Recognising the potential stakeholder implications in accounting processes (Gray *et al.*, 1997) this research took account of, and sought to understand stakeholder relationships that pertain to operations of NGOs. The objective was to observe influences or confluence these stakeholder relationships had on accounting processes and financial reporting practices.

This research seeks to advance our understanding of accounting processes and reporting practices and conditions in which these processes and practices were conducted. It sought to obtain this understanding by probing interactional accounting experiences of organisational actors and stakeholders. The research analysed stakeholder relationships and observed how organisations managed accounting processes in reporting and responding to stakeholder claims. The principal output of this investigation is a conceptual explanation, an account of social processes that seeks connections between events, actions, processes and structures (DiMaggio, 1995) - an emergent theory.

1.2 Significance of the research

NGOs are a type of organisation that has 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 become preferred agents over 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.

Although a significant body of interpretive accounting research literature has developed in the past two decades, little research has focused on not-for-profit organisations that are not affiliated to governments (Ferreira and Merchant, 1992; Parker, 1998). Existing research on non-governmental not-for-profit entities such charities is mainly mainstream positivist. Questionnaire survey, data base research and content analyses determine *a priori* the precise set and structure of issues of interest, with emphasis on empirical generalisation. These 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.

For example, this mainstream positivist research has found that accounting practices in charities and similar not-for-profit organisations were diverse and non-uniform (Birds and Morgan-Jones, 1981; Holder, 1987; Seville, 1987) and that the introduction of the Statement of Recommended Practice 2 (SORP2) in the UK did not seem to have reduced accounting practice diversity and improved the quality of financial reporting (Hines and Jones, 1992; Gambling *et al.*, 1990; Williams and Palmer, 1998). The main limitation of this research tradition is failure to provide field informed accounts that explain occurrence of such phenomena - attempting to understand accounting reality from the perspective of organisational actors themselves. This research does not claim to provide answers to these

questions but it suggests and executes a research approach that has the potential to accumulate knowledge that can eventually begin to answer some of the questions.

1.3 The research and its underlying theoretical foundation

In contrast to positivist accounting thought that represents efforts to discover a knowable, objective and independently existing reality (Chua, 1986), this research is premised on an interactionist theoretical framework - the mainstay of interpretive accounting research. This theoretical orientation places accounting within a socio-cultural context; where societal and cultural norms have implications on how organisational actors understood and interpreted accounting functions, processes and information. This research perspective takes accounting information as having multiple meanings that are constituted by changing social, political and historical contexts through complex interpretive processes and structures. These meanings are contextual and change through continuous interactions. In such interactions meanings evolve through organisational actors' own interpretations and re-interpretations of acts, events, or magnitude and importance of communicative figures such as accounting numbers. In a review of not-for-profit literature, DiMaggio and Anheier (1990) were optimistic of interpretive research potential to reveal complexities of behaviours within not-for-profit organisations - issues that mainstream research literature had failed to address.

This research executed a grounded theory strategy (Strauss, 1987; Strauss and Corbin, 1990; 1998) because it encouraged more than narrative accounts of phenomena and sought dense conceptual linkages between concepts - an aspect that had potential for developing field-informed accounting theories (Humphrey and Scapens, 1996). Fieldwork research was undertaken in two phases; from June to September 1999 and July to October 2000 through case studies of three non-governmental not-for-profit organisations in Tanzania.

1.4 Thesis layout

This thesis has ten substantive chapters in addition to this introductory chapter. The first three chapters (Chapters 2, 3 and 4) review three fields of literature. Chapter Two reviews literature on research paradigms in organisational research, while Chapter Three narrows the literature down to interpretive research. Chapter Four reviews focal literature in the not-for-

profit organisations. These chapters identify, demonstrate and evaluate the main empirical and methodological issues relevant to the research subject. They also explore existing literature for aspects that warrant further attention - a process that culminates in identification of the knowledge gap and formulation of the research problem for this project.

Chapter Two discusses the different points of worldview taken in organisational studies in general and accounting in particular, and summarises the three main research paradigmatic camps; mainstream functionalist, interpretive and critical (Burrell and Morgan, 1979; Guba and Lincoln, 1998; Morgan and Willmott, 1993; Gioia and Pitre, 1990; Cooper, 1983; Hopper and Powell, 1985; Willmott, 1993; Jackson and Carter, 1993; Schultz and Hatch, 1996; Pfeffer, 1993; Tomkins and Groves, 1983; Chua, 1986; Laughlin, 1995).

The chapter presents and reviews arguments on paradigm incommensurability as well as contemporary views that seek to identify common features between the interpretive and critical paradigms - middle range thinking that takes paradigm positions as points along a continuum of perspectives (Laughlin, 1995). The chapter finally opts for an interpretive line of inquiry as the platform for this research. Its attractions were first, it takes a stance that seeks primarily to represent reality from the perspectives of organisations and communications of organisational actors, without privileging any particular set of meaning constructions. Secondly, it has a micro orientation that privileges situational experience, which makes its results empirically rich.

Chapter Three provides an in depth review of interpretive accounting research literature. This is accomplished by comparing and contrasting methodological advocacy literature adapted from interpretive sociology and anthropology and also by synthesising interpretive empirical research. The chapter evaluates the extent to which specific interpretive methodologies have been used to inform empirical accounting research and notes the lack of grounded theory research. It concludes by identifying not-for-profit organisations unaffiliated to governments as types of institutions largely ignored by interpretive research and makes an argument for initiating interpretive research in these organisations.

Chapter Four focuses on not-for-profit organisations as the chosen field of study. It reviews literature that is relevant to accounting in non-governmental organisations (NGOs) from two

prominent fields; development economics and accounting. Because the prominence of NGOs is related to issues that 'New Public Sector Management' (NPM) grapples with - both being affected by the adoption of neo-liberal economic policies, issues of common interest from NPM literature are brought in and discussed.

The chapter observes that development economics related literature has covered NGOs. However, this literature ignores or takes for granted accounting and how it is implicated in NGOs' organisational realities. A review of empirical accounting research in charities and similar not-for-profit entities reveals the predominance of the mainstream functionalist orientation. Three main issues therefore emerged. Firstly, that non-governmental not-for-profit organisations have not been sufficiently explored. Secondly, that an interpretive line of inquiry is more appropriate in order to obtain an in depth understanding of the accounting phenomenon in these organisations. Thirdly that such an understanding may benefit from research insights emanating from field studies in a non-western, developing country socio-cultural setting where the bulk of non-governmental organisations operations are undertaken. The chapter ends with formulation of a research problem to investigate the accounting phenomenon within a socio-cultural and a regulatory framework of non-governmental not-for-profit organisations in Tanzania.

Chapter Five sets out a grounded theory strategy as the principal interpretive line of inquiry executed to investigate the research problem. However, since stakeholder relationships were an important dimension in settings of not-for-profit organisations, the research strategy also includes a stakeholder analysis using a framework proposed by Mitchell *et al.*, 1997. This framework assesses possession of the attributes of power, legitimacy and urgency by a stakeholder to measure stakeholder salience. Results of this analysis sensitised the researcher on stakeholder implications during grounded theory analysis.

The chapter also points out the research sites and the justification for their choice and describes the discontinuous nature of two fieldwork visits spaced twelve months apart. This approach was preferred because it was cost-effective and ensured a reflexive break that was necessary in order to allow an opportunity to observe change over a period of time. The chapter also describes methods of data collection as well as details of grounded theory analysis. The final sections of the chapter address issues of threats of validity and reliability

to qualitative research and set out strategies that were implemented to guard against these threats.

Chapters Six, Seven, Eight, Nine and Ten are all post-fieldwork chapters. Contents of these chapters therefore, follow closely the different outputs of data analysis. Chapter Six sets the general context of the research by providing descriptive background details of organisations and their stakeholders. It profiles the three organisations through a longitudinal account of two phases; early formative years, and the years of growth and maturity. This section also contains details and comparisons of management and administrative structures, finances and accounting, and budgetary practices. The chapter also profiles stakeholders - the Government; Donors; Boards of Trustees; the Accounting Board; Members; and Beneficiary communities.

Chapter Seven executes the initial phase of grounded theory analysis and its output is a list of categories describing the emergent theoretical perspectives. Open coding generated twenty categories that capture events, structures and processes that were important to organisational actors and/or in histories of the organisations. Because some are conceptually richer than others descriptions of these categories differ in densities. In this chapter only a limited and preliminary effort is made to explore relationships between open code categories.

Chapter Eight presents and describes the output of the second phase of grounded theory analysis - axial coding. Ten main categories emerged - each of which represented an important aspect of the emergent theory. The main categories are dense in that they subsume other open code categories and provide width of scope by permitting contrast and comparison across organisations, where data was available. These main categories also have the capacity to integrate with each other. The chapter describes each of the main categories by employing logic diagrams and contextual discussions. Logic diagrams summarise in tabular form the conditions, properties and specific dimensions of each main category while the contextual discussion offers the attendant details on how the category appears to exist and how it is related to its subsidiary categories. This aspect of theoretical integration of the main categories is taken up in Chapter Nine - a chapter that identifies the core category among the ten main categories and proceeds to propose the final emergent grounded theory.

Chapter Nine brings together and integrates main categories developed in Chapter Eight. This integration of main categories - weaving them around a core category is the final phase of grounded theory analysis. The chapter outlines elements of the paradigm model - a tool elected for theory integrating because of its capacity to adequately combine elements of structure and process - both of which are important aspects of the emergent theory.

Navigating legitimacy is identified as the core category of the emergent substantive theory. It represented the basic social process that links the remaining main categories as conditioning contexts, interactional strategies or consequences. Two macro conditioning contexts are identified as facilitating the phenomenon of navigating legitimacy. These are firstly increased availability of easily accessible donor funds, combined with secondly a weak and outdated regulatory regime. It is 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.

Two micro conditioning contexts are also identified as the internal organisational situation and accountability profiles of individual organisations. Depending on these micro conditioning contexts organisations were shown to seek either superior accountability [high legitimacy threshold] or inferior accountability [low legitimacy threshold]. Organisations seeking a high legitimacy threshold engaged the whole spectrum of stakeholders while those seeking a low legitimacy threshold engaged only the most critical stakeholders.

A number of strategies and tactics that organisations employed in navigating legitimacy are also described. These are manifest in two sub-processes - 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. This phase 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. 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. Accounting is seen to be predominant in the whole process of navigating legitimacy, which suggests that despite it's acknowledged

inconsequential role in internal decision processes, accounting was a crucial legitimating device.

Chapter Ten seeks and explores logical connections and extensions between phenomena in the emergent theory as compared to extant literature. The objective is to build cumulative knowledge about why specific events, structures and processes appeared as they were and to understand change patterns and their underlying reasons. The chapter observes similarities between the emergent theory and extant literature in several respects. For example, as in extant literature, accounting practices are observed to be constituted by dynamics of organisation-stakeholder interactions. However, at variance with extant literature is the observation that accounting appeared to have no significant constituting effects on the way organisations were run.

The chapter also underscores the centrality of trust to accountability relationships and suggests that the relationship between accounting practices and trust is not one-dimensional. The generation and production of accounting information affects, over time, levels of trust but similarly the extent of trust relationships influences accounting practices.

The chapter also explores relationships between accounting and organisational accountability and suggests that, although issues of audit, accuracy and integrity of accounts were important, there were other facets of accountability that stakeholders paid attention to. Two of which are the degree to which an organisation was accessible to societal scrutiny and the extent of availability of knowledge of its operations to interested constituents. These aspects transcended both accounting and regulatory requirements.

The chapter illustrates that accounting practices are implicated in legitimating organisations to external stakeholders because accounting functions were geared largely towards portraying images of organisations as competent entities that employed modern management practices that the society perceives as important. In line with institutional theorists (Meyer and Rowan, 1977; Meyer and Rowan, 1991; Powell and DiMaggio, 1991) organisations were responding to societal dynamics that desired a role for accounting. Similarly important was the use of expert services such as auditors and management consultants in enhancing organisational legitimacy.

The chapter also observes two attributes that facilitate or constrain accounting related change. These are the strength of organisational culture and the threat of organisational mortality. A strong activist cultural orientation did not appreciate formal and managerialist approaches as important for effectiveness of delivery of core programmes. Such a cultural orientation saw utility of accounting as only to meet requirements for accessing donor resources. Accounting was therefore accorded a subsidiary role. The strength of cultural values was however watered down if continued survival of the organisation was at stake. The threat of organisational mortality (for example, a major crisis or loss of long term donor funding) coaxed organisations into yielding and accepting more accounting related changes that resulted in what appeared to be a stronger accounting function in one organisation.

Having placed the emergent theory in the context of extant literature and discussed areas of commonality and divergence Chapter Eleven draws this research undertaking to a close by setting out the key ideas drawn from this research and their implications to extant literature and substantive research interest areas. It illustrates how the parent and focal literature have changed as a result of this piece of research and what contributions the research makes to literature. By examining and describing in depth how organisations responded to, and influenced, stakeholder claims this research contributes to descriptive stakeholder theory (Jones, 1995; Donaldson and Preston, 1995; Mitchell *et al.*, 1997; Frooman, 1999) and to literature on stakeholder approaches in accounting (Goddard and Powell, 1994; Gray *et al.*, 1997). It also addresses a long outstanding theoretical appeal for research in not-for-profit organisations to transcend the technical-rational perspective of accounting (Broadbent, 1999). This work also sheds some light on the phenomenon of accountability in non-governmental not-for-profit organisations by narrating how the phenomenon is constructed, its features and dimensions and finally how it was perceived by organisations and stakeholders.

Finally the chapter links this research with future research by putting forward methodological contributions and making suggestions for future research. Methodological contributions are in the areas such as utilisation of a stakeholder approach in interpretive research; practical and fieldwork-informed suggestions for grounded theory analysis; operationalisation of the paradigm model; and suggestions towards a convergent grounded theory approach that is

more pragmatic in employing elements of the paradigm model, especially during the axial coding phase of grounded theory analysis.

Chapter Two

2 Research paradigms in organisational studies

2.1 Introduction

This chapter discusses the different points of view taken in organisational studies and summarises the three main research paradigmatic camps in accounting (mainstream, interpretive and critical). The paradigm model developed by Burrell and Morgan (1979) is compared to others and is eventually used as the paradigmatic mapping tool.

While arguments made for paradigm incommensurability are presented, the chapter also submits contemporary views that seek to identify common features between the interpretive and critical paradigms, and understand paradigm positions along a continuum of perspectives. These are reflected in 'middle range thinking' (Laughlin, 1995) and other attempts to integrate elements of critical perspectives into the interpretive research framework.

This chapter serves as the platform from which the interpretive research line of inquiry is taken up and developed further in Chapter Three.

2.2 The nature of paradigms

A paradigm is a set of basic beliefs and represents a worldview that defines, for its holder, the nature of the world, the individual's place in it, and the range of possible relationships to that world or its part (Guba and Lincoln, 1998). It is a 'disciplinary matrix' (Kuhn, 1970), a term that includes commitment, beliefs, values, methods, outlooks shared across a discipline (Schwandt, 1997). It is a mode of theorising which emphasises the commonality of perspective among theorists in such a manner that they can be taken to study social science from within the bounds of a common plane (Burrell and Morgan, 1979).

Paradigms are held with passion and commitment that arise from study and strong convictions (Young and Preston, 1996), but paradigmatic stances have also been attributed to faith (Guba and Lincoln, 1998; Morgan and Willmott, 1993). Some paradigms are more persuasive than others are as they permit researchers to make better sense of phenomena under inquiry. Indeed even with persuasive power, paradigmatic arguments are contestable and need to be defended (Laughlin, 1995). Paradigms gain their status because they are more successful than others in providing solutions to or in understanding of problems and phenomena that are recognised as worthy of attention (Kuhn, 1970). Paradigms become prominent only because the nature of its arguments is compelling (Gioia and Pitre, 1990).

2.3 Paradigms in organisational studies

Burrell and Morgan's text *Sociological Paradigms* (1979) is widely acknowledged as an influential contribution to the challenge of intellectual dominance by the hypothetico - deductive mode of inquiry (Willmott, 1993) and the theoretical diversity in organisation and management studies (Cooper, 1983; Hopper and Powell, 1985; Willmott, 1993; Jackson and Carter, 1993; Laughlin, 1995; Schultz and Hatch, 1996; Pfeffer, 1993).

Burrell and Morgan (1979) distinguished four paradigms in the study of the social world. Each represented a frame of reference which, in their view, major theorists adopted and so defined a range of intellectual territory in which they operated. Burrell and Morgan's paradigms were a result of tying in assumptions about the nature of social science with assumptions about the nature of society.

In social sciences, observations, phenomena under study and modes of interpretation are influenced by theoretical presuppositions of the researcher. Empirical observations therefore, are never theory-free (Otley and Berry, 1994). In this regard, whether or not researchers explicitly acknowledged or appreciated paradigmatic assumptions, they made and used them when they developed and applied theory (Laughlin, 1995; Schultz and Hatch, 1996). With regard to the nature of social science study, Burrell and Morgan proposed four assumptions made by investigators when approaching a subject of study. These related to the *ontological, epistemological, human nature and methodological* orientations. Ontological orientation explains the form and nature of reality. Whether reality is seen as hard and objective or

whether reality is dependent on an individual's consciousness and cognition. Realists subscribe to the former while nominalists to the latter.

Epistemological orientation is connected to ontological orientation in that one seeks to answer the question of how true knowledge of reality is identified, acquired and communicated. Whether knowledge is tangible and can be obtained and transmitted or it is more subjective, only a product of personal lived experience. A positivist approach searches for verifiable objective knowledge in the traditional mainstream approaches of the sciences, which seek universal and causal relationships among the constituent elements of the social world. An anti-positivist approach searches for knowledge taking account of subjective individual experiences.

Assumptions on human nature orientation seek to explain the relationship between the human being and his/her environment, and distinguish between the deterministic and voluntarist positions. The deterministic position takes human beings as products of their environment, and conditioned by it, while the voluntarist position attributes a more influential role to the human being in relation to his/her environment. A voluntarist perspective takes the human being as the creator and an influence of his/her own environment.

The methodological orientation is connected to and dependent on the preceding three sets of assumptions. Methodologies seeking to establish general and universal relationships between elements of the social world assume the social world as hard, objective and not influenced by the individual. These are nomothetic approaches, borrowed from natural sciences and seeking to mount studies in accordance with systematic protocol and statistical research techniques. In contrast there are other methodologies which assume the social world as made up of individual experiences as the human being interacts with others and influences his/her environment. Such methodologies seek to analyse unique and particular experiences rather than general causal relationships.

Burrell and Morgan (1979) then collapsed the extreme positions in the four orientations into two major intellectual traditions; *sociological positivism* and *German idealism*. These were converted into the objective and subjective dichotomy respectively which constituted the first

half of their 2 by 2 matrix. Sociological positivism is associated with realist, positivist, deterministic and nomothetic approaches, while German idealism is associated with nominalist, anti-positivist, voluntarist and ideographic approaches.

The second half of Burrell and Morgan's matrix is the conflict-order sociological dichotomy which was resurrected through a review of the works of Dahrendorf, 1959. Burrell and Morgan (1979) formed new terms; *sociology of regulation* and *sociology of radical change* for the extremes and components of the old order-conflict dichotomy. These extremes made the two positions where groups of theorists in the study of the nature of society were located. Theorists in the sociology of regulation group sought to explain society in terms of its unity, harmony and cohesiveness. Those in the sociology of radical change sought to explain radical changes in society in terms of structural contradictions and conflicts.

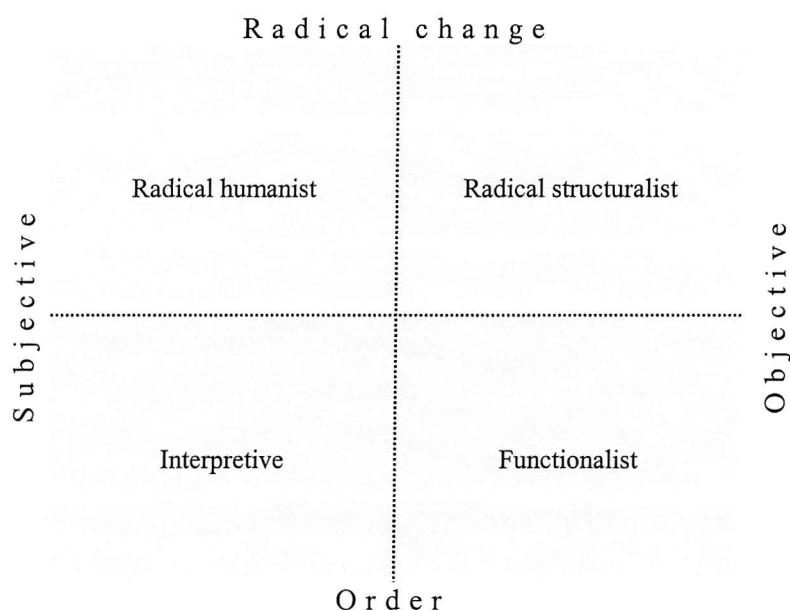


Fig. 1 : Burrell and Morgan's paradigm matrix

The completed 2 by 2 matrix (Fig. 1) gave rise to the four paradigms. On the subjective-objective axis, the *functionalist* and radical *structuralist* paradigms are both objectivist. The difference being while the functionalist paradigm is associated with unity of society, cohesiveness and order, the radical structuralist paradigm is identified with conflict and contradiction in society and seeking to change the *status quo*. The *interpretive* and *radical humanist* paradigms are both subjectivist. The difference being while the interpretive paradigm is associated with unity of society, cohesiveness and order, and the radical

humanist paradigm is associated with conflict and contradiction in society. On the regulation - radical change axis, the functionalist and interpretive paradigms are both associated with maintenance of the *status quo* by seeking unity of society, cohesiveness and order. The radical structuralist and radical humanist paradigms are both associated with challenging the *status quo* and seeking change in society.

Guba and Lincoln (1998) also presented four *Basic Beliefs* that broadly reconcile with Burrell and Morgan's framework. There is convergence in theoretical groupings classified by Burrell and Morgan (1979) and Guba and Lincoln (1998). Guba and Lincoln's *positivism* and *postpositivism* have ontological, epistemological and methodological assumptions that closely match Burrell and Morgan's functionalist paradigm. The general aim of positivist inquiry is explanation for prediction and control, methods of knowledge generation are hypotheses testing-based and positivism portrays the researcher as objective and research outcomes value-free.

Guba and Lincoln (1998) also include several alternative paradigms, which have a value-determined nature of inquiry. They have a dialogue-led mode of inquiry which is dialectic in nature and seeks to 'transform ignorance and misapprehensions into more informed consciousness (seeing how the structures might be changed and comprehending the actions required to effect change' (Guba and Lincoln 1998, p. 110). This stance closely mirrors Burrell and Morgan's radical structuralist and radical humanist paradigms.

Finally Guba and Lincoln's *constructivism* can be associated with Burrell and Morgan's interpretive paradigm. As pointed out by Schwandt (1998), Guba and Lincoln's constructivist paradigm is a wide-ranging eclectic horizon that included *constructivist*, *interpretive*, *naturalistic* and *hermeneutic* as similar notions. Guba and Lincoln's constructivism views realities as experiential and constituted from individual or group social mental constructions, which are based on local and specific contexts. This is consistent with the interpretive paradigm's concern to understand the fundamental nature of the social world at the level of subjective individual experiences (Burrell and Morgan, 1979).

Although Burrell and Morgan's paradigms share a common set of assumptions the authors wanted the paradigms to be viewed as:

[...] contiguous but separate - contiguous because of the shared characteristics, but separate because the differentiation is of sufficient importance to warrant treatment of the paradigms as four separate entities. The four paradigms define fundamentally different perspectives for the analysis of social phenomena (Burrell and Morgan, 1979, p. 23).

The sharing of a paradigmatic location did not however imply complete unity of thought and approach. Burrell and Morgan saw the room for differences and debate within a paradigm. They nevertheless emphasised the fundamental nature of the inter-paradigmatic differences and mutual exclusivity. Accordingly the paradigms were offering:

[...] different views of social reality, and to understand the nature of all four is to understand four different views of society. They offer different ways of seeing. A synthesis is not possible, since in their pure forms they are contradictory; one cannot operate in more than one paradigm at any given point in time (Burrell and Morgan 1979, p. 25).

This mutual exclusivity of paradigms has been the subject of much of the criticism directed at Burrell and Morgan's framework. Burrell and Morgan's mutually exclusive 'enclaves' have been argued to be rigid and encouraging a new form of 'hegemonic closure' (Willmott, 1993, p. 684). Mutual exclusiveness was seen as unnecessarily constraining the process of theory development because of the polarisation of sets of assumptions about the study of social science and the nature of society (Willmott, 1993).

Willmott (1993) basing on his understanding of Kuhn's work accepts incommensurability of paradigms only in the sense that contents of rival theories located in different paradigms cannot be fully expressed or evaluated. Except for this, there was a logical necessity for some degree of commensurability to exist among the paradigms. In Willmott's view, some degree of commensurability of paradigms is necessary because:

[..] New paradigms do not parachute from the skies. Rather they arise out of processes of social and intellectual struggle, often promoted by political and technological developments and contradictions within the wider structure of social relations, contradictions that stimulate critical reflection upon the plausibility of the assumptions underpinning established paradigms of knowledge (Willmott, 1993, p. 688).

In my reading of Kuhn (1970) there is partial endorsement of Willmott's argument. Kuhn expressed the view that:

[...] The transition from a paradigm in crisis to a new one from which a new tradition of normal science can emerge is far from a cumulative process, one that is achieved by an articulation or extension of the old paradigm. Rather it is a reconstruction of the field of new fundamentals, a reconstruction that changes some of the fields' most elementary theoretical generalisations as well as many of its paradigm methods and applications. During the transition period *there will be a large but never complete overlap* between the problems that can be solved by the old and the new paradigm. But there will also be a decisive difference in modes of solution (Kuhn, 1970, p. 84 – 85 [emphasis added]).

Willmott (1993) then illustrated plausibility of paradigm overlap through developments in Labour Process Theory (LPT). Mapping LPT into Burrell and Morgan's framework would place it within the radical structuralist paradigm. However, critics of orthodox LPT have wanted the inclusion of a subjective dimension into it. In order for a subjective element to be included, LPT would have to transform itself into either the interpretive or radical humanist paradigms. Both were considered to be unacceptable paradigm shifts because they would result in abandonment of LPT's commitment to radical structuralism. Willmott argued that LPT could incorporate the subjective dimension without having to relinquish its commitment to radical structuralism. Burrell and Morgan's strict dichotomous separation of paradigms would deny such a plausible endeavour as an impossibility.

The objective-subjective dichotomy has also been found unsound in other works (Hopper and Powell, 1985; Chua, 1986; Gioia and Pitre, 1990; Schultz and Hatch, 1996). Hopper and Powell for example, took the objective-subjective dichotomy as a continuum. In that way they were able to argue for the possibility of concerns of radical structural analysis to be reconciled with those of the subjective humanist tradition. Then it would be possible for structural analysis and the appreciation of consciousness to be employed in a dialectical process to understand the same reality. Gioia and Pitre (1990) supported this view when they argued that paradigmatic boundaries were permeable, to a limited but conceptually crucial extent.

[...] it is obvious that the paradigmatic dimensions (subjective/objective and stability/change) are actually continua, making it difficult, if not impossible, to establish exactly where one paradigm leaves and another begins. .. The boundaries between paradigms are therefore more usefully conceived as *transition zones* (Gioia and Pitre 1990, p. 592 [emphasis in original]).

Along similar lines to Willmott (1993), Gioia and Pitre (1990) presented a thesis that paradigms were not completely incommensurable because through the *transition zones*, important aspects of one paradigm could be understood in terms of another and otherwise competing paradigm. Nevertheless, Gioia and Pitre (1990) also rejected the possibility of a synthesis of paradigms.

Schultz and Hatch (1996) extended the concept of transition zones when they totally rejected paradigm incommensurability. By extending further the transition zones they proposed a paradigm crossing strategy they termed *interplay*. This was 'the simultaneous recognition of both contrasts and connections between paradigms' (p. 534). They did not however go as far as to accept a total integrationist view as that would render meaningless the contrast and connections that were important elements of interplay. The interplay strategy assumed permeability of paradigm boundaries, an aspect, which is rejected by both sequential and parallel paradigm perspectives.

The interplay strategy is distinguished from the sequential and parallel perspectives because it allows a multiple paradigm perspective through the researcher's movements between paradigms. The parallel paradigm perspective sanctions only a 'look but not touch' attitude (Schultz and Hatch, 1996) because it does not allow any cross interpretation and presentation of findings using two or more paradigms. The sequential perspective permits re-interpretation of empirical data such that findings can be recontextualized and informed from a different paradigm, but not concurrently.

Schultz and Hatch (1996) were able to construct the paradigm crossing strategy by borrowing a postmodernist perspective to only identify 'important but often overlooked connections' between the interpretive and functionalist paradigms. However, having done that they argued to have reverted to a modernist stance. They conceded that this left their effort open to postmodern critique but they justified the irony as 'another case of productive tension and an illustration of *interplay* at another level' (p. 552). The implication was not only could interplay be achieved between the interpretive and functionalist paradigms but also between a modernist and a postmodernist stance.

More than twenty years after Burrell and Morgan (1979) the debate over paradigm incommensurability is yet to be resolved. Laughlin (1995) saw the proliferation of alternatives and public turf battles among research alternatives as perplexing and confusing to both those newly entering research and those well established in a particular approach. Others have even come to consider the multitude of paradigmatic arguments limiting (Willmott, 1993; Pfeffer, 1993; Humphrey and Scapens, 1996). Pfeffer (1993) was of the view that the diffused expanse of perspectives characterising organisational science inquiry was devoid of theoretical and methodological consensus and that it was detrimental because it resulted in dispersion of resources, rewards and activity. This state signified 'a field that is fragmented and that (which) does not share consensus characterising more paradigmatically developed disciplines' (Pfeffer, 1993, p. 608). Pfeffer considered diversity in ideas and methodology useful to the field provided that at some point there was a resolution, but in Pfeffer's view every aspect of the research process is at present contested and there is greater diversity now than there was a decade ago. Some degree of consensus, in Pfeffer's view, was necessary and vital for accumulation and advancement of knowledge in any field of intellectual activity, without which the production of knowledge in a cumulative, developmental process could not be attained.

Burrell and Morgan (1979) did not however desire inter-paradigmatic consensus. Their framework had conceded from the outset that even within a single paradigm there would be much debate among different perspectives. Consensus therefore is not necessarily beneficial to the study of organisations. In this respect, Roth (1987) considered that 'to insist that consensus is a necessary condition of (a) science is.. to misidentify an *effect* of the type of achievement that marks a science's maturity as the cause of scientific achievement.. Perhaps there is low consensus, .. still the consensus model provides no better an explanation' (Roth, 1987, p. 127). Roth saw the problems experienced within social sciences, those of questioning, sniping and political infighting between proponents of the different views of inquiry as having parallels in other fields, as the case was, for example in late eighteenth century electrical research. The competing electrical research theories at work on the *leyden jar* at the time, rather than inhibit a resolution of the question, helped established a paradigm where previously none existed. In Roth's view a discipline blends and embraces an ascendant paradigm model only because that model can show some concrete achievement, a resolution of major questions, which then serves to define work for others following in that area of research or discipline.

It is a tribute to Burrell and Morgan's framework that there continues a debate between, and within paradigms in organisational studies. The framework's utility to a researcher-in-training is still:

[...] a map for negotiating the subject area, which offers a convenient means of identifying the basic similarities and differences between the work of various theorists and, in particular, the underlying frame of reference which they adopt. It also provides a convenient way of locating one's own personal frame of reference with regard to social theory,.. It provides a tool for mapping intellectual journeys in social theory - one's own and those of theorists who have contributed to the subject area (Burrell and Morgan, 1979, p. 24).

2.4 Research paradigms in accounting

Until recently, positivist empirical research with its emphasis on predictive and explanatory power was the dominant form of research in accounting (Gaffikin, 1988). Alternative paradigmatic developments in accounting research are traceable to the late 70's when there was questioning and disagreement among academics as to the existence, relevance and the importance of a definitive paradigm (Chua, 1986). Precise causes of theoretical shifts are hard to pinpoint but there are two aspects which were most associated with these developments of alternative paradigms in accounting research: first, the disillusionment with the traditional mainstream accounting normative thinking; and second, the observed growing loss of relevance to practice of published accounting research (Tomkins and Groves, 1983; Cooper, 1983; Hopper and Powell, 1985; Chua, 1986; Kaplan, 1986; Laughlin, 1995). Following Burrell and Morgan (1979), a sociological perspective entered accounting and there were calls for extension of the paradigm debate into the accounting discipline (Tomkins and Groves, 1983; Cooper, 1983; Hopper and Powell, 1985; Chua, 1986).

Tomkins and Groves (1983) called upon the academic accounting fraternity to release itself from a 'myopic view' of what research was by considering alternative research approaches, and asking questions of the fundamental assumptions underlying the different approaches on offer and their relevance to accounting scholarship and practice. Cooper (1983) similarly encouraged reflection on the state of management accounting research and suggested a movement of accounting research out of the limits of the functionalist enclosure in Burrell and Morgan's framework.

Tomkins and Groves (1983) contrasted 'scientific' versus 'naturalistic' modes of inquiry and argued that naturalistic approaches suited better many aspects of accounting inquiry, such as the uses of accounting reports, their influences on human behaviour and the human purposes for which they were produced. They made a strong case for some paradigm shift in accounting scholarship to redress deficiencies occasioned by wholesale use of the quantitative 'scientific' mode of inquiry in situations it was not well suited for.

Tomkins and Groves (1983) were, however, criticised for limiting the alternative research modes they proposed to only the interpretive framework and not extending them to the radical paradigms (Morgan, 1983; Willmott, 1983). In their reaction Tomkins and Groves (1983) maintained that there was sufficiently strong a case to be made [at that time] without having to incorporate a Marxist and radical humanist framework. In response to Willmott's more penetrating attacks on the overall interpretive project, Tomkins and Groves (1983) offered a view which would probably still be valid today. They thought that in keeping with the spirit of a wider philosophical debate it was useful to bring to the attention of accounting scholarship aspects of 'critical hermeneutics'. Nevertheless, such critical perspectives did not invalidate the contribution of 'naturalist' approaches in generating knowledge in the understanding of accounting. They emphasised that:

[...] if one accepts that one can never ultimately be sure what reality is (or the multiple realities are) when reality is constructed by individuals, then even critical hermeneutics can never be the ultimate and perfect research paradigm. .. At our present state of knowledge, there are many areas remaining to be researched in accounting, even *within* the limits imposed by 'institutional prejudices' of the common-sense business world which have not been subject to 'naturalist' investigation and which could be studied in that way to increase our knowledge. .. We do not *continually* have to challenge the prejudices of our established institutions in order to advance knowledge at *all* levels, although for a more complete understanding, it will be necessary to challenge (all) existing prejudices and norms (Tomkins and Groves, 1983, p. 413 [emphasis in original]).

Humphrey and Scapens (1996) supported this view by challenging the way in which the wide-ranging critique of the role of accounting in society had relegated the importance of exploring the detailed day-to-day practices of accounting in contemporary organisations.

Chua (1986) did acknowledge and reviewed Burrell and Morgan's framework although she did not adopt it as a basis for the research alternatives she propounded. Chua (1986) criticised Burrell and Morgan's framework on the following grounds:

- mutual exclusiveness of paradigms it expounded,
- its adoption of a descriptive and non (critical) evaluative stance,
- for implying that paradigm choice could not be rationally defended, and
- the dubious distinctions it made between the radical structuralist and radical humanist paradigms.

Hopper and Powell (1985) had also found problematic in Burrell and Morgan's framework the incommensurability of paradigms and distinctions made between the radical structuralist and radical humanist paradigms. However, Hopper and Powell (1985) placed the extreme ends of the subjective-objective dichotomy in a continuum and collapsed the radical structuralist and radical humanist paradigms. The stated mutual exclusiveness of the paradigms notwithstanding, Hopper and Powell (1985) were able to put the framework to good use.

Chua (1986) on the other hand, did not adopt Burrell and Morgan's framework because it was an unmodified transplant from sociology which assumed 'commonalities' between the two disciplines [i.e. sociology and accounting] but without exposing in detail those 'commonalities'. She stated: 'in the absence of a detailed exposition of such commonalities and problems cited above, it was decided not to adopt Burrell and Morgan's framework' (Chua 1986, p. 603). However, in the same spirit Chua (1986) could be criticised for not detailing the divergences between the two disciplines in order to justify her rejection of the 'unmodified transplant'. It is difficult however, to appreciate that commonalities between disciplines were actually an issue. Chua herself employed, in the same paper, sociological dimensions in the accounting perspectives she argued for and presented. In a latter paper reviewing management accounting research, Chua (1988) espoused not only the influences of interpretive sociology on accounting research, but also raised concern that 'there have been few attempts to transplant comprehensively a symbolic interactionist or an ethnomedological framework' (p. 69). At this point commonalities between the two disciplines, although still not detailed, were taken for granted and comprehensive transplanting was instead advocated.

Contrasting with Chua (1988), Colville in an early insightful contribution (Colville, 1981) argued for seeing accounting in organisations from a sociological perspective within the setting of ordinary social activity. He argued that organisational life was not any distinct from the rest of social activity and that organisational life could be studied as part of social life as it was 'capable of being understood in the same way as we seek to understand social behaviour in general' (Colville, 1981, p. 128). This position was advocated because, in his view, the processes by which organisational players faced and engaged the nature and content of issues were not unique to organisations, because they could also be found in the lived experiences of the everyday world.

Roslender (1990) later addressed the question of commonalities between sociology and accounting disciplines and suitability of a sociological perspective to accounting scholarship in more concrete terms. As a sister social science discipline, Roslender (1990) saw sociology providing 'an excellent way to consider social, organisational, and behavioural aspects of accounting, a programme which has attracted widespread support.' (Roslender, 1990, p. 352). Sociology also has attributes that suited well the study of accounting; its sub-perspective internal structure permits investigation and understanding of issues from a number of perspectives and thus providing rich and diverse insights. A sociological dimension also was beneficial to accounting research because of the genuinely critical and even-handed nature which has added to critical awareness in accounting scholarship (Roslender, 1990).

Finally, it was legitimate to criticise Burrell and Morgan's framework for its descriptive and non-critical evaluative presentation of paradigms, even though the authors may not have intended their effort to be a critical evaluative framework. Nevertheless, the adoption of a non-evaluative stance and the implied defence of paradigm choice irrationality do not discredit the framework as a mapping tool in locating major theorists groupings; its intended purpose for which it has been employed by many. Laughlin for example, found the framework a 'useful starting point in (a) search to create an abstracted set of key characteristics under which various social scientists can be located' (Laughlin, 1995, p. 65). In this regard, as subsequently discussed, there was little substantive difference between Chua's proposed classification and Burrell and Morgan's framework as theory plotting tools.

Chua (1986) proposed three sets of underlying assumptions about knowledge, the phenomena under investigation and the relationship between knowledge (theory) and the

phenomena (practice). These resembled Burrell and Morgan's except for the re-arrangement as illustrated in Table 1.

Chua (1986)	Burrell and Morgan (1979)
<i>Beliefs about Knowledge</i>	<i>Assumptions about the Nature of Social Science</i>
Epistemological	Epistemological
Methodological	Methodological
<i>Beliefs About Physical and Social Reality</i>	
Ontological	Ontological
Human Intention and Rationality	Human Nature
<i>Societal Order/Conflict</i>	<i>Assumptions about the Nature of Society</i>
<i>Relationship between Theory and Practice</i>	Sociology of Regulation/Radical Change

Table 1 : Comparison of metaphysical assumptions of Chua (1986) and Burrell and Morgan (1979)

Chua (1986) argued in a footnote that 'although the individual assumptions used for the classifications appear similar to those of Burrell and Morgan the classification as a whole and its use differ in important respects' (Chua, 1986, p. 605). Since the two classifications have, and are constituted by, similar components (assumptions) they, as whole structures, cannot be much different. Chua's submission is therefore vulnerable. However, the evaluative use in Chua's classification is a notable absence in Burrell and Morgan's classification. Chua not only assembles the paradigms (alternatives) but also attempts to evaluate their strengths and weaknesses. Chua's assumptions are also not mutually exclusive dichotomies so as to attempt to 'relate opposite ends of a spectrum of positions' (p. 605). Opposite ends easily relate by definition as they are opposites, the issue of contention however is, whether, as Burrell and Morgan proposed, opposites at extreme ends cannot reconcile. They can only reconcile if placed in a continuum, where as one moved to the middle ground more convergence is observed, a position adopted in some literature (Hopper and Powell, 1985; Gioia and Pitre, 1990).

Chua (1986) classified accounting research into three major categories; mainstream accounting thought, the interpretive alternative and the critical alternative. These alternatives were then matched with appropriate research and conceptual accounting literature, subsequent to which consequences for future research directions were detailed. A comparable framework in terms of theoretical groupings was employed by Hopper and Powell (1985), Roslender (1990) and later by Puxty (1993)².

² Hopper and Powell had functional, interpretive and radical theories as the three research alternatives, which closely matched Chua's mainstream accounting thought, interpretive and critical alternatives. Roslender (1990)

In the end, Chua's effort was a neat arrangement into which the effort of Hopper and Powell (1985)³ and Puxty (1993) could be fitted. Chua's accounting research classification is therefore being adopted as sufficiently locating the major accounting research approaches.

2.4.1 Mainstream accounting thought

Mainstream accounting thought represents all efforts which have sought to discover a knowable objective and independently existing reality (Chua, 1986). The hypothetico-deductive mode of inquiry is the method of choice within mainstream accounting thought as it ensures 'scientific' verification of hypotheses by empirical statistical tests. Much of the research has tended to employ questionnaires and quantitative data and took snapshots of transient phenomena followed by rigorous statistical analysis (Hopper and Powell, 1985). Mainstream accounting thought's concern has been the search for generalizable causal relationships which can be used for prediction and control (Chua, 1986). This has limited the types of problems studied and research insights.

Despite theoretical developments in management and accounting thought, underlying assumptions have all along been ontologically realist and epistemologically positivist. They assumed the relationship of the human being to the environment as deterministic, and the methodological approaches are nomothetic. Consequently, by reinforcing the functionalist approach accounting research has lacked alternative perspectives for investigating and understanding phenomena (Hopper and Powell, 1985).

Mainstream accounting thought also assumed human beings as purposive and rational, and that the conflicting individual and organisational goals could be managed to congruency. As a consequence, mainstream accounting does not evaluate and attempt to change institutional structures. In the claim to be objective and value free, and by failing to investigate alternative

identified his sociological perspectives in accounting research as the interactionist perspective; the labour process perspective; critical theory and the Foucauldian perspective.

³ It is noteworthy that Hopper and Powell (1985) and Chua (1986) hardly converge on published literature they cited in the Interpretive and Radical Alternatives despite being only a year apart in publication. Hopper and Powell (1985) and Chua (1986) cited 38 and 29 pieces of relevant literature respectively in their discussions of the Radical/Critical Alternative of which only 4 (Cherns, 1978; Habermas, 1974, 1976 and Marx, 1972) were common. Similarly in their discussions of the Interpretive alternative, Hopper and Powell (1985) and Chua (1986) cited 36 and 22 pieces of relevant literature respectively of which only 5 (Schultz, 1967; Tomkins and Groves, 1983; Colville, 1981; Cooper, Hayes and Wolf, 1981 and Berry *et al.*, 1985) were common.

viewpoints, mainstream accounting thought has acquiesced in perpetuation of dominant ideologies (Hopper and Power, 1985; Chua, 1986).

The departure from the dominant mainstream paradigm to reflective and critical perspectives would lead to not only better understanding but also better accounting systems, organisations and societies (Cooper, 1983). Observation of organisations as complex sets of interactions and rules which are constantly being interpreted and negotiated, produced and reproduced are areas where new insights were to be found. Interpretive and radical perspectives, it was argued, offered such insights.

2.4.2 The interpretive alternative

The interpretive alternative takes accounting information as having multiple meanings that are constituted by changing social, political and historical contexts through complex interpretive processes and structures. In these contexts accounting figures are not, from the perspective of living players, an adequate representation of reality. Accounting is itself being impacted upon by experiences of these players. Therefore, as assumptions are questioned and changed, Chua (1986) argued that researchers acquire:

[...] a new purpose for theorizing, different problems to search, and an alternative standard to evaluate the validity of research evidence. There is much to be gained by moving accounting into the life-world actors. Instead of constructing rigorous but artificial models of human action.. the (interpretive) approach offers an understanding of accounting in action. It seeks the actor's definition of a situation and analyses how this is woven into a wider social framework (Chua, 1986, p. 618).

Hopper and Powell (1985) endorsed interpretive research approaches as offering better understanding of accounting by permitting research questions to emerge from the research itself rather than being predetermined. Since in their view, accounting was not as objective and unbiased a discipline as presented, there were within accounting subjective elements, which were better understood by interpretive approaches.

However, the interpretive alternative is associated with a descriptive, non-critical evaluative stance as it assumes social order and containment of conflict through common interpretive schemes. Moreover, its use of the extent of actor agreement for judging adequacy of

explanation is judged weak, especially when there are irreconcilable fundamental differences (Chua, 1986). The critical alternative is offered as another dimension that would offer a critical evaluation of conflicts of interests and power relations in society.

2.4.3 The critical alternative

The critical alternative is offered to transcend limitations of both mainstream accounting thought and the interpretive alternative. The critical alternative emphasises the totality of social, economic, political and ideological relations in researching phenomena (Chua, 1986). A central assertion of the critical perspective is that social science scholarship ought to advance the emancipation of people from ‘unnecessarily restrictive traditions, ideologies, assumptions, power relations, identity formations, and so forth, which inhibit or distort opportunities for autonomy, clarification of genuine goods and wants, and thus greater and lasting satisfaction’ (Alvesson and Willmott, 1992, p. 435).

Hopper and Powell (1985) referred to this third perspective as ‘radical theories’ and saw the strength of radical approaches in the critique of the *status quo*, and in the insights they promised towards understanding accounting in the light of developments in social classes, conflicts and ideological shifts. The critical alternative promised insights into power relations between the state, accountants as an interest group, management, employees, and other interest groups. Although there are disagreements among critical philosophers as to what are the common criteria for validation of truth in knowledge creation, the critical research perspective offers insights not available to the other alternatives.

2.4.4 Interpretive and critical research; reconciliatory attempts

There are areas of vital disagreement between interpretive and critical research not only in accounting but also within organisation research broadly. However, there are areas of significant convergence as well. Putnam *et al.* (1993) presented a skilful summary of issues of contention and arguments from proponents of ethnography and those of critical research. Although interpretive research covers more than ethnography, the arguments presented sufficiently expose the important issues related to the two research alternatives.

Both are opposed to positivism and this joins them in the conviction that research is 'a form of representation rather than a science of objective, verifiable facts' (Putnam *et al.*, 1993, p. 233). Therefore, both interpretive and critical research seek for multiple views of reality, which can only be understood through symbolic processes, and social construction of organisations and interactions of their members. As a consequence both interpretive and critical researchers acknowledge the importance of meanings as created in organisational life, despite their differences as to how those meanings are constructed and their roles in organisations (Putnam *et al.*, 1993).

Critical research seeks to find out how meanings generated in interactions are reflective of power relationships between organisational actors. There is an attempt to uncover how dominant members of organisations impose their interpretation of events in organisation lives, and systematically deny other members' expressions. To critical researchers, legitimate interpretation generates meanings tied to forms of domination that permeate organisational life. Necessarily interpretation brings about a re-examination of conditions of existence of and by organisational actors. Such an emancipatory philosophy views the broad goal of research as being 'part of a larger human struggle rooted in the right to participate in the construction of meanings that affect [actors] lives' (Putnam *et al.*, 1993, p. 227). Such a philosophy assumes research is theoretically and politically grounded, rejects neutrality, and questions the sense of stability taken for granted in organisations.

It is the non-evaluative neutral stance of interpretive research that has been incisively criticised by critical researchers as a disguise for upholding managerial rationality. Interpretive researchers argue that the duty in interpretive research is primarily to represent organisations and communications of organisational actors without privileging any particular set of meaning constructions. By assuming a critical stance interpretive researchers argue, one privileges *a priori* the researcher's interpretation rather than those of organisational members. Moreover, proponents of interpretive ethnographic research argue that existence of unequal power distribution in organisations, political and manipulative decision making by member self interests, data and information distortions are not news to organisational actors.

There is also the argument that critical research insights are largely idealistic and despite its theoretical and moral appeal there is hardly much realisation of its missionary goals (Putnam *et al.*, 1993). Proponents of interpretive research argue that an emancipatory goal can be a

worthy commitment and, at times, even an ethical responsibility. Nevertheless, it was presumptive, in their view, to set out that objective prior to even accessing a research site.

In the end both approaches suffer from inherent individual limitations. Interpretive research is micro in orientation, privileges situational experiences and thus rich in empirical base but it falls short in macro abstraction, an aspect generally considered important for broad theory building (Putnam *et al.*, 1993). Putnam *et al.*, 1993 suggest adoption of some elements of both critical and interpretive research may present the new ground for theory construction, a view that finds support in Jonsson and Macintosh, 1997. The debate in Putnam *et al.*, 1993 considered critical thinkers as a whole paradigm group and as a result it did not analyse the merits of individual critical theorists. As it is later observed some critical thinking could blend into an interpretive research framework.

2.5 Contemporary ideas on paradigms and accounting research

Interpretive and critical accounting research has shown accounting to be not a neutral technical activity, but as being constituting and constituted by a complex web of social, economic, political and organisational influences (Humphrey and Scapens, 1996). Analyses of accounting, drawing heavily on a multitude of major works in social and political thought, have made major contributions towards understanding of accounting in different contexts, rendering accounting more socially accountable (Morgan and Willmott, 1993), and providing a wide-ranging critique of the role of accounting in society (Humphrey and Scapens, 1996).

Benefits accruing from such literature had been seen to be limited to the extent that day-to-day practices of accounting in contemporary organisations were not explored (Humphrey and Scapens, 1996), and dissemination of insights was not facilitated beyond 'separate empires in respective partisan journals' (Laughlin, 1995) to those who are most directly involved in the reproduction of accounting practices (Morgan and Willmott, 1993).

Morgan and Willmott (1993) had suggested wider dissemination of theory and findings to practitioners and policy makers and abandonment of 'cult-like' inward orientation and self-absorption. In similar vein, Llewellyn (1996) contended that critical and interpretive research should be prepared to debate how accounting could engender a more enabling dialogue and

reconnect to practice with pragmatic interventions that would yield utmost benefits from scarce and limited resources.

Laughlin's 'middle-range' thinking (Laughlin, 1995) is an attempt to address the issue of proliferation of alternatives and tension between research approaches by seeking to place the researcher on a median plane on the theoretical, methodological and societal change dimensions. Acknowledging that there are no comprehensive approaches to the understanding of the empirical world, 'middle-range' thinking recognises a material reality that exists independent of human understanding but also does not dismiss the inevitable subjectivity in models of understanding. It also appreciates that generalisations about reality are possible and yet affirms that these generalisations will be 'skeletal' and in need of filling by empirical detail. Its methodological perspective takes theory-defined methods but designs them to preserve subjectivity and variety in actual observation. As for societal change, 'middle-range' thinking takes a pragmatic view that change and critique of the *status quo* may be desired and necessary in certain circumstances upon evaluation, but not in all circumstances.

The absence of a theoretical and methodological consensus in the aftermath of intensive questioning of traditional mainstream positivist research has permitted a diversity in accounting research such that in the view of Arrington and Schweiker, 'an accounting methodologist of any persuasion can find an authority within the philosophy of science to sustain whatever view he or she wishes to take' (Arrington and Schweiker, 1992, p. 527). Arrington and Schweiker found important reasons to raise suspicion on authoritative appeals to the philosophy of science because philosophers of science themselves hardly agreed and thus 'gerrymandering' authority from them was inappropriate. They suggested that instead:

[...] Accounting researchers, not philosophers of science, should determine how to *do* accounting research as well as what counts as accounting knowledge. That is because accounting researchers have arduously earned a competence *in* raising and investigating innumerable questions about accounting (Arrington and Schweiker, 1992, p. 528).

At the heart of Arrington and Schweiker's argument one reads a call for striking a balance between the tyranny of single paradigm dominance and an 'anything goes attitude'. Probably theoretical and methodological consensus is a state that cannot be achieved unless, as Pfeffer (1993) sensed, accounting research emulated 'high-paradigm' fields which enforce both

theoretical and methodological conformity by 'a group of individuals forming a dense network of connections in a unified view..[who]..intentionally and systematically took over positions of power and imposed their views, at times gradually and at times surreptitiously, on the field' (Pfeffer, 1993, p. 618). Firstly, even assuming hierarchy in consensus among fields of science existed (Cole, 1983), the perceived consensus in 'high-paradigm' fields can not be indefinitely guaranteed. Secondly, enforced consensus is a state accounting research was in before the development of alternative research paradigms. Enforced theoretical and methodological consensus is not a desired state and it is doubtful whether it could advance attainment of knowledge. Reiterating Roth's view (Roth, 1987) if at all an ascendant common paradigm model of a discipline shall come about it would be only because that model can show some concrete achievement, a resolution of major questions, which then serves to define work for others following in that area of research or discipline.

2.6 Summary

The dominance of the positivist mode of inquiry as the paradigm of choice in informing and guiding social science research has been persistently questioned during the past two decades. Instead interpretive and subjective research approaches have been promoted for their context-relevant research results, the interactive nature of their inquiry and because they provide a better understanding of social phenomena. In accounting similarly, until recently, positivist research with its emphasis on predictive and explanatory power was the only acceptable form of research.

Publication of Burrell and Morgan's *Sociological Paradigms and Organisational Analysis* (1979) provided four paradigms along which organisational study could be mapped and pursued. These were the *functionalist*, *interpretive* and *radical structuralist* and *radical humanist* paradigms. This framework increased interest in the search for alternative ways of investigating phenomena that have since gained prominence. Therefore, in addition to the traditional positivist mainstream accounting research two other research alternatives, the interpretive and the critical alternatives have evolved.

Interpretive and critical research are unified in accepting and seeking multiple views of reality as constructed through symbolic processes during social interactions by organisational members. Critical research is emancipatory and seeks to interpret events, acts and symbols,

in organisational life such that organisational actors can re-examine conditions of existence and institute change. Interpretive research assumes a neutral value free stance and seeks primarily to represent organisations and communications of organisational actors in those organisations, without privileging any particular set of meaning constructions.

Interpretive research has a micro orientation and privileges situational experience, which makes its results empirically rich. It nevertheless, is seen as falling short in macro abstraction, an attribute considered important for broad theory building. The adoption of strong elements in interpretive and critical research in a manner that overcomes some of the opposing metaphysical assumptions in each promises to move research into new directions. Such a direction will not only increase knowledge creation but shall transcend the existing paradigmatic enclosures with benefits accruing to practitioners and day-to-day practices in contemporary organisations.

The subsequent chapter reviews interpretive methodologies, explores attempts to incorporate certain critical thoughts within the interpretive research framework, and then reviews the interpretive empirical research.

Chapter Three

3 Interpretive accounting studies

3.1 Introduction

This chapter reviews literature advocating interpretive methodology adapted from sociology and anthropology traditions - traditions that were adopted in accounting and other organisational studies.

It summarises the extent to which specific interpretive methodologies have been used to inform empirical accounting research. Such research is extensively reviewed and synthesised by research themes as well as by broad features of institutions studied. Thematic classification included early studies that sought to understand interactions in the budgeting process and organisational and financial controls; those which focused solely on information processing in organisations, and those which looked at accounting and changes in accounting within the framework of organisational and broader social and cultural influences. Classifications by institution included corporate, government, and not-for-profit.

This review concludes by suggesting that not-for-profit organisations that are not affiliated to government are a type of institution largely ignored by interpretive research. An argument is initiated for interpretive research within non-governmental not-for-profit organisations.

3.2 Methodological advocacy literature

Interpretive accounting research finds its origin in two related disciplines of sociology and anthropology. Interpretive sociology has extended to accounting research methodology ideas such as *phenomenology*, *social action theory*, *transcendentalism*, *cognitive sociology*, *symbolic interactionism* and *ethnomethodology*, while *ethnography* and *cognitive anthropology* are the main interpretive anthropological methodologies borrowed by accounting research. Interpretive sociology shares with interpretive anthropology the social

constructionist approach to research that presupposes members of a social system moulding their views of reality through interaction. The objective of interpretive research then is to understand how members of social groups construct those views of reality and how they attach meanings to events, symbols and objects. Since the early '80s extensive literature has been published advocating interpretive research in organisational studies in general and accounting specifically. Major publications among this advocacy literature are subsequently outlined and discussed.

3.2.1 Methodologies from interpretive sociology

Morgan and Smircich, 1980; Colville, 1981; Tomkins and Groves, 1983 are some of the early literature that advocated an interpretive approach to accounting studies. Others (Chua, 1988; Roslender, 1990; Covaleski and Dirsmith, 1990) took on the call for incorporation of interpretive approaches by offering and evaluating potential methodological options. In that regard, although Cooper, 1983; Hopper and Powell, 1985; and Chua, 1986 devoted substantial parts of their discussions of accounting research paradigms to the interpretive dimension, these works were nevertheless, general in outlook and had not delved into the specific methodological options accounting researchers could pursue.

Morgan and Smircich (1980) used Burrell and Morgan's model to suggest a number of methodological options for qualitative accounting research. They emphasised that the worldview that a researcher brought to a phenomenon under investigation fundamentally influenced the research methodology adopted, and that the actual data collection methods, such as participant observation, interviews and documentary analysis did not amount to a qualitative research approach. Morgan and Smircich developed an objective-subjective continuum along ontological, epistemological and human nature positions, and depending on one's worldview, suggested phenomenology, ethnomethodology, social action theory as alternative research approaches. Morgan and Smircich's pioneering advocacy literature for interpretive research was concrete and went beyond abstract arguments by contributing methodological alternatives that were to be a reference point for subsequent effort (e.g. Tomkins and Groves, 1983; Covaleski and Dirsmith, 1990).

Colville (1981) is another early contribution to the interpretive project that emanated from criticism of 'behavioural accounting' as an extension of essentially a positivist psychology

research. Colville (1981) argued that human behaviour could never be understood from a positivist stance, because human behaviour was a result of individual subjective construction and interpretation of the lifeworld and could not be predetermined. There were many pervasive and diffuse influences at play that accounting impacted on, and was impacted upon, that positivist 'behavioural accounting' research was incapable of capturing. Colville's thesis was that the study of accounting behaviour was likely to benefit if it was re-oriented to seek knowledge of the meanings that organisational actors attached to accounting and the actions they took in response.

Colville saw a need for a theoretical framework that would allow understanding of everyday, organisational and accounting behaviour as integrated aspects without discontinuity (Colville, 1981, p. 130). He suggested Schultz's phenomenology, symbolic interactionism, Heider's attribution theory and George Kelly's construct theory as theories or approaches that offered a way of viewing society differently from the 'natural scientific' approach.

The main thrust of his contribution was that since talking and acting were very important aspects of organisational life:

[...] we would know more about the behavioural implications of accounting in organisations if research were directed to listening to such talk and observing such acting...to see the role accounting plays...and whether accounting has a directing or defining role or is merely subsumed by other activities which are perceived to be more important; to observe when and in what contexts accounting information is evoked in decision making; whether it is used or abused - if it is used selectively and/or strategically and if it serves to clarify or confuse issues (Colville, 1981, p. 131).

Following Colville's effort, Tomkins and Groves (1983) implored the use of 'interpretive' or 'naturalist' approaches because meanings of variables of interest and their understanding by different actors in organisations were situation-dependent. They endorsed the 'naturalist' research mode as the most suitable in understanding, for example, the uses to which accounting reports were put, and the influence of accounting reports on human behaviour. In order to gain an understanding and intimate knowledge of these and other aspects, they recommended 'detailed field work (i.e. recording what was happening in the setting within which decisions were made and action occurs) and focus rather more on how practitioners perceive their

worlds, what issues concern them and how they perceive them affecting accounting practices and the influence accounting has' (Tomkins and Groves, 1983, p. 364).

Tomkins and Groves took three of the six ontological assumptions from Morgan and Smircich (1980) [Reality as a symbolic discourse, Reality as social construction, and Reality as a projection of human imagination] as encompassing the range of ontological views within the interpretive perspective. They adapted from Morgan and Smircich (1980) three ontological positions and three matching methodologies for each of the ontological positions; symbolic interactionism was identified as appropriate when reality was taken as symbolic discourse; ethnomethodology was appropriate when reality was assumed to be a social construction; and Schultz's phenomenology was appropriate when reality was a projection of human imagination.

Advancing from where Morgan and Smircich (1980) and Colville (1981) stopped Tomkins and Groves suggested research areas where each of the three methodologies had an important contribution to make in pursuing the interpretive research project. For example, symbolic interactionism was considered to offer a wide scope for inquiry in accounting along questions such as 'to what extent accounting provides labels on events, people and things? Are labels perceived differently by different parties sufficiently in accord? To what extent does accounting determine the contents of agenda and thereby determine meaningful matters for concern?' etc. (Tomkins and Groves, 1983, p. 369). Ethnomethodology was similarly offered as appropriate in answering questions such as, 'How do people in organisations go about investigating their scene of action and what part does accounting play in that such that they report patterning and structure in those scenes? How does accounting influence the analysis of events so that they seem connected? By what procedures are descriptions of perceived reality made by organisation members so that they portray order and where does accounting figure in the process?' (Tomkins and Groves, 1983, p. 371[emphasis in original]). Nevertheless, Tomkins and Groves anticipated little contribution to accounting research from pure forms of phenomenology and existentialism and therefore saw and offered no possible research questions.

Following Tomkins and Groves (1983), Chua (1988) provided probably the most extensive review that linked interpretive sociology with accounting research. Chua traced the philosophical tradition of interpretive sociology to its emphasis on constructive and interpretive actions of people as founded on Kantian transcendentalism or Husserlian

phenomenology. Existential phenomenology, cognitive sociology, symbolic interactionism and ethnomethodology are descendants from those traditions. Out of these, Chua selected symbolic interactionism and ethnomethodology as the most relevant options for accounting research and the bulk of her contribution was devoted to these, which were evaluated in their potential for contribution to empirical research. The prominence given to symbolic interactionism and ethnomethodology as compared to existential phenomenology supported Tomkins and Groves' view that pure forms of phenomenology and existentialism did not have high potential for accounting research.

Covaleski and Dirsmith (1990) had also explored and suggested a collection of interpretive approaches that, in their experience, offered strong and rich insights into the understanding of role of accounting in organisations. Based on work adapted from Morgan and Smircich (1980) and using the subjective-objective ontological continuum as Tomkins and Groves (1983), Covaleski and Dirsmith proposed several qualitative research approaches they considered potentially relevant for the understanding of accounting in its symbolic, technical and political roles. Social action theory, grounded theory, symbolic interactionism, ethnomethodology, and phenomenology were the five methodologies that Covaleski and Dirsmith outlined as interpretive research strategies.

However, consistent with what Colville termed 'methodological inhibition' (Colville, 1981, p. 122), Covaleski and Dirsmith ascertained that close dependent relationships existed between the researcher, the phenomenon under study, and the research methodology or approach taken. They were persuaded that because of that interdependency, and in order to gain better understanding of social phenomena, the adoption of '*a priori* ontological perspectives' was limiting. They instead argued for open-minded 'sightlessness' which allowed one to employ, in the course of research, 'differing perspectives, possibly in dialectic tension with one another' (Covaleski and Dirsmith, 1990, p. 566), a position which did not prefer any single approach to others. This outlook was more inclusive and, in their view, did not necessarily exclude the use of quantitative methods, which they had also found valuable for some research questions. This position is inconsistent because although Covaleski and Dirsmith conceded that a researcher's 'perspective'⁴ influenced the choice of method and they

⁴ Charon(1992) using the example of the changes that Malcolm X underwent during his struggle with himself and the world outside him, gives a fine discussion on how a different perspective offers a different view of reality.

accepted qualitative research as a distinct research perspective guided by an ontological and epistemological stance, they also took qualitative research as simply a number of interpretive techniques (Covaleski and Dirsmith, 1990, p. 43) which one could employ dialectically. This inconsistency could not be explained by the lack of precision in distinguishing between methods and methodology⁵ which had been observed to be an issue in other literature (Llewellyn, 1993).

Although preceding literature had exalted grounded theory as a useful methodology to interpretive research (Morgan and Smircich, 1980; Colville, 1981; Tomkins and Groves, 1983; Chua, 1986; Covaleski and Dirsmith, 1990), it was Parker and Roffey (1997) who made arguably the most thorough and persuasive argument advocating the use of grounded theory to enrich research work within the interpretive tradition. They observed that grounded theory, despite being available for over a quarter of a century, had become under-utilised and therefore its potential was not adequately realised. They used Laughlin's schema (Laughlin, 1995) to contrast symbolic interactionism and ethnomethodology with grounded theory, and eventually tendered grounded theory as a distinctive methodology that had more promise to overcome criticisms levelled against traditional case study research in financial and management accounting. This was because with grounded theory it was possible to generate theory which, rather than isolating lived experiences of actors, it engendered theory that was actually informed by the real experiences of the actors (Parker and Roffey, 1997, p. 216).

Parker and Roffey (1997) indicated grounded theory, symbolic interactionism and ethnomethodology to be methods that required low levels of prior theorisation and the theoretical nature of methods they utilise was also low level. Grounded theory employed the observation method, a key data collection method in symbolic interactionism and ethnomethodology, but grounded theory viewed observation alone as a weak data collection method, especially for complex disciplines such as accounting and management. Grounded theory therefore employed multiple data collection methods.

Grounded theory and ethnomethodology both have *understanding* as a conceptual goal. Grounded theory however, went beyond understanding 'how human beings construct their view

⁵ Llewellyn (1993) distinguished *methodology* as resonating the ontological and epistemological assumptions of the researcher from *methods*, which were techniques used for data collection. In her view, the term 'interpretive'

of reality', and sought to 'identify and articulate overarching concepts and their causal linkages as explanations of patterned behaviour' (Parker and Roffey, 1997, p. 217). Grounded theory relied not only on the researcher's understanding but also attempted to develop explanatory theoretical frameworks out of the researcher's analysis.

Case studies, which had assumed increasing visibility in accounting research since the mid eighties, are rich research fields for application of grounded theory methods. However, Parker and Roffey (1997) echoing Spicer (1992) emphasised a shift from the descriptive and exploratory output, to explanatory and analytical case studies. In this regard, grounded theory promised to move accounting and management research from islands of individual case study realities, each distant from practice, to some generalizable phenomena in the functioning of accounting and accountants, organisational life, and the socio-economic and political environments in which these players existed and functioned.

The nature of grounded theory as an interpretive approach is such that questions asked are 'how things are done, why and when organisation members do what they do and [why and when] component parts interact' (Parker and Roffey, 1997, p. 241). These questions are more relevant to accounting and management, taking account of substantial changes that occur in the socio-economic, political and institutional environments. Parker and Roffey (1997) also argued that grounded theory provided a much more rigorous approach for the study of ethical issues in accounting and business in a manner that was markedly different from, and more beneficial than, what was offered by traditional approaches.

3.2.2 Methodologies from interpretive anthropology

Sanday, 1979; Pettigrew, 1979 and Smircich, 1983 are among the early advocates of the use of concepts developed in anthropology as relevant to organisational studies. Pettigrew (1979) had argued for use of longitudinal-processual studies of organisations focusing at how organisational culture was created and maintained. He encouraged the use of anthropological and sociological concepts towards understanding the role of symbols, language, ideology, beliefs, rituals and myths within organisations.

lacked clarity and precision of use to the extent that *methods* and *methodology* are taken as interchangeable terms.

Smircich (1983) in a contribution often cited in accounting literature, similarly argued for the integration of a cultural mode of analysis into organisational studies, in which only the rational and functional model had been predominant. This was because culture through its different manifestations drew attention to the expressive and ‘non-rational’ qualities of organisational experiences (Smircich, 1983), which called for contextual, reflexive research. She proposed ethnography and cognitive anthropology as among methodologies that could contribute towards such a research agenda.

Rosen (1991) argued for conduction of organisational ethnographies as distinct from other forms of ethnography. In his view, two main features separate organisational from other forms of ethnography. First, in organisations one has a subset of people who are organised around some specific predetermined goals, and each member is accorded a certain formal status or role. Interactions among members in organisations are therefore, according to such given roles, and everyday social interaction is withheld, even if intermittently. Second, while ethnography traditionally involved the researcher studying foreign cultures, organisational ethnographers usually went into field sites and interacted with people who were in many respects like themselves. Organisational ethnography explored how the shared meaning system of the members of an organisation was created and recreated in relationship to the social processes within organisations.

Rosen (1991) had also considered the capacity for an ethnographic line of inquiry to problematise taken-for-granted issues; such as power, member and class interests, and conflicts in organisations. By employing critical social theory in analyses and interpretation, ethnographic studies could provide knowledge that would otherwise be inaccessible using the traditional rational and functional model of organisations. It was this theme of understanding pursued with critique that Laughlin (1987) underscored. Laughlin (1987) saw the role of ethnographic research not only in contributing knowledge, but also ‘as the transformation of the practical phenomena under investigation’ (Laughlin, 1987, p. 481). He proposed the work of Habermas as having potential to inform methodology in investigating, understanding and possibly changing not only accounting systems, but also other social phenomena as well.

Habermasian critical theory was argued to be more attractive than other critical theories for three reasons. First, it focuses on language and communication, aspects that marry easily with accounting as a form of organisational language (Laughlin, 1987). In that sense there is a link between theory and practice which emphasises 'the importance of practical outcomes, but recognises that there is no natural progression from theory to these outcomes (Broadbent and Laughlin, 1997, p. 626). Second, employing Habermasian critical theory, unlike other critical theories, accounting research need not assume some ideal design formulated at the outset of a research project, rather an ideal is sought during the research process. Third, it offers specific types and nature of processes that are necessary to understand and possibly change phenomena under investigation, something which the other critical theories did in non specific terms (Laughlin, 1987). Habermasian critical theory is argued to offer a way of challenging the *status quo* in a constructive manner (Broadbent and Laughlin, 1997). Habermas' critical theory may seem less critical as it does not define and hold particular and clear position on any particular social issues or phenomena (Laughlin, 1987, p. 485). It is in these respects that Habermasian critical theory and therefore Laughlin's model has sometimes been distinguished from the 'revolutionary' critical perspective (Dillard, 1991).

Power (1991) also proposed critical ethnography, informed by the work of Habermas, as a useful approach in understanding how professional accountants were trained and developed, and values inculcated in trainee accountants, by focusing at various aspects of the examination process. In his preliminary critique and analysis, the lived reality of becoming a professional accountant and the values emphasised during that process, were at variance with the publicly stated and held view of reality.

Jonsson and Macintosh (1997) echoed Power's proposition for critical ethnography, by expounding the need for ethnographers to be self critical, and make 'some kind of dialogue between the story that emerges from the field research [ethnography] and currently on-top critical theories' (Jonsson and Macintosh, 1997, p. 383). Jonsson and Macintosh (1997) propose a two-step narrative process, where initial ethnographies are first written without any critical theory foundation and, subsequently the ethnographies are used to interact with a critical theory of choice, as a result of which there may be re-interpretations, probably of both the ethnography and the critical theory.

From the preceding literature, few methodologies have been proposed, with varying levels of endorsement, as appropriate for an interpretive line of inquiry from both interpretive sociology and anthropology. Of those, ethnography, symbolic interactionism, grounded theory, ethnomethodology, and to a lesser extent cognitive anthropology, have been of most empirical value in accounting research, and brief outline details of each of those methodologies are subsequently provided. Table 2 indexes the advocacy literature sources for ethnography, symbolic interactionism, grounded theory, ethnomethodology and cognitive anthropology.

Methodology	Advocating literature source
Ethnography	Sanday(1979) Smircich(1983) Power(1991) Rosen(1991) Jonsson and Macintosh(1997)
Cognitive anthropology	Sanday(1979) Smircich(1983) Jonsson and Macintosh(1997)
Symbolic interactionism	Morgan and Smircich(1980) Colville(1981) Tomkins and Groves(1983) Chua(1988) Covaleski and Dirsmith(1990)
Ethnomethodology	Morgan and Smircich(1980) Colville(1981) Tomkins and Groves(1983) Chua(1988) Covaleski and Dirsmith(1990)
Grounded theory	Morgan and Smircich(1980) Colville(1981) Tomkins and Groves(1983) Chua(1988) Covaleski and Dirsmith(1990) Parker and Roffey(1997)

Table 2 : Main interpretive accounting research methodologies

3.3 Interpretive accounting research methodologies

Ethnography, symbolic interactionism, grounded theory, ethnomethodology and cognitive anthropology are hermeneutic and interpretive approaches to social science inquiry that share two common characteristics. First, the conviction that human beings are constantly shaping and creating their own social worlds in interaction with one another rather than being acted upon by social forces; and secondly, that special methods are called for in understanding and studying these human relationships (Benson and Hughes, 1983). They are all committed to field study inquiry based on participant observation and other ethnographic analyses, to

describe what happens within social settings, how people involved view and explain their own actions, the actions of others, objects and symbols, and the contexts in which those things occur (Filmer *et al.*, 1998).

3.3.1 Symbolic interactionism

Symbolic interactionism was an influential approach in early interpretive studies (Puxty, 1993) and the first genuinely sociological perspective to establish itself in accounting research literature (Roslender, 1990). Symbolic interaction commits itself to a method of inquiry which emphasises the actors' point of view and which concerns itself with elucidating meanings and understandings actors themselves use to construct their social world and, thus, gives theoretical preference to the interpreting social actor (Benson and Hughes, 1983).

The most basic element in symbolic interaction is the concept that the individual and society are inseparable units, a complete understanding of either demands a complete understanding of the other (Meltzer *et al.*, 1975). Symbolic interactionism is the interaction that takes place among the various minds, and meanings that characterise human societies. It refers to the fact that social interaction rests upon taking of oneself (self-objectification) and others (taking the role of the other) into account (Meltzer *et al.*, 1975). Human beings interact and form social relationships and societies only because of their ability to understand one another's gestures, symbols and responses (Filmer *et al.*, 1998). Society therefore, is to be understood in terms of the individuals making it up, and the individuals are to be understood in terms of the societies of which they are members.

Symbolic interactionism presupposes the following three basic premises advanced by Blumer (1969):

- *Human beings act towards things on the basis of meanings that the things have for them.* Meanings people attach to things are paramount to human behaviour in their own right, and therefore, people do not act towards things simply as a result of influences of psychological and sociological factors on their behaviour. This premise alone however, does not sufficiently distinguish symbolic interaction as it is shared with other approaches.

- *Such meanings attached to things are derived from, and are a product of social interaction in human society.* Meanings are neither intrinsic to the things nor are they a result of a person's perception, cognition, or such other psychological process. There has to be interaction among human beings for meanings to emanate, which make meanings necessarily social products. Meaning in any social act is not inherent in the act itself, but it is governed by the response of the other person (Meltzer *et al.*, 1975). It is through the meanings human beings impart to the objects and people around them, and the symbols they use, that their social world is formed.
- *Meanings are modified and handled through an interpretive process that is used by each individual in dealing with the things he/she encounters.* Meanings are therefore, not static once derived, they undergo selection, checking, regrouping and transformation through the process of interpretation and are continuously 'used and revised as instruments for guidance and formation of action' (Blumer, 1969, p. 4).

Symbolic interactionism like other interpretive research strategies sees the methodological necessity of 'getting inside' the reality of the actor in an effort to understand this reality as the actor does. Through some form of sympathetic introspection (Meltzer *et al.*, 1975) or thorough immersion (Chua, 1988), one must take the frame of reference of the acting unit (person or group) whose behaviour is studied and must attempt to use each actor's own categories in capturing that actor's world of meaning. This intuitive, *verstehende* approach emphasises intimate understanding more than inter-subjective agreement among investigators (Meltzer *et al.*, 1975).

3.3.2 Ethnomethodology

Ethnomethodology traces its title's origin to descriptive anthropology (Bauman, 1978) and in resemblance to descriptive anthropology it seeks to describe *how* rather than *why* the *ethnos* - the people under study - go about accomplishing their everyday tasks. Ethnomethodology nevertheless, shares strictly little else with descriptive anthropology (Bauman, 1978) but instead has more in common with symbolic interactionism with which it shares the basic premises specified by Blumer. Ethnomethodology however, attempts to move beyond the symbolic interactionist's understanding of human behaviour in terms of meanings constructed by each individual in social interaction, to a systematic search for ways in which shared meanings come to be taken for granted in human society (Meltzer *et al.*, 1975).

Ethnomethodologists attempt to penetrate normal situations of interactions to uncover the rules and rituals which participants take for granted and seek to understand how these processes proceed. Ethnomethodology is concerned with the procedures members use in 'going about knowing the world' (Benson and Hughes, 1983) and seeks to answer questions such as: 'how is it that actions recur and reproduce themselves? How is it that interaction displays properties of orderliness, stability and patterning? How does social life get organised?' (Benson and Hughes, 1983, p. 62). The overarching question is how do actors, knowing what they know, produce the social activities they produce?

Ethnomethodology makes a major departure from symbolic interactionism by maintaining that social order (including all symbols and meanings) not only precariously exists but independent of members' accounting and describing practices, it has no existence at all. The focus of ethnomethodology is therefore, not on activities themselves but rather on the process by which members manage to produce and sustain a sense of social structure (Meltzer *et al.*, 1975). Chua (1988) summarised these aspects as follows:

[...] the ethnomethodologist suspends the assumption that social conduct is rule governed. Social order is not necessarily the product of actors' cognitive orientation to, and compliance with, shared meanings and norms. The orderliness and coherence of social activities is an appearance produced through certain accounting 'sense assembly' procedures. The task of the ethnomethodologist is to describe these taken for granted, sense-assembly procedures by which members make their daily activities recognisable and accountable to themselves and others, thereby conveying a *sense* of orderliness and structure (Chua, 1988, p. 63 [emphasis in original]).

Symbolic interactionism had been criticised for concentrating on 'first - order, primary, lived concepts' (Chua, 1988) and losing sight of universal patterns. This alleged failure to focus on trans-situational features of particular situations was partially attributed to the symbolic interactionist reliance on taking the actor's point of view (Chua, 1988). In order to remedy this difficulty ethnomethodology does not adopt but analyses the actor's perspective with the intention of describing universal interpretive procedures (Chua, 1988). There are two methodological precepts that guide the execution of such an ethnomethodologist approach to an inquiry. First, the researcher tries to treat the subject of study, such as a society, as 'anthropologically strange' (Chua, 1988), thus maintaining the necessary distance that allows careful analysis of what would otherwise seem to be ordinary activities. Second, social actors

are not treated as 'rule governed dupes but as rule analysts and interpreters' (Chua, 1988) or 'practical sociologists' (Benson and Hughes, 1983) because each member acquires the common-sense skills needed to determine how a social scene fits together, its features, the kind of people involved and their motivations.

3.3.3 Grounded theory

Grounded theory is a general methodology (Strauss and Corbin, 1998) that places emphasis on generating theory in a process that is both inductive and deductive. Grounded theory is anchored on the interplay between the researcher, the researched and the socio-cultural context of a study as its most important and basic characteristic. This interplay provides an on going iterative process in which theory is generated, validated and grounded with reality as constructed by actors in the context of their situation. As a consequence, rather than being generated from prior theory, hypotheses and concepts are continuously linked to their source data. This is argued to be a much more successful foundation for research and practice than positivist approaches.

Parker and Roffey (1997) revisited and discussed the major aspects of grounded theory study which accounting and management researchers needed to consider. Grounded theory begins with initial research questions or hypotheses that are action or process oriented. This allows the narrowing of the initial question as the researcher developed an in-depth understanding of the salient features of the phenomenon under study. Grounded theory recognised subjectivity of the researcher in approaching a research subject, but stressed the avoidance of a researcher's commitment to pre-existing theory.

The researcher's academic and professional competence, experience and creativity are key attributes required during the interactive process of grounded theory study (Strauss and Corbin, 1990). These enable the researcher to attain theoretical sensitivity, 'the capacity to interact continually with the data collection and analysis and develop theoretical attachments around the data' (Parker and Roffey, 1997, p. 226). Challenging and questioning existing assumptions and knowledge structure improves theoretical sensitivity and allows the progression from descriptive effort to theoretical analysis.

Data collection in grounded theory does not begin with pre-defined operational variables. This allows identification of new issues and categories of interest outside the confines of pre-determined variables. The emphasis is not on statistical tests but on relationships and behavioural patterns, which leads to more meaningful analysis. *Collected data* (minutes, memoranda, reports and charts) and *generated data* (interviews and observation notes) provide substantial input in understanding phenomena. *Experiential data* adds the final component, which is important in making theoretical sense out of the collected and generated data.

The central phenomenon in a grounded theory study is identified as an end result of a coding process. The central phenomenon is a response to the initial broad research question and should have relationships with other influencing and moderating concepts. The development of the central phenomenon and its influencing and moderating concepts is a result of three coding procedures (open coding, axial coding and selective coding). Each of the coding procedures raises the level of relationships among the codes, from open codes to core codes and finally to the focal core code. Theoretical integration of the codes to the higher level is assisted by theoretical memos. Theoretical memos are the foundation for in-depth understanding of the focal core code/concept and its influencing and moderating codes/concepts. It is the focal core code, which forms the basis for developing a more general theory, as a result of its further analysis and modification by the researcher.

3.3.4 Ethnography

Ethnography is one of the three branches of anthropology (others being archaeology and biological anthropology) which in its variant forms has been employed in a multitude of disciplines (D'Andrade, 1995, p. 2). Starting as an observational study of ways of ancient peoples, ethnography was transformed⁶ when the study of primitive peoples got saturated and results less exciting. The focus shifted into the detailed examination of how the institutions of society were integrated together to make society function, a direction which

⁶ D'Andrade (1995) refers to the transformations in ethnography as agenda hopping as the defection of a number of practitioners to a new direction of work in which there is hope of finding something interesting. It is abandonment of the old venture for a new set of problems simply because as more has been learned about the old phenomena, it has got more complex and greater effort is needed to produce anything new and interesting. The shift of ethnographers abandoning the historical agenda for the study of simple societies was the first of ethnographic agenda hopping.

took societal institutions as 'learned and prescribed activities which were co-ordinated with one another to bring about a satisfactory way of life and maintain social order' (D'Andrade, 1995, p. 5).

Although essentially anthropological, the ethnographic approach has been used in sociology, as a better expression of what was, in sociology, known as 'participant observation' (Van Maanen, 1979, Silverman, 1985). This extension of ethnography into sociology has resulted into use of ethnography, at times, as a collection of methods rather than a methodology ingrained in the study of cultures in societies and social institutions. For example, Atkinson and Hammersley (1998) have defined ethnography as referring to forms of social research that have a set of common features such as:

- a strong emphasis on exploring the nature of particular social phenomena, rather than setting out to test hypotheses about them,
- a tendency to work primarily with unstructured data, that is, data that have not been coded at the point of data collection in terms of a closed set of analytic categories,
- investigation of a small number of cases, perhaps just one case, in detail,
- analysis of data that involves explicit interpretation of meanings and functions of human actions, the product of which mainly takes the form of verbal descriptions and explanations, with quantification and statistical analysis playing a subordinate role at most (Atkinson and Hammersley, 1998, p. 110-111).

Such a definition would include within the realm of ethnography virtually all qualitative research methodologies. Indeed, Silverman (1985) proposed three approaches to ethnography as anthropological, symbolic interactionist and ethnomethodological, because they shared a common method of grounding and validating their observations (Silverman, 1985, p. 97). In this research a narrower definition of ethnography is adopted that seeks to distinguish ethnography as a methodology primarily employed in the study of culture and its representations in different forms. In contrast to Silverman's definition of what constitutes ethnography, Rosen (1991) saw ethnography as:

[...] more than a collection of mechanisms for gathering and writing about data. At its best, ethnography is a method of seeing the components of social structure and the process through which they interact. Interviewing, observation, archival reviews, participation, and so on must be accompanied by an overlay of social theoretical ideas concerning meaning and action. Social theory provides the foundation from which an interpretive analysis may be conducted. In the case of organisational ethnographers, theory is a tool used to strip down the cultural blinkers we

wear when studying organisations existing in the same overall cultural space we inhabit. To practice ethnography, therefore, it is not sufficient to be a participant and observer in the rawest sense. The ethnographer *must also work from a conscious concept of culture and organise his material accordingly* (Rosen, 1991, p. 13[emphasis added]).

Ethnography uses culture as an explanatory variable to account for the observed patterns of human activity which, in organisations amount to the ways in which people manage to perform repetitive and observable activities to accomplish a predetermined set of goals (Van Maanen, 1979).

The goal of ethnography is to make sense and translate action in relationship to meaning and meaning in relationship to action. This is accomplished through decoding, translating, and interpreting behaviours and attaching meanings of those occupying and creating the social system being studied (Rosen, 1991). The organisational ethnographer unlike the anthropologist must attain a self-reflexive understanding when he/she encounters forces of his/her own culture, and achieve a sufficient distance desired for 'anthropological strangeness', yet near enough to capture the minute details of everyday organisational life in official documents, meetings, conversations and parties.

Organisational studies have traditionally taken as unproblematic issues such as power, authority, conflict and individual goals and class interests (Rosen, 1991). An ethnographic line of inquiry allows even a critical reflexive approach, where critical social theory provides the foundation for analysis and interpretation. Such an approach has been termed critical ethnography (Power, 1991) and questions the traditional view of organisations as equitable entities, moral and functional for all its members (Rosen, 1991). Marxist critical theory has had notable influence in accounting research but increasingly Habermasian critical theory has also informed interpretive accounting research. The argument is, it is not enough to contribute to knowledge generation, as there is ethical and political necessity to engage in advocacy on behalf of, or in collaboration with, the societies or sections of societies being studied (Atkinson and Hammersley, 1998).

3.3.5 Cognitive anthropology

Cognitive anthropology is committed to the notion that culture resides in the minds of human beings and their hearts (Sanday, 1979) and, its basic problem is to understand how such cultural knowledge is organised in the minds, and to provide a bridge between culture and the functioning of the psyche (D'Andrade, 1995). In order to be competent in a particular culture, one must learn the prevailing standards for perceiving, believing, evaluating and acting, so as to act appropriately and to anticipate actions of others (Sanday, 1979). When people manifest themselves to one another they make it possible for each to work cognitively on what has been communicated symbolically. The focus then is to examine what gets publicly exchanged and cognitively recorded. In this respect, cognitive anthropology tries to show that there is a reciprocal influence between cultural representations and cognitive processes (D'Andrade, 1995).

Where the locus of culture resides is a major departing point between cognitive anthropology and other cultural study approaches. Cognitive anthropology takes the view that culture is a mental phenomenon and that it has both public and private aspects. The contrasting view is that culture is public because meaning is public. Geertz (1973) argued that culture is as public as a wink or a sheep raid is, and although ideational, culture does not exist in one's head. In his view 'once human behaviour is seen as symbolic action [action which signifies], the question as to whether culture is patterned conduct or a frame of mind, even the two somehow mixed together loses sense' (Geertz, 1973, p. 10). Specifically Geertz attacks cognitive anthropology as reductionist, seeking to reduce culture to systematic rules and an ethnographic algorithm, through its use of 'clever simulations' in particular analyses (in the forms of taxonomies, paradigms, tables, trees, etc) to reflect what the natives really think, an impossible task. Such a study that analyses culture by 'formal methods similar to those of mathematics and logic was a fallacy and destructive' (Geertz, 1973, p. 12). The counter argument offered for the view that culture is a mental phenomenon is summarised as follows:

[...] if culture was meaning and symbol but not in anyone's mind, how could one do more than interpret whatever one considered symbolic? And what sense did it make to count interpretations? However, if culture is placed in the mind, then the organisation and limitations of the mind can be used to find cognitively formed units – features, prototypes, schemas, propositions, theories, etc. This makes possible a *particulate* theory of culture; that is a theory about the pieces of culture, their composition and relations to other things. Once such pieces or

units are defined, new questions arise. How shared are these units? How are they distributed across persons? Which ones are internalised? (D'Andrade, 1995, p. 247[emphasis in original])

From that standpoint, since culture is generated by the human mind through some rules and logic, what is required of an anthropologist is to determine what the rules are, and how members of a culture see and describe their world (Smircich, 1983). An organisation is, in cultural analysis, 'a network of subjective meanings or shared frames of reference that organisation members share to varying degrees which, to an external observer, appear to function in a rule-like, or grammar-like manner' (Smircich, 1983, p. 349). Cognitive anthropology conceives organisations as knowledge systems with socially sustained cognitive arrangements in which organisation members think as well as behave, thought guiding behaviour. Cognitive anthropology focuses on issues such as the structures of knowledge in operation within an organisation and the rules or scripts that guide action.

In terms of data collection methods, the cognitive anthropologist supplements participant observation with a battery of specialised techniques, to analyse and record procedures, rules of behaviour with which people order their world. Cognitive folk models, schema theory and connectionist models in human cognition are some of the methods that are applied in modern cognitive anthropology. As later observed few accounting researchers have utilised cognitive anthropology in its exact form.

3.4 Empirical studies informed by interpretive methodologies

3.4.1 Classifying empirical studies

Relatively few authors make explicit in published output, declarations of the methodology guiding their research (see for example, Jonsson, 1982; Covaleski and Dirsmith, 1983; Preston, 1986; Laughlin, 1988; Gray *et al.*, 1995; Ahrens, 1997; Granlund and Lukka, 1998; Dirsmith *et al.*, 1997; Abdul-Rahman and Goddard, 1998) and even when this is stated there are grounds for contesting a good fit within the main interpretive methodologies (see Jonsson, 1982; Covaleski and Dirsmith, 1983). Some have taken a non-committal

disposition and assumed an 'interpretive' and/or a 'naturalist and qualitative' methodology⁷ (see Rosenberg *et al.*, 1982; Boland and Pondy, 1983; Berry *et al.*, 1985; Dirsmith and Covaleski, 1985; Covaleski and Dirsmith, 1986; Boland and Pondy, 1986; Ansari and Euske, 1987; Covaleski and Dirsmith, 1988; Jonsson and Gronlund, 1988; Nahapiet, 1988; Innes and Mitchell, 1990; Ansari and Bell, 1991; Dent, 1991; Hoque and Hopper, 1994; Goddard and Powell, 1994; Chew and Greer, 1997.). For this reason, identification and attachment of methodological affiliation has been attempted, wherever possible, for each work reviewed but account has also been taken of prior classification effort.

Jonsson (1982) and Covaleski and Dirsmith (1983) for example, explicitly identified their research as informed by grounded theory. [see Jonsson, 1982, p. 288; Covaleski and Dirsmith, 1983, p. 324]. However, both these studies did not generate coherent substantive theory, linking overarching focal concepts with influencing and moderating concepts (Parker and Roffey, 1997). In a latter paper by Jonsson and Macintosh (1998), the authors [of which one was Jonsson (1982)] referred to Jonsson (1982) as being of an ethnomethodological approach, which is a more appropriate classification.

In Dirsmith and Covaleski, 1985; Covaleski and Dirsmith, 1986; and Covaleski and Dirsmith, 1988, authors have adopted a 'naturalistic and qualitative' methodology. They cited such works as Garfinkel (1967), Glaser and Strauss (1967) and Van Maanen (1979) and, in resembling paragraphs across the three papers they credit such a naturalistic and qualitative methodology for its ability 'to preserve some of the complexity and integrity of the phenomenon under study from the viewpoint and using some of the language of the subject in a largely inductive, descriptive, interpretive manner' (see Dirsmith and Covaleski, 1985, p. 153; Covaleski and Dirsmith, 1986, p. 199; Covaleski and Dirsmith, 1988, p. 8).

However, all the three papers took an approach where a review of literature was conducted on the basis of which some prior theory was outlined or propositions set up, subsequent to which authors set, for example, to 'see if the theory of budgeting as a source of power and politics in organisations can be used to make sense of budgeting in a hospital setting' (Covaleski and

⁷ 'Interpretive' is taken to mean a research paradigm with distinct ontological and epistemological assumptions. Symbolic interactionism, ethnomethodology, grounded theory, ethnography and cognitive anthropology are the main research methodologies available to research undertaken within the interpretive tradition. Other researchers have taken the ethnographic methods of data collection, i.e. unstructured and semi-structured

Dirsmith, 1986, p. 199), in essence testing prior theory by case study. Similarly, in Dirsmith and Covaleski, 1985 after a review of literature, four sets of propositions were set for informal communication and later reformulated for non-formal communication, and then in positivist-hypothesis-testing-fashion, a statement was given such as 'we conclude that there is support for Proposition 1 as it relates to mentoring and non-formal communication' (see Dirsmith and Covaleski, 1985, p. 159). One could argue that such approaches and their execution were not consistent with the spirit of the qualitative and naturalist methodology in its strictest sense⁸. They could not be taken to 'preserve the complexity and integrity of the phenomenon' under investigation. Chua, 1988 had, for example, found intriguing in Covaleski and Dirsmith (1986) the reference to Garfinkel, 1967 [ethnomethodology] and Glaser and Strauss, 1967 [grounded theory]. Such muddling was indicative of theoretical and empirical eclecticism found in the early interpretive research (Chua, 1988).

3.4.2 Thematic summary of interpretive accounting research

Three main themes that provide the structure of the ensuing discussion can be discerned from the empirical interpretive accounting research:

- i. Those early studies which addressed deficiencies of behavioural accounting research and sought to understand interactions in the budgeting process and organisational and financial controls,
- ii. Those which focused solely on information processing in organisations, and
- iii. Those which looked at accounting and changes in accounting within the framework of organisational and broader social and cultural influences.

Table 3 summarises the empirical research by theme and by choice of research methodology.

interviews, participant observations and document analysis and assumed an interpretive frame without associating their work with any one specific methodology.

⁸ The researcher accepts the possibility of multiparadigmatic approaches to research. However because of the difficulties in interpreting data and presenting findings with a multiparadigm outlook the researcher sees a sequential multiparadigm perspective as the most practical. This would involve re-interpretation of data and findings.

Research methodology	Research theme		
	Budgeting and control	Information processing and communication	Organisational change and cultural implications
<i>Ethnomethodology</i>	Jonsson(1982) Berry <i>et al</i> (1985)		Berry <i>et al</i> (1985)
<i>Symbolic interaction</i>	Rosenberg <i>et al</i> (1982) Boland and Pondy(1986) Nahapiet(1988)	Boland and Pondy(1983) Preston(1986)	
<i>Grounded theory</i>	Covaleski and Dirsmith(1983)	Jonsson and Gronlund(1988)	Abdul-Rahman and Goddard(1998)
<i>Ethnography</i>		Ahrens(1997)	Ansari and Bell(1991) Ahrens(1997) Chew and Greer(1997) Granlund and Lukka(1998)
<i>Interpretive/Ethnography</i>	Hoque and Hopper(1994)	Dirsmith <i>et al</i> (1997)	Hoque and Hopper(1994)
<i>Ethnography/Cognitive anthropology</i>			Dent(1991)
<i>Interpretive/ Middle range view</i>	Broadbent(1992) Laughlin(1990)	Broadbent(1992) Laughlin(1990)	Broadbent(1992) Cobb <i>et al</i> (1995)
<i>Habermasian Critical theory</i>		Laughlin(1988)	Laughlin(1988) Laughlin <i>et al</i> (1994) Jacobs(1995) Gray <i>et al</i> (1995) Broadbent and Laughlin(1997) Broadbent and Laughlin(1998)
<i>Qualitative and interpretive</i>	Covaleski and Dirsmith(1986) Ansari and Euske(1987) Covaleski and Dirsmith(1988) Goddard(1992) Scapens and Roberts(1993) Goddard and Powell(1994)	Dirsmith and Covaleski(1985) Polesie(1994) Dirsmith <i>et al</i> (1997)	Ansari and Euske(1987) Innes and Mitchell(1990) Scapens and Roberts(1993) Polesie(1994)

Table 3 : Interpretive research summary by research theme

3.4.3 The budgeting process and organisational controls

A frequent recurring theme of the earlier interpretive research of eighties was understanding of the forms and processes of the budgeting process and financial controls from the organisational actors' perspectives; in local governments (Jonsson, 1982; Rosenberg *et al.*, 1982; Boland and Pondy, 1983; Boland and Pondy, 1986; Covaleski and Dirsmith, 1988), universities (Boland and Pondy, 1983; Covaleski and Dirsmith, 1988) and hospitals (Covaleski and Dirsmith, 1983; Covaleski and Dirsmith, 1986). All these were environments

where revenue sources were limited and normally sanctioned by another external agency. Managing of relationships between the roles of *advocates*, who represented the need for more resources and better services, and those of *guardians*, who represented the control of resources and expenditure was the primary aspect of interactions.

Despite conflicting roles and sophistication Jonsson (1982) found that actors learnt to observe some basic rules in negotiating budgets. This allowed fruitful confrontation, prevented degenerative slacking and padding of budgets. Rosenberg *et al.*, 1982 pursued role-playing further and studied how the role of an accountant in a Treasurer's office - a *guardian* - changed to that of an *advocate* role on transfer to a Social Services Department. Through gradual socialisation and acceptance transferred accountants re-learned their roles and modified their initial values and attitudes from that of a constraining and negative [what-you-can't-do] outlook to a positive and genuinely advisory [what-you-can-do] outlook. Although initially treated as an alien, gradually these accountants were accommodated and got more involved in decision making. The works of Jonsson and Gronlund (1988) and Innes and Mitchell (1990) in a manufacturing environment support the existence of tension, role conversion and finally acceptance of accountants. They found that changes in management accounting practices brought better understanding of the role of accounting by operators at lower levels (Jonsson and Gronlund, 1988). It changed perceptions of engineers to see the constructive side of accounting rather than the control side and appreciate the contribution of accountants to their routine tasks (Innes and Mitchell, 1990).

Covaleski and Dirsmith, 1983 in one of two studies of the budgeting process in hospitals found that higher ranking nurse managers used budgeting information as a means of controlling subordinates and advocating the needs of the nursing services. In certain circumstances, nurse managers viewed budgeting information as being important for discourse both within and across departmental boundaries. Covaleski and Dirsmith proposed that there was a redefinition of budgeting away from a tool of control to being a tool of negotiation and political advocacy. They ascribed this to loosely coupled environments, where there was incomplete cause and effect knowledge, a complex task technology, lack of routinization and behaviour governing rules. In such environments they propounded, control needs to be relaxed and negotiation to be more exercised (Covaleski and Dirsmith, 1983, p. 335).

In a subsequent study (Covaleski and Dirsmith, 1986) that involved six hospitals they found that nursing managers who were vested with managerial positions focused inwardly to their units and were 'almost uniquely unable to perform those liaison functions that would enable them to gain access to the power and politics of the organisation' (Covaleski and Dirsmith, 1986, p. 204) because they lacked 'organisation acumen and command of *hospitalese*, a vocabulary including such terms as cost per patient day and bed utilisation rate, float staff [which] were of greater use than the possession of clinical skills' (Covaleski and Dirsmith, 1986, p. 202). Contrasting these findings to Covaleski and Dirsmith (1983) one could question the observation made in Covaleski and Dirsmith (1983) that, 'higher ranking nurse managers place more emphasis on budgeting information as a means of controlling subordinates, as a device for advocating needs of the nursing services area, [and] as being the lifeblood of discourse both within and across department boundaries Covaleski and Dirsmith, 1983, p. 333). Nursing managers could not have been able to meaningfully emphasise and use budgetary information if they lacked acumen and command of budgeting vocabulary.

Boland and Pondy, 1983 observed in two research sites that budgeting was a process that brought an interaction, a genuine union, of the rational and natural perspectives of accounting. The natural perspective was symbolic and this was portrayed by the significance attached to titles and captions used in a budget to heighten their importance. Boland and Pondy, 1983 showed accounting systems to be a 'living language which changes over time in response to new needs and situations [and] shifts in power and control' (Boland and Pondy, 1983, p. 230). The formal rational ritualistic role of accounting is transcended by organisational actors in a 'bracketing' and 'centre staging' problem solving process that allowed the rational and the natural symbolic perspectives to supplement one another. Later, Boland and Pondy (1986) revisited their earlier position following a suggestion by Meyer (1984) that rather than there being a genuine union, the rational and natural symbolic modes complemented one another by operating sequentially along distinct phases of a decision process. As Jablonsky, 1986 suggested the rational mode became dominant in the early phases, before choices are made, while the natural mode was dominant in the latter phases, after choices have been made. The natural mode was used to justify prior choices, rationalise choices, legitimise outcomes and discover strategies in retrospect. A bit later Chua (1988) also problematised the distinction between rational and natural perspectives because such distinction was contradictory to the position of a genuine union (Chua, 1988, p. 70). Boland and Pondy (1986) conceded this deficiency in their earlier work because empirical evidence actually

supported a two way alternating process between the symbolic and the instrumental decision modes.

3.4.4 Information processing in organisations

Dirsmith and Covaleski, 1985, Preston, 1986 and Dirsmith *et al.*, 1997 are three studies which explicitly focused at interactions in the process of informing in organisations. Dirsmith and Covaleski, 1985 in a study of public accounting firms found that informal communication was seen in markedly contrasting views by partners and managers on one hand, and staff and seniors, on the other. Partners and managers saw informal communication as doing little to benefit the firm. It was a useless but harmless pastime capable of generating misinformation at times. Staff and seniors however, saw in informal communication an information network that was accurate in providing information both on the business of auditing and also information of political orientation (reputations, attitudes and personal conflicts.). Dirsmith and Covaleski (1985) concluded that informal communication performed very limited functions in public accounting firms. Instead, non-formal communication and mentoring [non-regulated and non-bureaucratic forms of management] existed and played a major role in co-ordination and control in public accounting firms.

In a follow up study (Dirsmith *et al.*, 1997) it was observed how the introduction of Management by Objectives (MBO) in practice offices was resisted as an irrelevant administrative numbers game. Nevertheless, through mentoring, the values and emphases of MBO were informally instilled in protégés as necessary in the politics of the promotion process in accounting firms. Mentoring therefore transformed the quantitative oriented virtues and attributes [such as realisation rates, client billings and time budget averages] into terms whose understanding and operationalisation was indispensable for a protégé's survival. Through mentoring the economics of the business of auditing was able to 'influence the way in which practitioners attributed meaning to their everyday existence in a way that stressed the importance of 'the business' to them as individuals' (Dirsmith *et al.*, 1997, p. 15).

In Dirsmith and Covaleski, 1985 formality was defined [that which is planned and agreed upon] and distinguished from informality [the spontaneous and flexible relationships guided by feelings and personal interests existing in a formal organisation but not constrained by it].

In Dirsmith *et al.*, 1997 however, non-formal and mentoring were not argued convincingly as a distinct phenomena. One could argue for example, that personal interests of the partner (mentor) and those of the manager (protégé) essentially drive the mentor-protégé relationship.

Preston, 1986 found that managers made arrangements to inform themselves and each other, through observations, non-work specific conversations and interactions and personal record keeping. Such interactions were an integral part of a manager's daily activities and provided not only sources of information but were also avenues where meanings were constructed and interpreted. Official documentation was mostly redundant as a basis for routine decision making, as it was late and inaccurate. But nevertheless, it provided a historical background that could indicate general trends, and was a means for confirming and contrasting information that managers had already obtained. In Preston's view, informal sources were used, in spite of the existence of formal or official information and, that 'despite all attempts to design more timely, detailed and accurate information systems, managers will continue to talk to each other, observe events and keep personal records of those events they regard as important' (Preston, 1986, p. 537).

In contrast to Dirsmith and Covaleski (1985), Preston, 1986 asserted that 'the formal/informal dichotomy or an absolute distinction between the social and official was unhelpful. It might be more constructive to view organisational processes as actual *operating orders* or as an interweave of the social and the official' (Preston, 1986, p. 539). Yet, it was exactly on this point that Chua (1988) criticised Preston (1986) for distinguishing between a social order and an official order. Chua (1988) had suggested that both orders 'are a part of a constituted reality that has been ascribed particular levels of significance' (Chua, 1988, p. 70). In our view, the *operating order* was this constructive view interweaving the social and the official order, and it would appear that Chua's criticism had already been addressed.

Jonsson and Gronlund (1988) and Innes and Mitchell (1990) are studies that looked at changes in management accounting and their effect on information processing in high tech manufacturing firms. Jonsson and Gronlund (1988) studied a high tech engineering dominated sub-contractor and found that there were two levels of information processing, the local and the central. In an observation consistent with Preston (1986) they found that important information about costs relations of production processes was located at lower

levels and was collected locally through observation. Such information was important to shopfloor managers and foremen in running their units. The computerised central system was regular, uniform and highly precise in quantitative variables but it was not good at providing reasons for shortfalls and things that went wrong.

3.4.5 Accounting and change in organisational and socio-cultural settings

Accounting and change in organisational socio-cultural settings

In Nahapiet (1988) it was shown that accounting was a constituting and a constituted component in organisational reality. Accounting changes were able to redefine resource statuses, heighten visibility of some cost categories and stimulate organisational change. However, organisational reality also had significant consequences on the way the accounting requirements were implemented. Socio-political pressures and ambiguity in a funding formula that was portrayed to be objective allowed accounting requirements to be interpreted in a way that was favourable to health needs of a region. At times even technical accounting considerations were superseded by the 'logic of a situation' as seen through other frames by organisational actors.

Ansari and Euske (1987) and Hoque and Hopper (1994) observed the influential power of those other frames taken by organisational actors in their use of accounting. Ansari and Euske (1987) in a 22-year study of the use of cost accounting data in a US defence establishment found that despite its ambitious objectives, there was little technical rationale for the system and no important decisions had been made on the basis of data it made available. Devoid of a technical rationale, the cost accounting system had served as a means to manipulate internal relationships, for example, by offering some quantification power to one office (Department of Defence) which was used to control another (a Depot). It also served as a means to gain legitimacy with external overseers because '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).

This socio-political perspective to uses of accounting was also evident in Hoque and Hopper (1994). In this study of a jute mill in Bangladeshi, they observed an integrated formal

accounting reporting and control system which was designed for 'efficient allocation of resources within and between jute mills' (Hoque and Hopper, 1994, p. 12). However, despite being an exemplary theoretical demonstration of how to plan and hold accountable a state corporation, the system was bypassed and subjected to political interventions to the extent of being reduced to a ritual; serving mainly as a means of portraying legitimacy to external constituencies. In such circumstances managers at local levels evolved their own coping mechanism by forming informal arrangements between mills and with input suppliers and by co-opting local union leaders.

Hoque and Hopper (1994) had adopted an 'interpretive', 'ethnographic' tradition for their research but in the spirit of data triangulation supplemented the qualitative study with a questionnaire which provided data for *Wilcoxon rank sum test* and *Kendall test* statistics. They argue the questionnaire and its statistical results 'supplemented and corroborated the case study data and addressed issues of validity, reliability and generalisation, which are common criticisms of case study research' (Hoque and Hopper, 1994, p. 8). Hoque and Hopper (1994) misconstrued the logic of statistical generalisation (statistical representation) with the logic of case study analytical generalisation. Such an argument emanated from quasi-positivist worries that miss the point of the hermeneutic cycle in linking theory to case (Power, 1991). It appears inappropriate to attempt a generalisation of a phenomenon in an observed situation to unobserved situations. Other jute mills were not observed situations in the mode executed at Adamjee Mill and therefore managers' rank perceptions at other mills did not necessarily capture what was observed at Adamjee Mill. The case study method may offer an avenue for some generalisation if an argument for similarity of external and internal environments is made.

Broadbent, 1992; Laughlin *et al.*, 1992; Laughlin *et al.*, 1994; Jacobs, 1995; Cobb *et al.*, 1995; Gray *et al.*, 1995; and Broadbent and Laughlin, 1998 are studies that covered accounting and accounting change in organisations and public departments. These studies included a dimension of change in cultures, values and belief systems and all were informed by Habermasian critical theory executed through Laughlin's 'middle-range' thinking (Laughlin, 1995). Broadbent (1992) in a partial study of operations of a catering unit in a National Health Service hospital, found that externally directed transformation of a unit from a 'civic-public service' culture to a 'business' culture had different cultural impacts in the unit and the hospital management. Members of the organisation had two interpretive schemes

through which different interpretations of accounting information were made. These findings are consistent with multiple interpretations of budgets and other accounting information observed in Boland and Pondy (1983) and Nahapiet (1988).

In the National Health Service hospital unit studied, managers had not fully acknowledged the 'business' culture desired by the external agency, as indicated by the adoption of the norm-based budget as 'fair', instead of a standard cost-based budget that was more in line with the 'business' culture. In this way the excess of actual expenditure over budget was interpreted as 'over-expending' by one set of cultural orientation tuned to the 'business' culture, but as indication of simply 'under-resourcing' by another set, tuned to the 'civic-public service' culture. Despite such cultural fragmentation, the organisation absorbed the resultant tension because there was agreement at higher management levels of the interpretive schemes, regarding the mission of the organisation and its execution, while there was disagreement only at the lower levels, regarding interpretation of results.

Laughlin *et al.* (1994) along lines similar to Broadbent (1992) studied the impact of changes initiated externally by an overseeing authority on practices of a group of family health practitioners. They found that the mandatory financial and administrative changes instituted on GPs practices had made no impact on their culture, values and belief systems. The changes were seen as a long term 'softly softly' attempt to transform their practices from their cultured 'biographical' approach of care giving into 'biomedical' practices. GPs were able to cushion the impact of the changes on their medical practices by delegating the additional work demands of the requirements to the newly created offices of practice managers. The changes therefore, were only of first order magnitude and did not affect the interpretive schemes of GPs.

A follow up report (Broadbent and Laughlin, 1998) that covered GP practices and schools revealed that the initial and subsequent financial-led reforms were seen as unpleasant and there were efforts by GPs and Heads of Schools to try to minimise their impact on the core activities of their institutions. These changes were managed through evolving what was referred to as an 'absorbing group' (Broadbent and Laughlin, 1998, p. 423). The additional administrative and operational burdens were delegated to others (practice managers in GPs and deputies, bursars or clerks in schools). In this endeavour GPs were more successful than

Heads of Schools in absorbing newer reform requirements. While GPs were able to absorb even the increasingly intrusive changes, Heads of Schools found it difficult to contain the impact on the core activities of the education process, and thus prevent their colonising potential.

Parallel to Laughlin *et al.* (1994), in a study of effects of public sector reforms on a New Zealand hospital, Jacobs, 1995 found that clinical staff resisted accounting and budgetary control requirements brought by health reform measures. In a manner similar to what was termed 'absorbing groups' (Laughlin *et al.*, 1994) senior doctors took the unwanted position of 'clinical directors' and considered their function as 'to absorb the change and to protect their peers and their speciality from the growing administrative responsibilities and demands' (Jacobs, 1995, p. 72). Although new terminology from marketing, accounting and management entered health care, the core medical values came out unscathed, through the protective mode assumed by the clinical directors.

Cobb *et al.* (1995) is probably one of the few studies informed by Habermasian critical theory where a smooth non-resistant change occurred in a bank. Although external and internal pressures in the form of globalisation in banking, technological innovations, introduction of new products and falling profits were the jolts for change, actors had internally realised and accepted the need for change. Such a situation was a result of management initiatives across the whole organisation which promoted dialogue. Through consultation and informal contact between managers and accountants, it was possible to change attitudes of managers towards accounting and accountants, which then allowed the design of an accounting and reporting system that was seen as useful to managers. In this study organisational actors acknowledged the positive role of the researchers on the situation. This is arguably one of the major advantages of a Habermasian critical theory approach to research.

Polesie (1994) does not explicitly use Habermasian critical theory but acknowledges that 'an accounting model can serve as an instrument for communicative action (*cf.* Habermas, 1989)...[and]... may contribute to maintaining continuity over time in discursive practices' (Polesie, 1994, p. 164). Of interest in this study are the similarities with Cobb *et al.* (1995). There was international competition and financial pressure but nevertheless, change was similarly implemented in a smooth non-resistant manner. This was attributed to the culture of

adaptability to new tasks and technologies, which had become a way of life for the engineers at the Norwegian shipyard. There was also constructive dialogue among all actors in an effort to avoid:

[...] a full blown accounting model [because] such models may serve many masters, ..may or may not be accepted in the context within which they are to be used. The relationships between people in the organisation have to be explored, through action and reaction. In this dialogue the accounting model gave a point of reference for determining the form and content of the information people wanted (Polesie, 1994, p. 163).

Also as in Cobb *et al.* (1995), behind the design process was a well-liked, respected, capable and an honest general manager.

When Polesie (1994) and Cobb *et al.* (1995) are contrasted with Scapens and Roberts (1993) one distinguishes a situation where accounting change did not involve the organisational actors who were to implement the new system and who were portrayed as its beneficiaries. A firm faced increasing international competition and financial pressure as in Cobb *et al.* (1995) and Polesie (1994) but a new accounting system was resisted, modified and, eventually had to be abandoned. This was because the new system and personalities behind it, who were all accountants, sought to impose accounting-based meanings of activities such as 'production control' to managers who had an established tradition of looking at production-based meanings. This became a continuous source of conflict between managers and the project team throughout the project's implementation. Rather than a genuine dialogue ensuing, higher authority approval of the project was sought and obtained, in the hope of minimising resistance, a strategy that led to the project's failure.

In a different theme, Gray *et al.* (1995) used Habermasian critical theory to understand how concerns for the environment were changing organisational values and the implications on accounting and accountants. Gray *et al.* (1995) concluded that pressures for concern with the environment did not bring about a second order morphogenetic change in organisations. The following quote well summarises the position:

[...] For many organisations [the] 'environment' appears to be still standing as a separate aspect of the organisation – however, in most cases,...the environment agenda had only been seen as a useful PR or marketing focus and thus no different from sponsorship of motor racing or

marketing to the undersixes. [It] sounded like a fairly standard description of Laughlin's 'reorientation' – some re-shuffling, absorption, may be a little change of priorities short term but basically – 'business as usual'. The majority of the more environmentally active organisations expressed views which sounded a lot like 'colonisation' and 'evolution' but it is quite clear that there has been no real adjustment of the priorities of the organisation away from a business-centred, rather than environment-centred point of view. (Gray *et al.*, 1995, pp. 225-226).

Gray *et al.* (1995) did find some change but could not classify it as morphogenetic, so they found a mid-way by invoking the terms 'morphostatic colonisation' and 'morphostatic evolution'; reflecting a more subtle form of colonisation and evolution. More important however, was the way in which, not legislative pressure or customer reaction but personal values, status, self-image, of management and employees were being influenced by publicity and family to accommodate environmental concerns. The role of accounting in environmental concerns in organisations was minimal but even this is seen as not detrimental because 'whilst accountants are not yet involved in the process, it is with great care that one might welcome their involvement. Any form of environmental accounting will involve some trade-off between increasing visibility and constraining of [the] environment to a safe and controllable issue' (Gray *et al.*, 1995, p. 233).

Almost all research effort within local government (Jonsson, 1982; Rosenberg *et al.*, 1982; Boland and Pondy, 1983) and the government service sector (Covaleski and Dirsmith, 1983; Covaleski and Dirsmith, 1986; Broadbent, 1992) touched on the theme of how control was exercised in different forms. With a distinct objective, Goddard (1992) and Goddard and Powell (1994) made an attempt to examine stakeholders' perceptions of service and service quality, observed control systems in use by the stakeholders and eventually sought to evaluate how the broadening of participation by stakeholders in designing an accountability system would enhance its effectiveness.

Goddard (1992) observed the complexity of control systems in health provision, where multiple stakeholders existed, and where systems in place were dominated by perceptual models of the dominant stakeholders, such as managers and health professionals. Goddard and Powell (1994) concluded that the effectiveness of conventional accounting systems within the public sector was limited because it covered only a limited area of accountability relationships; financial and legal probity. They evaluated a naturalist stakeholder approach,

because it incorporated views of other stakeholders, through consultation and participation, and concluded that it improved decision making and performance review and thus rendered more meaningful the accountability relationships. A naturalist stakeholder approach emphasised non-technical qualitative language, which improved sense making across all participants. Although the naturalist stakeholder approach offers to transcend limitations of the conventional accountability systems, the authors acknowledge that its efficacy is undetermined. It is time demanding, prone to power imbalances among stakeholders and requires skills which organisational players currently may not have.

Accounting and change within broader socio-cultural settings

Berry *et al.*, 1985 and Dent, 1991 are studies that involved the understanding of accounting and changes in accounting requirements in organisations with dominant cultural tendencies or changing organisational cultures. Berry *et al.*, 1985 studied management control in an organisation dominated by a coal production and engineering culture that had roots to a socialisation process in the coal mining communities. In such an environment the miner's difficult, unpleasant and dangerous job was accorded more importance than the distant and peripheral accounting and marketing functions. Moreover, coal getting involved geological uncertainties and was prone to upheavals in the energy industry. These matters created a situation where there was scepticism about financial planning and modelling and where financial reporting got less clear and ambiguous as one moved down the organisational hierarchical order to the Colliery. The ambiguity in financial reporting was seen as a way of ensuring that accounting and financial measures of performance did not get in the way of 'real' production oriented matters (Berry *et al.*, 1985, p. 14).

This study demonstrated an organisation where the dominant cultural mode overwhelmed the accounting and reporting systems as a way of coping with an industry's uncertainty and sustaining the dominant culture of engineering and coal production. Berry *et al.*, 1985 observed that accounting reports were produced:

[...] sufficient to legitimate [management] actions externally, yet sufficiently malleable and ambiguous to incorporate alternative perspectives. Such ambiguity enables decisions to be made incrementally and opportunistically. By emasculating financial data, the consequent ambiguity created has enabled multiple interpretations to be created and permits a variety of actions to be created which matches the uncertainty in the environment (Berry *et al.*, 1985, p. 23).

A postscript by Berry *et al.*, 1985 informs readers that towards the end of the study a new chairman had been appointed charged with the task of transforming the organisation along market economy philosophies of a new government. They foresaw considerable changes in accounting control in response and already 'finance has increasing confidence, status and visibility in keeping with the increasingly articulated 'business' philosophy' (Berry *et al.*, 1985, p. 24).

Dent, 1991 in an approach that others have classified as cognitive anthropology (Jonsson and Macintosh, 1997)⁹, took the theme of change in business philosophy through its full cycle in an organisation with similarly dominant engineering culture that had undergone change. A successful conversion of an organisational culture from a 'railway-engineering' culture to a 'business' culture was executed through the commitment of the business managers, the support of the chief executive and close advisors, and through the development of a new accounting reporting as an expressive business language. New accounting provided the means of transformation from the language of operations and engineering, to the business language of market segment performance and profitability. In this new language 'the purpose of a railway was to make a profit [not to provide a public service]. The significance of customers was revenues and the significance of trains, infrastructure and staff was cost' (Dent, 1991, p. 717). Segment revenues, costs and profitability then became key meanings in organisational reality. Calculated episodes contested and won against general managers became symbolic milestones for the primacy of the business culture, which eventually led to loss of status and operational functions by the general managers, positions that were eventually replaced by business managers. A postscript informs readers that 'there are no longer any regional General Managers, no vestiges of the railway culture' (Dent, 1991, p. 729).

Ansari and Bell, 1991, Ahrens, 1997 and Granlund and Lukka, 1998 studied accounting in organisations within the framework of broader socio-cultural influences that transcended organisational culture. Ansari and Bell (1991) in a 22-year study showed how Pakistani culture and the logic of accounting information interacted with, through actions and restraint of action by, four members of a family in business. A business plan was prepared *ex post* to rationalise a funding decision that, in principle, had been informally made through a network

of friendships. Five years into the business a book keeping system was in place but only for tax purposes and there were no shareholding arrangements and employment contracts between the four brothers because of the cultural norm of *takallouf*¹⁰.

Not only was the accounting function headed by a family friend who was not qualified, but also the conventional internal controls such as segregation of duties were non existent. These were all explained by a culture that felt that 'formal structures were poor substitutes for personal trust (*bharosa*) and reciprocity' (Ansari and Bell, 1991, p. 14). When the organisation was recording major growth and expansion, there were pressures for institution of formal systems but even this was implemented couched in terms of family hierarchy; where the eldest brother assumed all authority. When a crisis finally ensued, a leading member of the family used the technical rationale of accounting to his maximum personal gain, and this could not be questioned, in conformity with culture. However, when another family member finally brought an opposing accounting rationale supported by an accountant who had qualified in England, a symbol of high professional standing in Pakistani, the result was:

[...] complete disregard for accounting. Having become party to a dispute, accounting lost its authority as a rational system of last resort. The struggle over whose worldview would prevail, that was previously implicit in 'rational' discourses over accounting, now became an open struggle. The discussions turned more into who had violated the norms of culture rather than whose accounting was right (Ansari and Bell, 1991, p. 22).

In this study, culture was a powerful explanatory variable towards the understanding of formal modes of control as well as the limitations of traditional and cultural modes of control.

Chew and Greer (1997) looked at how an externally imposed accountability and reporting structure was received in an indigenous cultural context of the Aborigines of Australia. There were many tensions between accounting controls and Aboriginal culture which placed more

⁹ Dent (1991) touches on accounting being instilled in managers as a new language of business and hence a communicative competence. In this sense the study is cognitive anthropological. However, it would be low-level cognitive anthropology in its pure form and closer to ethnography. Interestingly Broadbent and Guthrie (1992) refer to Dent (1991) as symbolic interactionist (Broadbent and Guthrie, 1992, p. 20).

reliance on trust, kinship and an egalitarian culture that did not have clear political authority and instead assumed total involvement and consensus by all members. An imposed Western form of accountability was ineffective. Contrary to the government's stated policy of self-determination of indigenous peoples imposed accountability alienated Aborigines from the federal government. There are context similarities between this work and observations in Pakistani culture by Ansari and Bell (1991). A major departing point is that while Pakistani culture was in harmony and dominated accounting controls, the Aboriginal culture interacted from a position of weakness in comparison to demands of the federal government.

Ahrens (1997) using accounting talk, contrasted accountants in two cultural modes among brewers, in Germany and in Britain. German firms' tendency towards explicitly bureaucratic forms of management and their association of management responsibility with detailed operational knowledge produced markedly different conducts from management accountants. German management accountants were distant from day-to-day business operations in the name of objectivity, and were more focused on administrative accuracy. In British breweries, management meetings were at ease in their conduct, manner of speech and appearance and in this atmosphere, management accountants mobilised their detailed knowledge of the product market and operations and integrated it with accounting knowledge and they could shape and question emergent operational proposals. In contrast, 'German accountants did not attempt to query the rationale of the proposed course of action at all. They did not mobilise their knowledge of the market to intertwine it with their accounting expertise. Instead, they accepted that the accounting realm was constituted in formal rules' (Ahrens, 1997, p. 626). This study beside from indicating the cultural impact in management accounting conduct in two countries, highlights the communication of diverse and relevant information that goes on in talk when players interact which is hardly communicated in formal written reports and memoranda.

Granlund and Lukka (1998) also focused on how management practice embraced Finnish culture and how communication patterns between accountants and other organisational actors were implicated. Although Finnish organisations have what may seem as an authoritarian management style associated with German firms, elements of Finnish culture,

¹⁰ The concept of *takallouf* is explained as preventing parties in social interaction from openly stating their needs, wants or desires. Thus the person who needs something is obligated to deny that need, while the person providing for that need is obligated to recognise it as a form of social propriety (Ansari and Bell, 1991). The refusal of a second helping by a guest at a dinner and the insistence of the host to fill the guest's plate is an illustration of *takallouf*.

such as trustworthiness, prudence, factual straightforwardness, and attentive silence make the style different by permitting increased delegation and freedom to work independently. One may argue that these cultural attributes may as well be more personal than national. However, Finnish management accounting practices reflected these core values too. In contrast to German accountants, Finnish management accountants were seen more in the role of controllers and were expected to have 'a good understanding of the business the firm is in, fluent communication skills and the ability to change projects too.' (Granlund and Lukka, 1998, p. 199). This is much closer to the roles British management accountants took in Ahrens, 1997.

Parallel to Ahrens (1997), Granlund and Lukka (1998) also observed that Finnish corporate communication was rich in oral communication. Managers felt that if an issue was important face-to-face discussions were more preferable because one wanted to *see* the immediate reaction of the other party, something which written communication could not convey. Nevertheless, internationalisation of business was having an impact on Finnish national and organisational culture and there was a transition towards taking in other practices especially within large multinational firms.

Laughlin (1988) and Abdul-Rahman and Goddard (1998) pursued the theme of broader socio-cultural influences by seeking to understand accounting in religious institutions. Laughlin (1988) found that in church settings the spiritual agenda was supreme while matters of accounting and accounting systems were irrelevant, particularly at the lower levels (parochial units) that formed the backbone of the church organisation. The spiritual context shaped the technical practices of accounting and in this respect accounting systems were 'legitimate aids but they are not part of the spiritual agenda and should not interfere with the more important spiritual endeavours of the Church. They are allowed to exist to assist the created internal resourcing units, but their role is clearly limited' (Laughlin, 1988, p. 38). Accounting was sensible where sacred controls and accounts had failed or because they were simply a requirement.

A similar theme is reflected in Abdul-Rahman and Goddard (1998) who looked at the constitutive and constituting aspects of accounting in organisational reality and culture from a perspective of religious organisations in Malaysia, a country with a dominant Muslim population. They observed that evidently Islamic values were at the core of organisational cultures and superseded the conventional perceptions of accountability. Nevertheless, political power vested in some elite sections of the society, perspectives of organisational

leaders and proximity of leadership to fountains of ideas near urban centres, had substantial influences on how the organisational values were shaped. These also were reflected in the importance attached to accounting and how other players in the organisations perceived accountants.

3.5 Summary

From a novel perspective, interpretive accounting research has made, in a relatively short spell, illustrious contribution towards the understanding of accounting in organisations and societies. The resulting main inspirational insights are:

- Roles assumed by actors in organisations are an important part of interactions in the budgeting process and organisational control. These roles and meanings attached to them are contextual and change through continuous interactions. Meanings evolve in such interactions through organisational actors' own interpretations and re-interpretations of acts, events, or magnitude and importance of communicative figures such as accounting numbers. Although accounting itself has a technical rational role, it has also symbolic significance because of its capacity to report and highlight issues such as costs, revenue and expenditure titles and other items. These then become a focus of attention in negotiations and political processes.
- Managers and operators have their own informal and local information networks in which, through routine interactions, they not only obtain important information, but construct and reconstruct meanings of situations on the basis of which they make decisions. Formal networks and information systems also play an important role as these are regular, not transient, offer a broader historical trend, are not memory constrained, and at times are used to confirm information availed through informal networks.
- Accounting has an influence on organisational actors and has a constitutive impact on their view of organisational reality. Nevertheless, organisational reality also constitutes what accounting reality is, and the role accounting and accountants are allowed to play. Accounting stripped of its technical rational role, is used as a legitimising and rationalising facility where other social, cultural and political considerations are predominant. Behind the technical rational role of accounting all actors devise coping mechanisms to ensure continuity of their interests.

- Broader cultural peculiarities in societies have implications on how organisational actors view accounting reality. In these contexts, where societal norms and cultures are dominant, they had a stronger influence in how accounting reality was constructed and what role accountants played.

Output from interpretive studies has enriched and challenged established roots of accounting knowledge and the historical developments of accounting practice. Nevertheless, it has been argued that such output has been more illustrative using social theory located outside the domain of core accounting and has not attempted to develop accounting-based theory (Humphrey and Scapens, 1996). These are arguments for interpretive research to transcend the confines of social theory *per se*, (which have been changed little by empirical results) and seek to develop socially informed theory that shall explain organisational accounting practices. Parker and Roffey (1997) express such sentiments when they argue for more grounded theory studies because their nature of being grounded with the empirical data produce results that are not distant from the reality of the 'everyday' accountant or manager.

Interpretive accounting research reviewed has been undertaken mostly within business firms and local or central government departments. Only limited effort has been directed towards understanding accounting in non-governmental and not-for-profit-organisations. There is growing interest in these organisations as alternatives in interventions for executing development programs throughout the world (Brett, 1993). This type of institution is unique and promises interesting insight for accounting research and therefore the following chapter reviews literature on non-governmental organisations with a view to evaluate research effort and outline a research problem.

Chapter Four

4 Accounting in non-governmental organisations and issues from 'New Public Management'

4.1 Introduction

This chapter reviews literature that is relevant to accounting in non-governmental organisations (NGOs) from two fields; development economics and accounting. Because some operational features of non-governmental organisations involve issues that 'new public sector management' grapples with, and both are affected by the adoption of neo-liberal economic policies, of issues of interest are brought in from 'new public sector management' literature and discussed. The chapter also explores the extent to which development economics literature addresses implications of accounting within NGOs and also surveys the empirical accounting research in charities and other not-for-profit entities.

A synthesis of this review forms the basis for research problem formulation. An interpretive line of inquiry is reasserted as most appropriate in order to address issues that mainstream positivist research has failed to address and which are therefore little understood.

4.2 Non-governmental organisations - a definition

Literature has not been consistent in the use of the term 'non-governmental organisations'¹¹. 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 loosely and interchangeably. Vakil's structural-operational definition distinguishes Non-governmental Organisations (NGOs) as self-governing and autonomous (as opposed to government affiliated) not-for-profit organisations that have as their objective the

¹¹ 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.

improvement of economic and/or social conditions of target disadvantaged populations or members of society. This definition would include formal organisations as well as informal ones, and leaves out the 'volunteer' attribute.

NGOs are not necessarily voluntary because there has been increasing professionalisation not only in NGOs but also within the not-for-profit sector broadly (Harris, 1988). Texts such as *Management Control in Nonprofit Organisations* (Anthony and Young, 1994), *Managing the Nonprofit Organisations* (Drucker, 1990) are testimony to professionalisation. Similarly, NGOs are 'not-for-profit' organisations but not necessarily 'non-profit-distributing'. 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 Law normally defines a charity and this definition varies across countries and even within a country (Gambling *et al.*, 1990). The concept of a non-governmental organisation is much broader than that of a charity. International relief organisations are registered as charities, and are guided by the spirit of compassion, feeling of duty and moral commitment, qualities that are of charity in origin. However, their operational definition has become much wider than that of charities (Harris, 1988).

4.3 Issues of interest from 'new public sector management'

The accelerated growth in non-governmental not-for-profit organisations operations in the past two decades is hard to separate from developments in the public sector generally. The early eighties ushered the advent of neo-liberal economic policies that sought to reign in public expenditure and improve efficiency and accountability of the public sector, in what is referred to as the 'new public sector management' (Broadbent and Guthrie, 1992; Ezzamel and Willmott, 1993; Humphrey *et al.*, 1993; Gray and Jenkins, 1993; Hood, 1995). NPM sought to change public sector management styles by shifting them closer to the private sector management styles which emphasise more on results rather than administrative processes (Hood, 1995). Competition and private initiative are proffered as the most efficient mechanisms of providing public services. To this end, public sector operations were exposed

to varying levels of market competition while others were transformed into self-standing entities running along business lines.

This phenomenon extended to the international development arena through the transformation of donor agendas and pursuance of World Bank-supported economic structural adjustment programs. The central objectives were reduction of public expenditure and the encouragement of institutional actors in the private sector (Brent, 1993; Kanyinga, 1993). Structural adjustment programs severely cut down government expenditure and reduced the capacity to provide basic social services. Early non-governmental organisations were established to cope with these emerging problems in provision of basic social services. Non-governmental organisations have however, evolved over time and now pursue a multitude of causes ranging from traditional basic service provision, reduction of economic differentiation, strengthening of community institutions, to advocacy work.

Operations of non-governmental organisations therefore, share some of the basic concerns of public sector operations and issues of theoretical and potential operative interest to non-governmental organisations are selectively drawn from new public sector management literature.

Broadbent and Guthrie (1992) reviewed accounting research in the public sector that composed of the central and local governments, public institutional systems and public business enterprises. They presented a matrix model from which two sets of assumptions are proposed to catalogue empirical research. One set represents the view taken on the power of accounting to lead change and the other is on the importance accorded to the organisational context. At one extreme, when the power of accounting in effecting change is deemed very high and the organisational context seen as not important a *technical* approach predominates. At the other extreme, *contextually technical* accounting predominates when the organisational context is considered very important and the power of accounting in leading change is questionable. The mid-point in the two orientations result in *technical contextual* accounting¹².

¹² Broadbent and Guthrie (1992) present the model as 'a heuristic device and not definitive' (Broadbent and Guthrie, 1992, p. 6) although they still titled it 'Approaches to Change: *A Definition of the "Alternative" Literature*' (Broadbent and Guthrie, 1992, p. 7 [emphasis added]).

The matrix model does not however, address the question whether the position a researcher takes on the organisational context continuum has any effect on the position taken on change power of accounting. It would seem that research that took accounting to be powerful in instituting organisational change assumed the organisational context to be unimportant, and that which took the organisational context to be very important questioned the change power of accounting. Put differently, could a situation exist where organisational context was very important and change power of accounting high? One could, for example, argue that in Dent (1991) not only was the organisational context very important but contrary to Broadbent and Guthrie (1992) accounting was also powerful [certainly not questionable] as a new language in effecting the change from the railway engineering culture to the business culture. This is because as Dent (1991) stated prior to the change '... the dominant culture centred on engineering and production concerns. Accounting was incidental in this culture; it was necessary in the technical-rational sense, but it was not incorporated into the culture among the senior management elite in any significant way' (Dent, 1991, p. 707). However through the change '... a new culture emerged. The previously dominant orientation was displaced by a new preoccupation with economic and accounting concerns. New accounts were crafted. *Accounting actively shaped the dominant meanings given to organisational life, ultimately obtaining remarkable significance in senior management culture*' (Dent, 1991, pp. 707-708 [emphasis added]). It is evident in this case that accounting did become a powerful facility as a result and in the process of effecting change.

Broadbent and Guthrie (1992) place within the technical accounting approach the traditional accounting research on accounting practices [standard setting, regulation and calculative competencies] with a view to improve reporting and decision making. With justification, little effort is devoted to technical accounting research and subsequently Broadbent and Guthrie (1992) extensively survey the 'technical contextual' and 'contextually technical' accounting research. The technical contextual research approach attracts researchers to whom technical issues still retain much appeal but they also recognised its weaknesses and were willing to accommodate the effects and/or requirements of organisational context and change. This research covered diverse issues but all of which had affinity to technical practices at operational unit levels, departments and sometimes at the whole organisational level. Themes such as, Financial Management Initiatives, Performance Measurement and Indicators, Annual Reporting and Performance Auditing are shown to be associated with the technical contextual approach.

Broadbent and Guthrie (1992) identify contextually technical accounting research with efforts that are 'concerned with the way in which accounting impacts on organisations as whole entities [basing] on an implicit belief that this is the way to reach meaningful understanding of both the change and the accountings produced' (Broadbent and Guthrie, 1992, p. 16). Taking the component parts of the public sector individually, Broadbent and Guthrie (1992) point out that research focusing on central governments is limited but research in local government at a macro level is comparatively empirically rich, although still limited. When compared to central and local governments, public business enterprises and public institutional systems have attracted increased research from which changes of an international dimension could be observed. Broadbent and Guthrie (1992) finally call for international comparative 'alternative' public sector research and increased research in under-researched areas of the public sector as well as particular accounting technologies.

Subsequent to Broadbent and Guthrie (1992), accountability and accountable management have become prominent in literature within the context of public sector reforms (Ezzamel and Willmott, 1993; Humphrey *et al.*, 1993; Gray and Jenkins, 1993; Gray *et al.*, 1997; Sinclair, 1995). Ezzamel and Willmott, 1993 support taking cognisant of organisational context by arguing that public sector reform is not aided by the upholding of the principles of corporate governance borrowed from the corporate businesses, but by 'opening and development of processes of communication, accountability and mutual adjustment between those who pay for, receive and provide public services' (Ezzamel and Willmott, 1993, p. 128). Similarly Humphrey *et al.*, 1993 were of the view that accountable management was appealing and offered potential for improvement of service delivery in the public sector, they added however that, 'the deceptive qualities of accountable management's perceived rationality tell only part of the story' (Humphrey *et al.*, 1993, p. 16). They cautioned that neo-liberal concerns with cost and performance, the increasing capacity in electronic information processing and the growth of a public sector professional cadre that has no direct contact with actual service delivery may have more to do with preparing and giving accounts to external bodies and therefore attaining legitimacy rather than actually facilitating and improving service delivery.

Sinclair (1995) summarises well the contextual research argument by suggesting that accountability is a social construct because it is based on a relationship in which people are required to explain and take responsibility for their actions. It is therefore a phenomenon that can only be understood in context because 'it exists in many forms and is sustained and given

extra dimensions of meaning by its context. Accountability will be enhanced by recognising the multiple ways in which accountability is experienced, rather than by attempting to override this chameleon quality' (Sinclair, 1995, p. 219). This view is concurred with and therefore, prior to entrance into research sites, significant attention is not attached to managerial model meanings of second order analytical concepts (Chua, 1988) associated with accountability.

Broadbent (1999) revisits progress made since Broadbent and Guthrie (1992) and offers some reflections. While some interest has been directed at comparative international research, Broadbent (1999) judges the output insufficient and makes a further plea for 'detailed descriptions of national practices.. and .. developing international comparisons to move toward providing cogent critical reflection and analysis' (Broadbent, 1999, p. 53). Broadbent (1999) nevertheless, acknowledges the attention paid to the study of different types of organisations outside health provision although she does not, in this instance, make an evaluative statement of sufficiency of the research effort. However, from the review of interpretive literature in Chapter Three it is evident that since Broadbent and Guthrie (1992) there has not been a major change in diversity of organisations studied because hospitals and health provision still dominated public sector research (see Appendix I, a table summarising interpretive research by institutional type). Also interesting in Broadbent (1999) is the recognition that not-for-profit organisations [which are not public sector organisations] are going into areas of public service provision which were traditionally within the public sector. Substantial operations of non-governmental organisations are in such areas.

In the third area identified in Broadbent and Guthrie (1992) - research on different accounting technologies, Broadbent (1999) still observed a preoccupation with technical practices. Broadbent (1999) recommends interpretive research reflecting on 'the extent to which the nature of financial accounting is itself socially conditioning as well as socially conditioned [and moving] to develop a less technical and descriptive approach to financial accounting issues' (Broadbent, 1999, p. 55). Some of the issues raised as needing further attention: the role of the professional and the impingement of regulatory structures and management controls such as accounting; the involvement of the public in direction and governance; and holding organisations accountable in democracies, are very relevant to organisations outside the public sector and particularly non-governmental not-for-profit organisations because they share key operational features of the public sector.

As remarked earlier, the review by Broadbent and Guthrie (1992) and by extension Broadbent (1999) intended and did emphasise 'contextual research' and subordinated 'technical research'. Also as observed in Broadbent and Guthrie (1992) the central government has not attracted much contextual accounting research as a result of which empirical research in this area is of 'technical research' orientation. Executive agencies have specifically been the subject of the bulk of this research. Two main themes are apparent from research on executive agencies; those which focused on financial and external reporting practices (Pendlebury *et al.*, 1992; Pendlebury *et al.*, 1994; Rutherford, 1996; Hyndman and Anderson, 1995) and those that looked into planning, performance reporting, and organisational control broadly (Pendlebury and Karbhari, 1997; Hyndman and Anderson, 1997).

Accounting research in executive agencies indicates diversity in formats, titles and terminology use, and contents of financial statements among the executive agencies of different structure and financing styles (Rutherford, 1996). There is also wide variation in the progression from cash to accrual accounting that could not be explained by age or size (Pendlebury *et al.*, 1992; Pendlebury *et al.*, 1994). Similarly performance related information still reflected significant weaknesses that restricted the potential for discharging accountability (Hyndman and Anderson, 1997), although the situation was perceived to be improving (Pendlebury and Karbhari, 1997). Rutherford (1996) attributed accounting difficulties experienced within executive agencies to transplantation of accounting practices from the commercial corporate sector without comprehensive guidelines on implementation. Accounting research in charities and non-governmental organisations, as later observed (in sections 4.5.2 and 4.5.3), reflect findings that are not dissimilar to these and just as with non-governmental organisations, executive agencies would benefit immensely from an interpretive research approach.

However, there has little movement in this research on executive agencies towards the contextual research perspective. There are even indications of resistance to such a perspective. Pendlebury *et al.*, 1994 for example was of the view that contextual research 'cannot offer an alternative, not even a status quo. This is because, in essence, they are arguing that we do not understand enough about our organisations to know whether or not we are ever doing the right thing' (Pendlebury *et al.*, 1994, p. 33). The issue however, is not one of abandoning 'technical research' but rather understanding the limitations of technical-rational accounting

when devoid of organisational context and recognising the benefit of understanding both accounting and organisational context, in interaction with each other and therefore enhancing the usefulness of technical practices.

4.4 Issues of interest from NGO and 'development' literature

NGO literature spans the whole spectrum of practitioners-in-the-field and nearly all social sciences. However, each field has looked at NGOs from within its own theoretical and technical confines and little interdisciplinary discourse exists. Across fields, accounting-associated concepts such as 'accountability', 'efficiency', 'cost effectiveness', 'sustainability' have become prominent (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.

Although questions have been raised on the efficacy of NGOs adopting costly and bureaucratic financial reporting practices (Charlton and May, 1995), there is more preoccupation with measurement and reporting of appropriate evaluative variables. The role of accounting in measuring, communicating and interpreting accounting-related attributes, except for attendant compliance costs, is more or less, taken for granted. Empirically much of what is available is anecdotal and produced by operatives within the NGO community itself. Independent rigorous research on and about NGOs has not been forthcoming (Edwards and Hulme, 1996).

Similarly, in management literature, there is little mention of non-governmental organisations although broadly not-for-profit organisations have received attention. Not-for-profit organisations are acknowledged to be different from both governments and private businesses. Anthony and Young (1994) for example, identified technical difficulties in measuring outputs and evaluating the input-output relationship as unique to not-for-profit organisations. Others disagree that those difficulties are unique to not-for-profit organisations (Leat, 1993) because they are also common in the service industry. Still, the absence of an over-riding, largely measurable objective such as profit is the single distinctive feature of

not-for-profit organisations visible in management literature (see for example, Perrin, 1985; Henke, 1992; Anthony and Young, 1994; Mayo, 1996; Herzlinger, 1996). A non competitive service delivery orientation, multiple stakeholders¹³ demanding attention and resources, and political influences are characteristics associated with, and arguably more implicated in, the not-for-profit organisational setting.

Nevertheless, a prevailing theme in management literature is that the basic management concerns in not-for-profit organisations and businesses are similar but, because of the distinctive features in not-for-profit organisations, the application of management concepts could be adapted to take account of those distinctive features. In this spirit, management concepts from business have transcended into not-for-profit organisations both as a result of need by managers in not-for-profit organisations but also due to external pressures to account for resources in their trust. Recently there has been even invitation for businesses to learn and apply some management concepts used in not-for-profit organisations (Drucker, 1988; 1989; 1990).

Early accounting interest in not-for-profit organisations was in (in)adequacy of accounting practices and a reporting framework (Booth, 1993). This led to the introduction of accounting standards and financial reporting requirements for organisations in the not-for-profit sector in the USA (FASB, 1980; 1993), in Canada (CICA, 1980) and in charities in the UK (ASC, 1988; Charity Commission, 1993).

A considerable body of knowledge of accounting as a constituting and constituted element of organisational reality was generated by interpretive researches as reviewed in Chapter Three. However, the bulk of interpretive research associated with the not-for-profit sector had been directed at universities and hospitals, institutions that are often government affiliated. There has been little interpretive research effort towards understanding accounting in non-governmental not-for-profit organisations, with the exception of religious organisations (see Laughlin, 1988; Laughlin, 1990; Abdul-Rahman and Goddard, 1998). With this background it is necessary to review empirical research in non-governmental not-for-profit organisations within a broader scope that is not restricted to interpretive research, in order to acquire a sound depth from which an argument for interpretive research can be made.

¹³ Who are stakeholders and what legitimate claims they have are complex subjects that are further explored in

4.5 Empirical research in NGOs

In order to integrate published research of relevance to non-governmental organisations it is imperative to focus on research from two disciplinary roots; development economics and accounting. There is substantial literature devoted to NGOs in the fields of development economics and international development. However, this literature generally does not attempt to address the implications of accounting within organisations. Similarly, there is increasing attention paid to not-for-profit organisations within accounting literature, but efforts have been directed mainly at government affiliated entities such as hospitals, universities and executive agencies, with relatively little research effort in what was termed 'pure' not-for-profit organisations (Zietlow, 1989).

The following two sections present separate reviews of focal literature in the two areas. Section 4.5.1 presents a selective review of key recent 'non-accounting' not-for-profit organisation literature of relevance to accounting and section 4.5.2 presents a more extensive review of accounting research in not-for-profit non-governmental organisations, a synthesis of which allows the formulation of tentative research questions.

4.5.1 NGO and 'development' research relevant to accounting

Hyman and Dearden (1998) in a study of assessment systems for NGO micro enterprise development programs that involved four major US NGOs (Appropriate Technology International [ATI], Freedom from Hunger [FFH], Save the Children [SC] and TechnoServe [TNS]) report that there were differences in impact indicators¹⁴ across these organisations, depending on area of focus. However, there was commonality in concern with financial and/or economic impact. In all four organisations there were efforts at quantification and analysis, which at times superseded the need by field workers to understand better clients' interpretation of impacts of intervention. Hyman and Dearden, reflecting a familiar view in development economics and international development literature, 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

Chapter Five section 5.3 - An interpretive stakeholder analysis framework [page 100].

¹⁴ Impact indicators are attributes of interest for the assessment of impact or effect of an institution's programs on the target individuals or communities. Impact indicators can be financial or economic figures or non-financial such as mortality and literacy rates, drinking water quality, etc.

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, 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. In such a system each actor maintains an independent information system which is useful in informing the activities in which they engage. In addition actors open channels for inputting and accessing information to and from a common system. They can be lobbied to provide certain information, but not forced to conform. But, effective users have to be contributors in some form and need to state a claim, at regular intervals and accept responsibility for that claim (Alsop and Farrington, 1998, p. 253).

Stakeholder interactions are non-static and continuously change and therefore predictably, the model cannot suit all situations. However, Alsop and Farrington (1998) using the example of operations of NGOs in India illustrate how such a system fits some features of multiple stakeholder interactions and how it could assist co-ordinated action. Unfortunately Alsop and Farrington (1998) do not delve into how accounting is implicated within the 'nested system'. Nevertheless, the ideas on existence of independent information systems, which are protected and nurtured by actors in organisations who use these systems to inform themselves and selected others, rhyme very well with Dirsmith and Covaleski (1985), Preston (1986) and Jonsson and Gronlund (1988).

Forbes (1998) conducted an extensive 20-year review of empirical studies in not-for-profit organisations that addressed the concept of effectiveness. Forbes included quantitative archival data, such as financial reports and operational statements (Forbes, 1998) as one among measures of effectiveness. Forbes claimed to have included leading journals devoted to the study of not-for-profit organisations as well as 'several journals from neighbouring

disciplines'¹⁵ (Forbes, 1998, p. 187) in which empirical research of relevance to not-for-profit organisations could be located. The only 'management' journals included in the review were *Academy of Management Journal* and *Administrative Science Quarterly* as a result of which accounting research of relevance to not-for-profit organisations has not been included.

Two main conclusions can be derived from Forbes (1998):

- i. that, effectiveness in not-for-profit settings is a complex concept that was not only difficult to agree measurement of, but also required a multidimensional approach and consideration of multiple constituents, and
- ii. that, within not-for-profit literature a view was emerging of 'effectiveness as the negotiated product of repeated interactions between organisational actors and the environment in which they function. This view places an emphasis on understanding the interactions within and among organisations that lead to criteria for evaluating organisational effectiveness as well as the roles that information and communication play in shaping judgements of effectiveness' (Forbes, 1998, p. 195).

These conclusions are well documented and supported in interpretive accounting literature. What Forbes termed 'the emergent approach' is an interpretive approach that considers effectiveness measures '.. not as objective facts but neither are they regarded as arbitrary or irrelevant. Rather the emergent approach holds that definitions and assessments of effectiveness have meaning but that the meaning is (a) created by the individual or organisational actors involved, (b) specific to the context in which it was created, and (c) capable of evolving as the actors continue to interact' (Forbes, 1998, p. 195). This research argues for such an interpretive line of inquiry to be pursued in understanding uses of accounting in a not-for-profit setting.

4.5.2 Accounting research relevant to NGOs

This section reviews published empirical research in not-for-profit non-governmental organisations from which three major themes summarised in Table 4 emerge:

- i. those which sought to evaluate the extent to which financial reporting by not-for-profit organisations met needs of users of financial reports,

¹⁵Journals included in the review were *Administration in Social Work, Nonprofit and Voluntary Sector Quarterly, Nonprofit Management & Leadership, Voluntas, Academy of Management Journal* and *Administrative Science Quarterly*.

- ii. those which studied periodic reporting in not-for-profit organisations within the framework of stipulated accounting standards and regulatory requirements, and
- iii. those which sought to understand accounting practices broadly and assess the employment of financial and management techniques for planning and evaluation decisions in not-for-profit organisations.

Research method	Research theme		
	User needs evaluation	Annual reports and compliance	Accounting practices and use of management techniques
<i>Survey</i>	Hyndman (1991) UK Hyndman (1990) UK Seville (1987) US Bird <i>et al.</i> (1981) UK	Williams <i>et al.</i> (1998)UK	Williams <i>et al.</i> (1998)UK Trigg <i>et al.</i> (1995) US Zietlow (1989) US
<i>Data base</i>			Callen <i>et al.</i> (1993) US Greenberg <i>et al.</i> (1987) US
<i>Case study</i>	Holder (1987) US	Gambling <i>et al</i> (1990) UK	Gambling <i>et al.</i> (1990)UK Holder (1987) US
<i>Content analysis</i>		Beattie <i>et al.</i> (1994)UK Hines <i>et al.</i> (1992) UK	Bird (1985) UK Bird <i>et al.</i> (1981) UK

Table 4 : Published research in non-governmental not-for-profit organisations by research theme

User needs evaluation

Initial efforts at assessing users needs and how they were met were a result of introduction of, or arguments preceding the introduction of, reporting frameworks for not-for-profit organisations. Both in the US and the UK reporting frameworks were envisaged to ascertain some control over them (Bird and Morgan-Jones, 1981; Gambling *et al.*, 1993).

In a study of charity accounting in the UK, Bird and Morgan-Jones (1981) apart from evaluating accounting practices, they sought views from corporate donors and grant making trusts on how well charity accounts met their information needs. Although no justification was put forward for their choice of donors as principal users, the implication is, as in the corporate world, financiers' interests seem to subordinate others. Bird and Morgan-Jones (1981) reported that majority of fund providers made use of, and assessed, accounts of a charity before granting financial support, but contrary to authors' expectations, there was relatively less regular monitoring of funds contributed. No reasons are offered for this inconsistency but since donors believed some standardisation of charity reporting would improve utility of charity accounts to users, it can only be assumed that sufficient information was not availed to allow the monitoring of contributed funds. Some donors had

even accused charities of 'concealing their true financial state' (Bird and Morgan-Jones, 1981, p. 139), a matter that also arose during analysis of contents of submitted accounts.

Results of this work made a substantial contribution towards the initial discussions which were to culminate into the Statement of Recommended Practice 2 (Hyndman and Kirk, 1984). Frankly, the response from donors in this study did not provide sufficient knowledge of user needs. First, donors do not represent all user interests, and even if they were, authors had acknowledged that 'the number of replies received was disappointing' (Bird and Morgan-Jones, 1981, p. 139). Certainly, as the authors observed, the replies were of considerable interest, but they did not provide a solid understanding of users needs. Bird and Morgan-Jones were aware of these limitations but argued that users needs could be learned simultaneously with the introduction of better reporting methods, because in their view:

[...] the search for better financial reporting methods is not a once for all programme; it will have to be repeated as we learn more about users' needs, decision rules and predictive ability of measures and as our economic and social environment changes [and that] it would delay work on other questions unreasonably if we were to refrain from considering them until some definitive answers had been discovered about users' needs' (Bird and Morgan-Jones, 1981, p. 133).

It was precisely against such a prescriptive view that Gray (1984) suggested that research into charity accounting was myopic, lacking in knowledge of users' needs as opposed to supposition, and it failed to recognise that in charities, financial reporting played a subsidiary role in the overall oversight function.

Holder (1987) at the request of the US Financial Accounting Standards Board (FASB) explored financial reporting practices in not-for-profit organisations, and how accounting practitioners, industry representatives, and users of financial information perceived those practices. This study was markedly descriptive and used in-depth interviews in addition to other documentary and financial report analyses. Holder reports that not-for-profit organisations employed diverse accounting and reporting practices which ranged from single financial report sets in simple structure not-for-profit organisations, to variants of financial reports in complex structure not-for-profit organisations. The nature of a reporting system seemed to be associated with the legal entity of, and control exercised by, the constituent components of an organisation. Generally, the most consistent problem area across all

organisations in the study was in reporting fund raising and lack of uniformity in accounting for resources used.

Holder also found that users of financial reports (taken as creditors, lenders, grantors and contributors) took different perspectives in their assessments of their needs. However, the differences in perspectives did not, according to Holder, result in not-for-profit organisation reporting entities that differed substantially (Holder, 1987, p. 330). The user needs outlined, in our view, were not dissimilar from those postulated as user needs in business organisations. Had these been much more specific to not-for-profit organisations results may have differed.

Seville (1987) also assessed usefulness of financial reporting in not-for-profit organisations on the basis of a model she developed out of objectives defined by FASB. She found that what are perceived to be users of information actually considered themselves as such. These users also considered important those items of information propounded in US accounting standards or recommended in accounting literature. This view offered little new insight but merely endorsed the applicability of general accounting standards to the not-for-profit sector.

A similar user needs-oriented study in the UK was Hyndman (1990) who reported that although users perceived information types of 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 (1990) took contributors as the most significant users of information from charities; a position later well supported by perceptions of information providers Hyndman (1991). Contributors were all reported to be individuals and therefore could not separately compel disclosure of specific information. Charities now receive large sums from individuals as well as institutional donors who could and do exercise leverage. It would be interesting to obtain insight as to how this dimension changes reporting relationships.

Hyndman (1991) extended, in a follow up study, the original questions on information types (Hyndman, 1990) to charity officials and auditors, who were taken to be information providers. He concluded that information providers also recognised contributors as the most important users of charity reports and were largely aware of contributors' most important

information needs. Nevertheless, some of information types perceived to be important by contributors were not availed to them. Hyndman (1991) suggested as reasons for non-provision of information 'an unwillingness or inability' by information providers to meet contributors' information needs (Hyndman, 1991, p. 80) and little motivation on the part of information providers to improve the accountability of charities to contributors (Hyndman, 1991, p. 82). However, since the basic data collection tool was ordinal ranking, these reasons did not wholly emanate from respondents and therefore may not be empirically grounded.

Questionnaire survey research determines *a priori* the precise set and structure of issues of interest, with emphasis on empirical generalisation. Issues that could and do emerge in the field from subjects of the study are not accommodated and this is further constrained by the mode of response [rank scales] that excludes real interaction between the researcher and the researched. Because of such methodological limitations, Bird and Morgan-Jones (1981), Holder (1987), Seville (1987), Hyndman (1990) and Hyndman (1991) do not provide empirical answers to questions such as, what explains the adoption of particular practices and choice to report or not to report certain information, in particular form.

Annual reporting and compliance

Hines and Jones (1992) concluded in a three-year longitudinal study of charity reports that the Statement of Recommended Practice 2 (SORP2) had not made a significant impact on accounting practices of charities. There was little improvement in quality and reduction of accounting practice diversity. They also raised the possibility of reluctance to comply which in their view is consistent with 'the wish of charities to portray themselves as underfunded and of solely pursuing directly related charitable activities' (Hines and Jones, 1992, p. 63). They recommended a mandatory accounting standard or legislation.

Gambling *et al.* (1990) also sought to evaluate the extent to which SORP2 was applied in charities considering the attendant costs of compliance. They 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). Gray (1984) had raised similar concern, subsequent to one of the first study on charity accounting by Bird and Morgan-Jones (1981), that a prescriptive approach was taken towards charity accounting.

Moreover, accounting principles and policies were observed to be of comparatively poor quality and this is also in agreement with what others had observed (Bird and Morgan-Jones, 1981; Bird, 1985; Hines and Jones, 1992). But more important is the observed opposition towards accounting treatments considered good practice, such as capitalising and depreciating fixed assets, reporting on commitments of funds, and analysis of expenditure into informative categories. Unfortunately the study does not establish reasons for these positions and only recommends further research. Bird and Morgan-Jones (1981) had also observed reluctance by charities in providing some information that had the effect of concealing their true financial health.

Finally, Gambling *et al.* (1990) found SORP2 and similar proposals inappropriate because they addressed the traditional image of a charity operating on a 'shoe-string' budget, financed by uncertain sources and staffed by volunteers. To these, SORP2 reporting requirements were a regressive burden that they could not bear. On the other hand Gambling *et al.* (1990) noted insufficient attention paid to accounting requirements of, and accountability in, 'modern charities' which controlled big budgets mostly provided by substantial profits from trading activities and large government and corporate donors; one of the areas they earmark as in need of further research. This view together with its ensuing recommendation is consistent with objectives of this research; addressing non-governmental organisations among that new generation of organisations.

In a different direction, Beattie and Jones (1994) chose to study graphical presentations in annual reporting of charities. They found that none of the information types in Hyndman's model (Hyndman, 1990) were commonly graphed, and they attributed this to lack of sufficient disaggregation of information types in Hyndman's model. Beattie and Jones infer that there were other information types that were perceived as having a stronger communicative effect when presented in graphic format. Having concluded that graphs were an important means through which charities communicated results of their operations and

financial position, they make a policy recommendation for the Charity Commission to develop guidelines in the use of graphs in charity financial reporting.

Graphical presentation is a small component of annual reporting in organisations and some important information may even not be presentable graphically. Moreover, Beattie and Jones (1994) did not confer with users and consequently what were reported were not users' viewpoints, in the context of the charities studied. This was a weak basis from which to make a policy recommendation.

In a survey of accounting practices and compliance with SORP, Williams and Palmer (1998) used Bird's study as a benchmark and sought to evaluate progress in charity accounting between the early 1980's and 1994/5. The survey evaluated the primary accounting statements and accounting treatments of restricted incomes, group relationships, grants, fixed assets and investments. They conclude that the majority of charities were in compliance with the SORP in the areas of recognition of grant revenues and commitments, capitalisation and depreciation of fixed assets, provision of information on trading activities and the general availability of data. However, there were 'still considerable variations in charity accounting practice' (Williams and Palmer, 1998, p. 277) as reflected in non preparation of the statement of financial activities and cash flow statements especially in, but not restricted to, small and medium charities. In contravention of requirements of the SORP, most large charities also made movements directly to funds and reserves without showing the effect on revenues. Presentation of restricted funds separately was being abandoned in large and medium charities which was seen as a major step towards improving transparency. However, in a rather contradictory observation it was found that 'a worryingly large number of charities of all sizes do not disclose their accounting policy' (Williams and Palmer, 1998, p. 275), which would severely limit transparency of contents of financial statements. The research also points that among medium and small charities 'a majority provided no information whatsoever' (Williams and Palmer, 1998, p. 277).

Williams and Palmer (1998) attribute the shortcomings to 'weak or non-existent feedback from users' (Williams and Palmer, 1998, p. 277), and suggest that trustees did not perform properly their oversight function because they were accounting illiterate. They also suggest low calibre accounting staff as a contributing factor. These may be valid issues but they are nevertheless empirically unsubstantiated and other dynamics could be involved.

Accounting practices and use of management techniques

Bird and Morgan-Jones (1981) in the study earlier reviewed also evaluated record keeping, contents of submitted accounts, sought to locate accounting problems in charities and suggest avenues for improvements. They reported existence of diverse accounting practices in report formats, basic record keeping, accounting policies, treatment and recognition of incomes and expenses, valuation of assets, and a multitude of items reported in financial statements. Conceding that the variety in charity establishments and their operations defied a uniform reporting framework, results of their work supported some standardisation of practices to reduce undesirable diversity, improve general quality of reporting and increase the utility of financial reports to users. More than a decade after this work, Hines and Jones, 1992) submitted resembling findings and recommended standardised reporting.

Bird (1985) in another study sought to establish the relationship between a charity's asset holding and revenue expenditure commitments. The ratio of interest expressing that relationship was, Net Assets excluding Fixed Assets expressed as a proportion of Annual Revenue Expenditure. Relief and development oriented charities had very low ratios while charities for ex-servicemen had the highest ratios. While this was found appropriate for ex-servicemen charities, Bird (1985) observed that relief and development charities had not taken account of revenue expenditure for the subsequent two to three years to which they were committed. In Bird's view there was an attempt to avoid full disclosure of future financial commitment. A similar view was expressed by Holder (1987) who found inadequate disclosure of accounting practices by US not-for-profit organisations.

Trigg and Nabangi (1995) looked at accounting practices of Habitat for Humanity and sought to establish accuracy of its accounting methods and hence reporting. They sought to establish the accuracy with which the organisation valued homes it constructed. The key issue was treatment of volunteer labour and donated material. They concluded that there was no standard treatment and both balance sheet values and annual revenues were understated, because fair market values for resources contributed were not consistently used in valuation. This diversity in accounting practices is consistent with observations by Holder (1987) in the US and Hines and Jones (1992) in the UK.

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 evaluations. Greenberg and Nunamaker (1987), and Callen and Falk (1993) are the two studies that adapted operations research techniques towards evaluation of not-for-profit organisations. Greenberg and Nunamaker suggested the use Data Envelopment Analysis (DEA) in computation of efficiency production frontiers and measures of technical (in)efficiency by developing a Generalised Multiple Criteria Model that could be utilised for both internal and external assessment of organisational performance. This model basically incorporated some of the conventional performance measures and ratios popular with managers as inputs into DEA.

Greenberg and Nunamaker (1987) nevertheless acknowledged that the model and similar approaches were not useful because they were not needed and were actually not used by managers in not-for-profit organisations. Their only utility was impressionist because external regulators and resource providers demanded and used such measures for evaluating not-for-profit organisations. They merely provided false technical rationale around an entity’s operations. Zietlow (1989) reached a similar conclusion regarding the use of once-endorsed budgetary techniques such as Zero Base Budgeting, and Planning, Programming and Budgeting System.

In harmony with Greenberg and Nunamaker (1987), Callen and Falk (1993) also focused on technical and allocative efficiency of not-for-profit organisations. They however did not use DEA as a direct decision making aid, rather it was used merely to derive technical efficiency indices which were subsequently used to test the hypothesis that board composition (external representation) mitigated against technical and allocative inefficiencies. Outsider representation in boards was found to have no relationship with technical and allocative inefficiency. They suggest that donors may be more concerned with public acclaim, business promotional effect of being associated with an organisation doing public good and/or enhancing personal reputation. Consequently, unless an organisation was wasteful to the detriment of a donor’s image, donors may be less concerned with its technical and allocative inefficiency. These are plausible explanations only that they again do not emanate from research subjects and therefore not empirically grounded.

DEA is utilised in measuring efficiency in not-for-profit organisations because it required only input-output quantitative data (Callen and Falk, 1993, p. 53). Although this makes computational ease it ignores major quantification problems prevalent in not-for-profit organisations. As such inferences from quantitative input-output relationships that overlook the overwhelming qualitative aspects in not-for-profit organisations may be severely limited.

Callen and Falk (1993) used the debt-value ratio as a proxy for donor dependency and therefore external board representation. Asset book values were taken in computation of the debt-value ratio. The appropriateness of the proxy notwithstanding, the use of asset book values is problematic in two areas. First; asset book values often do not reflect current values and in other cases there was an ambivalent approach to capitalisation where very substantial fixed assets were expensed on acquisition (Gambling *et al.*, 1990). Second; but more important, charities and other not-for-profit organisations receive substantial donated assets which empirical evidence had indicated were not satisfactorily valued and recorded (Trigg and Nabangi, 1995).

4.5.3 A synthesis of empirical research

Empirical literature on non-governmental not-for-profit organisations is sparse within accounting and management disciplines broadly. While interpretive research is well established in accounting, it has not extended to non-governmental not-for-profit organisations. Such an interpretive line of inquiry is only emerging within the non-accounting literature devoted to non-governmental not-for-profit organisations. The constituting and constituted aspects of accounting in organisational reality are little understood and therefore accounting is accepted in its technical rationale function in both accounting and non-accounting literature. This is evident from the following synthesis of the key research conclusions:

- Accounting practices in charities in the UK and similar not-for-profit organisations in the US and Canada were found to be diverse and non-uniform. Behind such research and findings is the deduction that uniform and comparable practices will result in more useful information and will address existing accounting weaknesses within not-for-profit organisations.

- The introduction of the Statement of Recommended Practice 2 (SORP2) in the UK did not seem to have reduced accounting practice diversity and improved the quality of financial reporting. Reluctance to comply was noted and consequently a mandatory accounting standard or legislation was recommended to enforce compliance.
- Surveys on needs of users of accounting information found that users have different emphases, but as in corporate reporting, their needs are capable of being sufficiently met within a regulatory annual reporting framework. In these surveys, users perceived financial information to be important, but non-financial information was found to be important too. This non-financial information was however, not forthcoming from the information providers but little is known on reasons for non-provision. As noted earlier in the main discussion, this is attributed to inherent limitations of questionnaire surveys and analysis of contents of financial records and reports in revealing issues that require interaction and involvement with organisational actors.
- Financial and operations research modelling tools served only a symbolic and an impressionist role within the not-for-profit entities employing them. They were developed only because external regulators and large financiers desired them.

Published empirical research outlined and reviewed is mainstream positivist in approach. Rank and survey questionnaires and data base analyses are inadequate for capturing and conveying experiences of organisational actors in their interactions and how accounting is implicated in their organisational lives. As observed earlier, with the exclusion of government affiliated organisations, published interpretive research in non-governmental not-for-profit organisations is exceptionally limited and what is published is related to religious organisations. Moreover, positivist as it may be, the relevant published research is also restricted to UK, Canadian and US organisations and thus there is little effort towards understanding non-governmental not-for-profit organisations in different settings, such as, a developing region (and therefore, 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). The understanding of interactions in organisations must take account of the framework within which actors interpret thoughts, actions, objects and financial as well as non-financial figures.

Three inferences are made from this synthesis: one, non-governmental not-for-profit organisations have not been sufficiently explored; two, an interpretive line of inquiry is more appropriate towards understanding accounting in these organisations; and three, such an understanding will benefit with insights from a non-western, developing country socio-cultural setting where the bulk of non-governmental organisations operations are undertaken.

4.6 Statement of the research problem

Following on inferences from the empirical research synthesis and taking account of the recurrent issues in the review of interpretive research literature in Chapter Three, the general problem of interest is put as to investigate the accounting phenomenon within a socio-cultural and a regulatory framework. Of interest are interactions between accounting, organisational actors and stakeholders, as well as the confluence and effects of those interactions on organisational practices. Drawing from lines of inquiries pursued within interpretive accounting research tentative research questions that shall guide the research are suggested as follows:

- i. What is the role and importance of accounting as actually understood by organisational actors in non-governmental organisations, regulatory bodies and other stakeholders ?
- ii. What meaning do these actors attach to accounting functions and accounting output?
- iii. How does accounting influence their interpretations of events?
- iv. What are the accountability relationships in existence and how do organisational actors view these relationships?
- v. How do organisational actors discharge accountability and how are the organisational operations influenced by particular accountability relationships? and
- vi. How do actors within non-governmental organisations admit, resist or influence accounting as it finds its way in their organisations?

These research questions will necessarily get modified when data collection has started and issues of importance to informants have been incorporated. While some of the research questions may survive the initial confirmatory stage others may turn out to be not important from the perspectives of organisational actors. These unimportant questions will get relegated. The discussion of Emergent Research Themes in Chapter Seven [page 145]

addresses the graduation of tentative research questions into themes that emerged to be important to the researched.

4.7 Summary

This chapter reviewed focal literature on non-governmental are not-for-profit organisations that is relevant to accounting from two fields - development economics and accounting. The chapter concluded that non-accounting literature took for granted the implications of accounting while accounting research was primarily mainstream positivist and expounded the technical rational view of accounting.

A synthesis of empirical research made three inferences; firstly that non-governmental not-for-profit organisations have not been sufficiently explored; secondly, that an interpretive line of inquiry is more appropriate towards understanding accounting in these organisations; and thirdly that, such an understanding will benefit with insights from a non-western, developing country socio-cultural setting where the bulk of non-governmental organisations operations are undertaken.

From the inferences the research problem was formulated to investigate the accounting phenomenon within a socio-cultural and a regulatory framework in the setting of non-governmental not-for-profit organisations in Tanzania. Tentative research questions to guide the research were also suggested. The next chapter is devoted to an exposition of an interpretive research methodology appropriate for the formulated research problem.

Chapter Five

5 Research methodology

5.1 Introduction

The approach to research that is taken in this research is anchored within the interpretive research paradigm. Therefore the term 'research methodology' has to be seen in that context because methods of data collection described later do not, in themselves, comprise a research methodology. The chapter sets out the interpretive line of inquiry that is executed to address the research problem identified in the preceding Chapter Four. It therefore links interpretive research traditions discussed in Chapter Three with the knowledge gap identified in Chapter Four.

It is organised as follows, the first section describes the research strategy that involved two field visits spaced twelve months apart. Such an approach is argued in lieu of continuous long residence in the field, because it is cost-effective and in order to obtain a reflexive break and to allow an opportunity to observe change over a period of time. This section also points out the research sites and the justification for their choice.

The second section briefly reviews the interpretive stakeholder framework (Mitchell *et al.*, 1997) that is employed as part of initial reflective analysis. The underlying reason being, a stakeholder approach offers a good framework within which to understand accounting, reporting and accountability relationships.

Methods of data collection are described in the third section subsequent to which details of grounded theory analysis - the principal analytical facility - are expounded. This section also presents the justification for the choice of grounded theory analysis of Strauss and Corbin (1990; 1998). The final section addresses issues of threats of validity and reliability to research and explains strategies implemented to guard against these threats.

5.2 Research strategy

Different interpretive research strategies offer particular perspectives that illuminate certain aspects of organisational reality more than others. The choice of a specific research strategy depends on the purpose of the study, the nature of research questions, and the availability, to a researcher, of intellectual as well as financial resources (Morse, 1994; 1998). The research problem for this research was to investigate the accounting phenomenon within a socio-cultural and a regulatory framework. This research sought to understand the nature of the phenomenon [accounting, accounting functions and accountability] from perspectives of organisational actors. On the other hand it also sought to understand aspects of accounting and accounting functions associated with the structure, occurrence and change of events.

This study took a broad view of accounting because in organisational realities stakeholders may hold different perspectives of it and its implications. Embedded in this view was financial accounting as well as management accounting. Included also were issues of audit requirements because audits may have resource implications to organisations. Periodic non-financial reporting was considered relevant to this study when it was associated with financial measurement and conveyance of information important to stakeholders that accounting systems did or could not convey.

Grounded theory is the principal approach towards analysis throughout this research. Section 5.5 covers details on how grounded theory was employed. However, since accounting is necessarily linked to stakeholder perspectives (Gray *et al.*, 1997), a tool that enables one to assess salience of stakeholders would assist understanding of actions of organisational actors and stakeholders. It is for this reason that stakeholder theory is brought into play early after entry into the research sites to assess stakeholder salience and facilitate interpretation of implications of stakeholder salience on accounting.

Results of stakeholder analysis were maps of salience for each stakeholder and these were used as inputs during conceptualisation in grounded theory analysis. Mitchell *et al.* (1997) make a comprehensive review of literature on the stakeholder theory of the firm and offer a dynamic model that is adapted to work out the nature of stakeholder relationships in the not-for-profit setting. This interpretive stakeholder framework is described in section 5.3.

Fig. 2 summarises, in graphic mode, the research strategy pursued in this study.

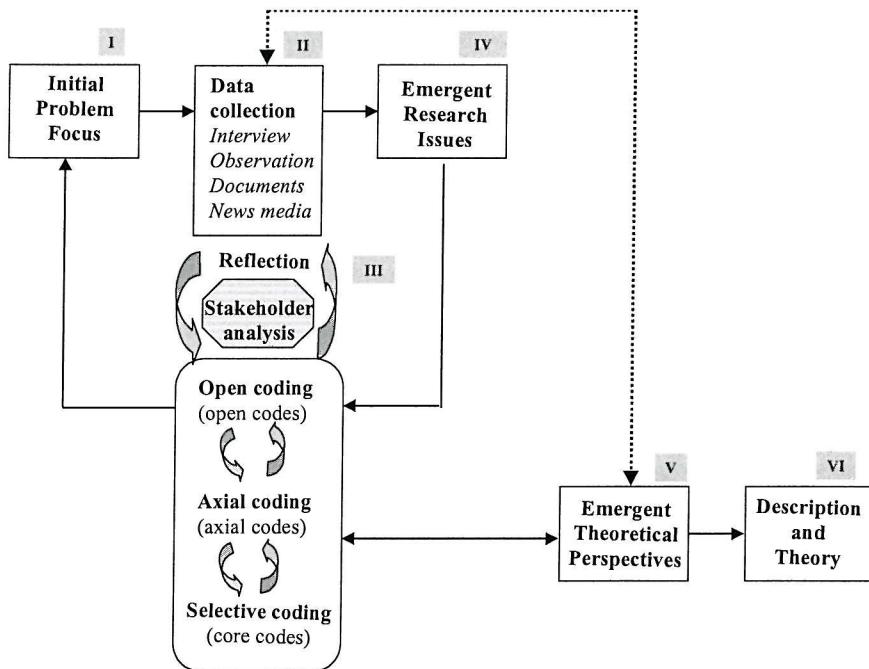


Fig. 2 : Graphic representation of the research strategy (adapted from Russell (1996))

The strategy involves a six-step process that is executed in two field visits a year apart. The initial phase includes step [I] through [V] and culminates in the Emergent Theoretical Perspectives. Emergent theoretical perspectives are descriptive summaries of central issues that require further refinement by incremental data collection and analysis. The second and final phase involves subjecting the emergent theoretical perspectives [V] to provisional testing and validation through validatory presentation to respondents and further data collection [additional interviews, observations, document analysis] with the view to attain empirical density that leads to the final output - a substantive theory supported by a conceptual description [VI].

5.2.1 Research site selection and sampling

This study was undertaken through case studies¹⁶ of not-for-profit non-governmental organisations in Tanzania. Tanzania is a developing sub-Saharan country that has seen major growth in both numbers and funding for activities of not-for-profit non-governmental

¹⁶ Concurring with Stake (1998) the case study is taken not as a methodological choice but only as the choice of an object to be studied, an object or site that could be approached from different lines of inquiry.

organisations in the past decade¹⁷. Familiarity of the researcher to the Tanzanian environment was the prime rationale for country choice. Weaknesses had been observed in the technical accounting functions in not-for-profit non-governmental 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.

During the first phase of the research two organisations were the primary research setting and a third organisation was added during the second phase. A three-organisation setting for the whole research duration allowed cross-site analysis that was necessary for comparing and contrasting major patterns and take 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). Finally a three-organisation setting was the most feasible effort that was manageable within resource constraints of a doctorate research project undertaken at a site 6,000 miles from the university of registration. In this respect, the sampling decision was purposive (Cutcliffe, 2000) rather than theoretical. At the start of an interpretive study such as this emergent theory to guide theoretical sampling is non-existent. However, once entry had been achieved and data collection began, subsequent decisions on where to collect data were guided by the emerging theory.

Although an ideal site is seldom found, the choice of specific organisations attempted to identify sites where the following ideal conditions (Marshall and Rossman, 1995, p. 51) potentially existed:

- i. entry is possible,
- ii. there is a high probability that a rich mix of many processes, people, programs, interactions, and/or structure that may be part of the research question are present,
- iii. the researcher can devise an appropriate role to maintain continuity of presence for as long as necessary, and
- iv. data quality and credibility of the study are reasonably assured.

¹⁷ Tanzania had in 1990, 163 registered NGOs (Kiondo, 1993). The Directory of NGOs in Tanzania with entries up to December 1994 had 813 NGOs, a fivefold increase.

In this context, as is appreciated in studies of this kind, selection of the three organisations was not made *a priori* but waited until the researcher was in the field.

The first research phase started with four organisations and it was only during the fifth week that effort concentrated on two. In keeping with advice (Hammersley and Atkinson, 1995; Morse, 1998; Schatzman and Strauss, 1973) potential sites were looked up and visited with a view to assessing their suitability. Talking to (sounding) staff and other researchers who had previously accessed receptive and facilitative organisations aided the selection of the organisations studied. However, fairly large and established organisations that executed sizeable programs were sought, as these had formal structures that offered a starting point. Large size programs necessitated substantial donor funding, both of which attracted government and regulatory authority interest and placed a demand for some form of a reporting system. In these kinds of organisations, at least a basic and functioning accounting system had to be in place and there was potential for significant interactions among stakeholders that had potential bearing on accounting and accounting functions.

5.3 An interpretive stakeholder analysis framework

As previously narrated in section 5.2, a stakeholder approach was considered beneficial because accounting is linked to stakeholder perspectives (Gray *et al.*, 1997). Stakeholder theory was utilised to facilitate the identification of stakeholders and understanding of stakeholder relationships and their implications for accounting and accountability relationships. A stakeholder perspective had the capacity to reflect both the regulatory complexities associated with maintaining and producing accounting information, as well as the important of socio-cultural aspects.

The remainder of this section describes the adopted framework proposed by Mitchell *et al.* (1997).

5.3.1 Dynamic defining attributes of stakeholders

Mitchell *et al.* (1997) provided probably the most comprehensive work among the recent stream of literature on stakeholder theory (Frooman, 1999). They offered a dynamic model that was adapted in this research to describe the nature of stakeholder relationships within

and between NGOs and other entities. Different kinds of entities can be a stakeholder [individuals, groups, communities and institutions] and whether one is a stakeholder in relation to an organisation depended on the breadth of the definition of a stakeholder one took. Mitchell *et al.* (1997) view the definition of a stakeholder as a continuum between the narrow and the broader views. The broader view takes a stakeholder as 'any group or individual who can affect or is affected by the achievement of the organisation's objectives' (Mitchell *et al.*, 1997, p. 856) while the narrow view defines stakeholders 'in terms of their direct relevance to the firm's core economic interests' (Mitchell *et al.*, 1997, p. 856). The broad view is all inclusive except for those who have no effect [power] and those who are not affected [no claim], while the narrow view counts a 'stake' only in terms of some element of risk which then confers legitimacy to a claim. To these two aspects of *power* and a claim's *legitimacy*, Mitchell *et al.* (1997) add *urgency* as a bridging concept and present the three as the main stakeholder defining attributes.

Mitchell *et al.* (1997) acknowledge the difficulty in defining power but suggest that power can be easily recognised as 'the ability of those who possess power to bring about the outcomes they desire' (Salancik & Pfeffer, 1974 as quoted in Mitchell *et al.*, 1997, p. 865). In an organisational setting power derives from a number of sources: coercive when based on a physical force, violence or restraint; utilitarian when based on material or financial resources; normative when based on symbolic resources. Any party to a relationship with access to the preceding sources of power could impose its will on another party.

Although legitimacy is linked to power in that a legitimate or illegitimate claim must be coupled with power to enforce it. The source of a claim's legitimacy may be a contract, an exchange relationship, a legal or moral title, exposure to some risk or simply moral interest. Mitchell *et al.* (1997) seek to distinguish legitimacy in terms of desirability, general acceptance or appropriateness of actions within norms, values and beliefs of a social system. In this sense legitimacy is 'something larger than and more shared than a mere self-perception, and that it may be defined and negotiated differently at various levels of social organisation' (Mitchell *et al.*, 1997, p. 867).

Mitchell *et al.* (1997) propose urgency [attention-getting capacity] as the attribute that contributes the dynamism lacking in earlier stakeholder models which did not include a time dimension to action. They define urgency in standard dictionary terms as 'calling for

immediate attention', 'compelling', 'driving' and argue that urgency is based on conditions of time sensitivity and criticality. While time sensitivity is the degree to which delay in meeting a claim is unacceptable, criticality is the importance of the party to a relationship or the claim itself. As Mitchell *et al.*, 1997 suggested power gains authority through legitimacy and it then gets exercised when there is urgency.

What distinguishes the model proposed by Mitchell *et al.* (1997) is the submission that features of the three attributes are dynamic in that:

[...] First, each attribute is variable, not a steady state, and can change for any particular entity or stakeholder-manager relationship. Second, the existence (or degree present) of each attribute is a matter of multiple perceptions and is a constructed reality rather than an objective one. Third, an individual or entity may not be 'conscious' of possessing the attribute or, if conscious of possession, may not choose to enact any implied behaviours' (Mitchell *et al.*, 1997, p. 868).

This feature makes the model attractive to an interpretive research mode. Possession of the three attributes influences the saliency of a stakeholder and more attention is paid by organisational actors to the highly salient stakeholders. Fig. 3 represents the model of stakeholder positions in relation to an organisation that is required to account.

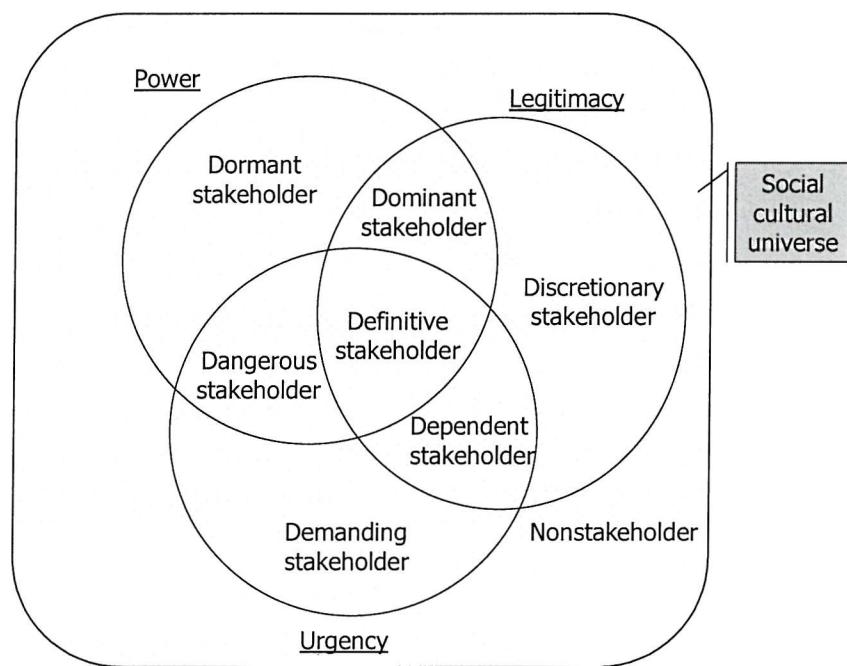


Fig. 3 : An interpretive stakeholder model (adapted from Mitchell *et al.* 1997)

Stakeholder relationships must be considered in the context of socio-cultural values of not only the stakeholders but also management within organisations. It is for this reason that the model is laid out on the shaded socio-cultural universe.

5.3.2 Stakeholders genres

Stakeholders that possess one attribute are *latent stakeholders* comprising of dormant, discretionary and demanding types. *Dormant stakeholders* have power but do not have a legitimate claim and hence urgency is irrelevant to them. *Discretionary stakeholders* possess legitimacy but have no power or urgent claim. *Demanding stakeholders* have an urgent claim but have neither the power nor legitimacy to push it through.

Latent stakeholders become *expectant stakeholders* when they acquire a second attribute and they come in the form of dominant, dependent or dangerous stakeholders. A *dangerous stakeholder* has power and an urgent claim but the claim is not legitimate in accordance with the norms, values and beliefs of a social system. A *dominant stakeholder* has power and legitimacy but does not have an urgent claim. These are dominant because they could adopt a weak stakeholder's claim and form a coalition. *Dependent stakeholders* have both legitimacy and an urgent claim but possess no power and must depend on others for their claim to be satisfied.

Definitive stakeholders have and exhibit the highest salience, as they possess all the three attributes; power, legitimacy and an urgent claim. Organisational actors are expected to pay particular attention to their claims. Any expectant stakeholder becomes definitive by acquiring a third attribute individually or through forming an alliance.

At the start of the fieldwork a partial setting of stakeholders existed and could be identified because gross features of the institutional structures were apparent and identities of some of the stakeholders were established by statutes and regulations. These included the regulatory structures in the offices of the Registrar of Societies and Clubs and the NGO Co-ordinating Division in the Office of the First Vice President. However, since identities of other stakeholders were not known, initial interviews with management and document analyses identified other stakeholders from the broad classifications of donors, trustees, employees and beneficiaries groups. The model proposed by Mitchell *et al.* (1997) was used to

understand how organisational actors, donors and regulatory authorities interpreted their relationships with a not-for-profit non governmental organisation, and allowed the researcher to see how accounting and demands 'to account' were implicated in those relationships. The model also aided the understanding of how management 'managed' the accounting relationships with stakeholders.

5.4 Methods of data collection

In grounded theory data collection is inseparable from data analysis and interpretation. Nevertheless, a non-processural separation is made here simply to allow a presentation of the data collection techniques that were employed.

Fieldwork was undertaken in a total of six-and-a-half months [four months from the end of May to the end of September 1999 and two-and-a-half months from mid July to September 2000]. Five NGOs were initially approached for research access, one declined while four granted initial research access. All provided archival material on their formation and other documentary data such as organisation structures and annual reports. During the course of data collection it was decided in the first phase to focus on the two organisations that contributed most to the conceptual scheme as it was formulating. These were AICHI and AIKA. During the first phase of research these organisations provided the bulk of NGOs' empirical detail¹⁸. The remainder of empirical data was from stakeholders located outside the NGOs, i.e. donors, government regulatory bodies and the accounting board. Four donor agencies were approached; one declined and the remaining three provided interview and documentary data. All three regulatory offices approached provided both interviews and documentary material and additional data was obtained from the Umbrella NGO Training Project Co-ordination Office.

¹⁸ The remaining two organisations were dropped during the fourth and fifth week of the first fieldwork. One had only two full-time staff; the head of the organisation and a personal secretary, the accountant working only on a part-time basis. This organisation had cut staffing and was going through a particularly difficult phase because project funds had dried up. Although interesting, it proved difficult to obtain the commitment for interviews from the head of the organisation as well as the part-time accountant. The other organisation is one of the reputed and successful NGOs in the country. However, from initial interviews with the head of the organisations as well as document analysis it became apparent that its accounting functions were restricted to submitting supporting vouchers and other evidential matter to one particular donor that had on behalf of other donors the responsibility to prepare financial reports and evaluate organisational performance.

During the second phase of research original organisational sites [AICHI and AIKA] were re-visited for host validation. Incremental data collection resumed also in offices of regulatory authorities [Registrar of Clubs and Societies and NGOs Co-ordinator – Vice President’s Office] as well as the Accounting Board. Besides these, one new site was visited - AIDA – an NGO working on improving literacy among children. As a follow up from this site a donor official from the Zrosh Development Corporation was also interviewed.

Table 5 summarises the research sites visited:

<i>Site category</i>	<i>No. of sites [cumulative]</i>		<i>Description</i>
	Phase I	Phase II	
NGOs	2	3	AIKA, AICHI, [AIDA]
Donors	3	4	Anian Embassy, Tanish Embassy, Kenish Embassy and [Zrosh Development Corporation]
Regulatory authorities	2	2	Registrar of Clubs and Societies, NGO Division - Office of the Vice President
Accounting board	1	1	National Board of Accountants and Auditors
Other	1	1	Umbrella NGO Training Project Co-ordination Office

Table 5 : Research sites

At the beginning of the research the widest possible coverage of all informants among all the stakeholders was sought, but once main categories and concepts emerged from data, the intensity shifted towards less breadth but more depth. As Glaser and Strauss (1967) suggested, ‘beyond decisions concerning initial collection of data, further collection cannot be planned in advance of the emerging theory. The emerging theory points to the next steps – the sociologist does not know them until he is guided by emerging gaps in his theory’ (Glaser and Strauss, 1967, p. 47). Having identified informants, theoretical sampling guided further data collection, in which the decision on what data to collect next and where to find it was based on theoretical relevance of the data in relation to the emerging theory.

5.4.1 Participant observation

Observation involved the systematic description of events, behaviour, objects and artefacts as seen by the researcher in the social setting. The key assumption behind observation was that behaviour is purposive and conveys deeper values and beliefs (Marshall and Rossman, 1995). Observation can be holistic; paying attention to broad elements or very structured and focused, paying attention to single elements individually. Participant observation is a form of

observation that requires first hand involvement in the social setting that permits ‘going native’ where the researcher experiences the daily lives of the researched. Researchers could position themselves along a participant-observation continuum that locates complete participation and complete observation at its ends (Hammersley and Atkinson, 1995; Marshall and Rossman, 1995).

During both phases of field research a primarily marginal observer mode was taken because intense participant observation required long periods of immersion to which the researcher could not commit. Hammersley and Atkinson (1995) also 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 in AIKA and AICHI during the first phase and AIDA during the second phase. 84 days in total were therefore spent in the organisations. AICHI provided a ‘hotelling’ arrangement where the researcher could occupy any empty desk, while at AIKA and to a lesser extent AIDA the library was the operating base.

5.4.2 In-depth interviewing

An interview in qualitative research seeks to extract valid and reliable data from an interviewee in response to conversational questions. Interviews provide access to large amounts of data quickly and, in a study with a relatively short field duration such as this, interviews help uncover the actors’ meanings and interpretations of events. Interviews also offer a cumulative historical perspective stored in the minds of interviewees at times when a researcher was not in the setting. There are however, problems associated with interviewing, when co-operation is not forthcoming and untruthful answers are given. For these reasons interviewing was triangulated with participant observation and documentary evidence.

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. A key element of our interview strategy was working the hierarchy (Schatzman and Strauss, 1973) and started with elite interviewing (Marshall and Rossman, 1995) targeting influential and reputed well-informed individuals. Administrative and social positions they held had the potential to provide access to valuable information about their institutions.

Nevertheless, interview data was verified [triangulated] against documentary evidence and cross-validated with other key actors as well as peripheral ones.

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. In this case specific questions were not devised beforehand and similar questions were not necessarily asked to different interviewees. 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, 20 during the first fieldwork and 11 subsequently. Table 6 summarises the number of interviews, interviewee position and organisation. The shortest interview was about thirty minutes [the last of three with AIKA's bookkeeper] and the longest was about one-and-a-half hours [the first of three with AICHI's Manager]. The remainder of interviews were of about one-hour duration.

Position	Interviews		Organisation
	Phase I	Phase II	
NGOs:			
Director	2	1	AIKA
Bookkeeper	2	1	AIKA
Trustee	1	-	AIKA
Manager	2	1	AICHI
Accountant	2	1	AICHI
Treasurer/Trustee	1	-	AICHI
Executive Secretary	-	2	AIDA
Office Management Secretary	-	2	AIDA
Regulatory bodies:			
Director NGO Division	2	-	Vice President's Office
State Attorney	2	-	Registrar of Societies
Director	1	1	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	0	NGO Training Project
Total	20	11	

Table 6 : Interview details

5.4.3 Document analysis

Since this research dealt with accounting, a phenomenon embedded in administrative bureaucracy, documentary data offered a major contribution to our understanding of issues. Collection, thorough reading and preliminary analysis of documentary material dominated the initial data collection effort. These not only provided background material for 'ethnographies' but also they informed on the generation of concepts from the early stages of the research. The principal printed documentary data types contributing to the research are summarised in Table 7 below:

Nature of documents	Time frame	Source
<i>Contemporary records:</i>		
Annual report and audited accounts	1998, 1999	AIKA, AICHI, AIDA
Audited accounts only	1992 – 1997	AICHI, AIDA
Semi-annual reports	1999 – 2000	AIDA, AIKA
Accounting and Internal Control manual	1997	AICHI
<i>Confidential documents:</i>		
OD Files	1995 – 1997	AICHI
External evaluation report	1996	AICHI
Donor inspection report	1999	AIKA
Organisational assessment mission report	1995	AIKA
OD Consultants final report	1998	AICHI
Funding proposal for Phase II	1996 - 2001	AIDA
Evaluation and planning retreat report	1995	AIKA
<i>Government documents:</i>		
Report of the Controller and Auditor General	1997, 1998	Government printer
Summary of stakeholders views on 4 th draft of National NGOs policy	1999	Vice President's office
Draft National policy on NGOs	Draft 1 to 5	Vice President's office
Proceedings of Zonal workshops on NGOs policy drafts	5 workshops	Vice President's office
<i>Publicly available information:</i>		
Proceedings of the Consultative Workshop on NGO policy	1996	ILO Country Office
Newspaper archives: <i>Daily News, The Guardian, The Daily Mail, The Express and Nipashe</i>	1998 – 2000	University of Dar es Salaam library
Societies Ordinance Cap 337	1954	-ditto-
Companies Ordinance Cap 212		-ditto-
Trustees Incorporation Ordinance Cap 375		-ditto-
Budget speech – Minister of State in the Office of the Vice President	1996	Parliament Office
Tanzania Statement of Recommended Accounting Practice No. 2	2000	National Board of Accountants and Auditors
<i>Donors:</i>		
Direct Funding Guidelines to NGOs	1999	Tanish Embassy, Royal Kenish Embassy

Nature of documents	Time frame	Source
<i>Others:</i>		
Management and Financial Information Systems for NGOs – A Final Report	1998	Umbrella NGO Training Project
Training manual on ‘Management and Financial information systems for NGOs’	1998	Umbrella NGO Training Project

Table 7 : Main printed documentary data types

Documentary analysis was of immense value not only at the preliminary stages but also throughout the fieldwork and the subsequent interpretation phase. Documentary data may suffer from bias and partial accounts, depending on the author as well as the target audience. Documentary data was therefore triangulated with multiple-sourced documents, interview data and where feasible, observation.

5.4.4 Data capture and recording

Field notes, the traditional medium for recording observational data were continuously used. In conformity with reputed counsel (Hammersley and Atkinson, 1995; Morse, 1994), notes were taken during observation as far as that was possible or soon afterwards to preserve episodes and contextual settings. These were reviewed every now and then and incremental notes written.

Since recording takes up a considerable part of fieldwork, audio tape-recording of pre-arranged interviews was undertaken with participants’ permission. Tape recording brought considerable ease but there were also large volumes of data to transcribe. Strauss, 1987 advised recording especially when research aims demand accuracy of wording (p. 63). However, it was impossible to know in advance the importance of an interviewee’s words in relation to research aims and for this reason, all pre-arranged interviews were tape-recorded.

5.5 Grounded theory analysis

Qualitative data analysis seeks to make convincing sense out of extensive data generated in studying different aspects of reality, which is complex. This calls for ‘detailed, intensive, microscopic examination of data in order to bring out the complexity of what is in those data’ (Strauss, 1987, p. 10), and development of conceptually dense theory that is well supported by data. This iterative research process is central to grounded theorising, but the commitment to

dialectical interaction between data collection and analysis extends to other kinds of ethnographic research which do not aim at theory generation¹⁹ (Hammersley and Atkinson, 1995).

The subsequent discussion contrasts two strands of grounded theory (Barney Glaser versus Anselm Strauss) and makes a pragmatic choice to follow the Straussian approach. Since elements of grounded theory were covered in Chapter Three (see 3.3.3), this section reiterates only the analysis procedures, as they were employed in this study.

5.5.1 The choice of a Straussian approach to grounded theory

Differences have evolved between Barney Glaser and Anselm Strauss on execution of grounded theory research. Some view these differences as minor (Parker and Roffey, 1997; Cutcliffe, 2000) while strict Glaserian adherents consider Strauss's method as a densely codified structure restricting 'emergence' and therefore represents a fundamental departure from *Discovery of Grounded Theory* (Glaser, 1992; Stern, 1994).

There are three main areas of differences between Glaser and Strauss and these centre around the role of literature review in research problem formulation, the usefulness of the paradigm model and the need for theory verification. Strauss and Corbin (1990; 1998) propose in advance, before entry to a research site, the phenomena for investigation as well as a structured method of data analysis. Glaser (1992) however, suggests only the identification of a general problem area, leaving the bulk of the research to evolve from the field, but both agree on the primacy of generating context-relevant theory. Strauss and Corbin (1990; 1998) propose the paradigm model to guide theorisation while Glaser (1992) prefers 'patience' and 'emergence'. Glaser (1992) limits theory generation to production of a set of conceptual hypotheses or theoretical formulations, leaving theory verification to others, while Strauss and Corbin (1990; 1998) seek some theory verification, even if only of a provisional nature.

We adopted the methodological counsel of Strauss and Corbin (1990; 1998²⁰) for two reasons:

¹⁹ Hammersley and Atkinson (1995) actually do not distinguish between grounded theory and ethnography (see Hammersley and Atkinson, 1995, pp. 25-26, 42-43, 194-196 and 205). On the other hand, Strauss and Corbin (1990) suggest only up to axial coding for those interested in theme analysis and concept development (see Strauss and Corbin, 1990, p. 115).

- i. it is manageable because setting up of the research problem offers an initial tentative path in the actual execution of the research itself, and
- ii. because it prescribes a clear and easy-to-understand yet unrestrictive logical order that has been successfully employed in other time-constrained research undertakings.

Strauss and Corbin (1990; 1998) laid out some guidelines on research tasks and processes that this research carries out and these are briefly summarised.

5.5.2 Grounded theory procedures

Constant comparison and contrasting of empirical indicators is the basic task behind 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

Open coding is the initial and provisional production of concepts that ‘opens up’ the data. It is the opening attempt to fracture the data and allow one to identify some categories, their properties and dimensions (Strauss and Corbin, 1990), and to get the researcher less immersed in the literal dimension of data, but more immersed in concepts and their relationships (Strauss, 1987). Open coding involves scrutinising very closely (word by word, line by line) generated data so as to find concepts that surface which can be associated with others and provide leads to subsequent scrutiny. Initial open codes are therefore necessarily tentative because subsequent steps may result in their adoption, modification or abandonment.

²⁰ Strauss and Corbin (1998) is a new edition of the 1990 text. There are major changes in the new edition two of which are: a re-write of the chapter on axial coding to remove elements of the paradigm model at the axial coding stage; and secondly the delegation of the paradigm model as the only integrative model for the emergent theory. The 1990 text is cited along the 1998 text because many illustrative demonstrations of tasks of grounded theory analysis were pulled out of the 1998 edition. During the early stages of this research these were extremely helpful.

Experiential data [the personal, technical and research experience a researcher brings in contact with generated data] makes a critical contribution to the ease with which open coding ensues, as well as the remainder of the conceptual coding processes. The intensive and persistent scrutiny of data during open coding sheds light on appropriateness of initial research questions and may often lead to a re-orientation. The basic questions guiding open coding are '*what category or property of a category, or part of an emerging theory, does this incident (event, object, figure, etc.) indicate? What is the main story here, and why?*' (Strauss, 1987, pp. 30-31).

Open coding also normally quickly prompts thoughts stimulated by the initial coding process, a situation that demands memoing. Theoretical memos²¹ document the continuing internal dialogue that ensues between the researcher, laden with experiential data, and the generated data, and ceases only when the research terminates. Theoretical depth of a memo varies with the phases of the research and as work progresses to a higher levels, memos embody the cumulative results of earlier efforts and get more conceptual, focusing on emerging categories, relationships between categories and theory.

Axial coding

Axial coding is a task that builds and consolidates open coding by intense analysis of categories along larger relationships that transcend beyond the early dimensions and properties of open codes. The focus is on linking a category or phenomenon with a number of axes to which it is associated. These axes, or subcategories are: its *causal conditions*; specific properties or *contexts* in which it occurs; the actions or interactions indicative of *strategies* or *tactics* employed to handle, manage or implement the phenomenon; and finally its effects or *consequences*.

Following strictly this approach presented problems especially in integrating elements of the paradigm model during axial coding as suggested in Strauss and Corbin (1990). These are narrated in Chapter Nine where suggestions towards a solution are also offered.

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. Such a process was undertaken in selective coding.

Selective coding

Selective coding is axial coding executed at a higher and more abstract level (Strauss and Corbin, 1990; 1998) where an attempt was made to establish core categories. There is, during selective coding, a concerted effort to systematically bring out core categories (Strauss, 1987) by concentrating on prominent categories, observing and strengthening relationships between these and other subservient categories. A researcher achieves coding selectively by 'delimiting coding to only those codes that relate to the core codes in sufficiently significant ways as to be used in a parsimonious theory' (Strauss, 1987, p. 33), because the primary focus is on integration. Selective coding also involves filling in empirical indicators in gaps in relationships, a process that is guided by theoretical sampling. The core categories form the backbone to the theory while their relationships with other subservient categories provides patterns, fills in the richness and conceptual density necessary for good theory. It is however, necessary in the end to present a single core category even when two are prominent by delegating one to a subservient category (Strauss and Corbin, 1990).

Core categories and grounding the theory

Core categories embody and explain the patterns and variation of patterns of behaviour which is relevant and problematic to the phenomenon under investigation (Strauss, 1987). Strauss (1987) lists criteria²² for judging core categories, which are summarised as follows:

- it must be central, that is, related to as many categories as is possible, more than any other categories. It then earns the position of 'the heart of the analysis',
- it must frequently be reflected by empirical indicators, thus showing a robust and stable pattern,
- it must relate easily to other categories, then it becomes relevant as a subject for much qualification and modification in relation to others, which makes it dense and saturated as relationships intensify, and
- it has clear implications for a more general theory because of its completeness and accounts for maximum variation with few concepts, which maximises its parsimony and scope.

²¹ Memos 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.

²² These criteria are very condensed summaries of Glaser's 11 criteria (Glaser, 1978 pp. 95-96).

The interpretive and integrative tasks of grounding a theory then finalise with validating statements of relationships, explaining cases that do not fit the theory and filling missing detail to add conceptual density and specificity. These relationships are often better summarised in diagrams. The substantive theory emerging from this research was abstracted using a diagram that has elements of the paradigm model (Strauss and Corbin, 1990; 1998).

5.6 Ensuring validity and reliability

Although issues of validity and reliability are implicit in the constant comparative mode of grounded theory analysis it is important for a research project of this nature to indulge in a discussion that explicitly states how these two issues were managed. The functionalist mode of inquiry has dominated the terrain of social science inquiry for such a long time that concepts such as ‘validity’ and ‘reliability’ are often construed within very narrow boundaries. To address this matter Strauss and Corbin (1998), for example, suggest a re-definition of these two canons of good science to fit realities and complexities of social phenomena (p. 266) – a view supported by a substantial literature (e.g. Lincoln and Guba, 1985; Hammersley and Atkinson, 1995; Hammersley, 1992; Miles and Huberman, 1994; McKinnon, 1988) This section addresses two questions: what issues are important to assure that our data is credible? and what strategies did the research employ to impart confidence in that credibility to a reader?

From an interpretive perspective validity reflects the extent to which a researcher’s account accurately or faithfully represents the social phenomena that it seeks to describe, explain or theorise (Hammersley, 1992, p. 69). Reliability on the other hand reflects whether results of a study are consistent with data collected – a matter that necessarily, apart from field circumstances, depends on a researcher’s analytical ability. Literature abounds that cautions on the threats to validity and reliability in qualitative research and offer suggestions on how to overcome, guard against or minimise the impact of such threats on research output (e.g. Hammersley and Atkinson, 1995; Hammersley, 1992; Miles and Huberman, 1994; Strauss and Corbin, 1998; McKinnon, 1988).

This research addressed threats to validity and reliability by making use of sound strategies in research design, data collection, analysis and presentation of research output. Their uses in the course of this research are detailed below:

5.6.1 Strategies related to research design

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. An example was the situation in AIKA during the first phase of research where accounting was noticeably insignificant as a function when contrasted to AICHI, where it was accorded greater significance. This variation, although initially puzzling for organisations that handled large budgets, was critical in providing answers to the question as to why and how accounting came to attain changing levels of functional visibility.

Discontinuous residence in the field was effected 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.

5.6.2 Strategies related to data collection

Ensuring accurate and faithful data capture is critical to credibility of any study – but more so for a qualitative one. *Audio recording* of all pre-arranged interviews and writing of observation notes enhanced data credibility in this research. *Hard or soft copies of documentary data* from all sources were collected and copied when this was allowed and copious notes were made when it was not allowed. This occurred once at AICHI where the researcher was given access to files that documented at length a five-year organisational crisis and how it was eventually resolved. The manager felt that information involved was too sensitive and included names that the organisation was not comfortable to release in original form.

Throughout open coding the analytical process of grounded theory was documented using *logic diagrams* accompanied by the researcher’s *theoretical notes* – detailing the interpretation of data as well as methodological pointers on what steps to take thereafter (Strauss and Corbin, 1990).

Use of multiple sources [*triangulation*] of data was built into the research design as a strategy for data collection. Triangulation was done by data source [elite/peripheral personnel, arranged/impromptu, internal/external] and by method [pre-arranged interview, casual conversation, observation, documentary data – text and numerical]. For example, the concept of *<transparent and collective leadership>* was reflected in at least five different data sources: by a verbal statement of a former executive and current a trustee whose help was sought while negotiating entry; personally experienced by the researcher on the first visit to the organisation and observing personal interaction as well as office layout; by verbal recorded statements of the chief executive, a program officer and the book-keeper of the organisation; among values listed in the annual report of 1998; and in a donor inspection report. Therefore, the researcher is confident that the reality of this illustrated concept is as perceived by those experiencing it and is being conveyed accurately and faithfully.

5.6.3 Strategies related to data analysis

Multiple coding of data, incident variation and host validation were three strategies that enhanced validity and reliability of data analysis. As outlined previously grounded theory takes care of *multiple coding of data* through its three reflexive and iterative coding procedures; open, axial and selective coding. In this research open coding was initiated by a general reading or listening followed by two open coding attempts. This way the researcher first absorbed the data and then obtained the first and then a second refined impression of the emerging concepts. The first preliminary analysis of interview and observation data was completed within the 24-hour rule (Gioia and Thomas, 1996) to get the most out of data immediacy. Axial and selective coding were also done repetitively while consulting theoretical notes and field data.

Incident variation sought to examine concepts under a series of different conditions and develop them across dimensional ranges. The concept *<functional visibility of accounting>* was for example examined in AIKA where there was low visibility and at AICHI where accounting as a function was highly visible. Dimensions of functional visibility were then established in terms of number of accounting positions in the organisation charts, the hierarchical rank and titles in use, and relative qualifications of accounting personnel. The concept was also examined longitudinally - during the formative periods of organisational lives, during growth and stable phases in AIKA and AICHI and also during a turbulent phase

at AICHI. The result of this variation was a category that was dense, richly supported and linking well with other concepts.

Host validation was implemented at the start of the second field visit. Host validation took the form of presenting to and discussing interim results of the research with respondents. Miles and Huberman (1994) make a case for host validation using advanced interim results as the stronger form of validation because the researcher knows more and better about the research phenomenon, he/she has more supporting evidence and feedback is obtained at higher levels of inferences – the emerging theory and its main components. Schatzman and Strauss (1973) and Strauss and Corbin (1998) also suggest testing and checking major propositions of the emergent theory against understandings and experiences of hosts as a validity-enhancing course of action.

Since feedback was promised to respondents in AIKA and AICHI upon completion of the first field visit, there was a quasi-ethical obligation to provide feedback (Miles and Huberman, 1994). The researcher therefore initiated the second field visit by agreeing with management in both organisations to make a joint presentation at a venue provided by AIKA. A two-week notice was given and copies of the paper forming the backbone of the presentation were distributed to the organisations. The organisations were encouraged to and did invite stakeholders to the presentation. The researcher made a forty-minute uninterrupted presentation that was subsequently followed by reactions through a discussion, question and answer session. Forty-two interested individuals were in attendance – management and some staff of AIKA and AICHI, trustees, a donor representative, members and NGO activists. The presentation was tape-recorded and subsequently analysed. There was ample support for the emerging substantive theory and there were no contradictions between respondents and the researcher's understanding of the main concepts and their relationships. Host validation of the emergent theory also facilitated one form of generalisation – user/reader generalisability where hosts [and readers] could individually or collectively determine whether working hypotheses [the emergent substantive theory] related to their specific situations.

5.6.4 Strategies related to presentation of research output

The general strategy in writing up and presentation of the research was one of bringing readers ‘back stage’ by including in output sufficient data through casing of lives and events in organisations as well as extensive quotations from interview transcripts, documents and observation notes. The objective was to create a text through which readers could follow the logic, envision the process undertaken and weigh up the evidence made available to them. The researcher seeks to successfully show that his account is valid and reliable.

5.7 Summary

The problem of interest for this research was to investigate the accounting phenomenon in non-governmental not-for-profit organisations within the complexities of a regulatory framework and stakeholder demands in the socio-cultural context of Tanzania.

The chapter presented grounded theory as the principal research strategy. However, since stakeholder relationships were an important dimension in settings of not-for-profit organisations, the research strategy also included a stakeholder analysis using a framework proposed by Mitchell *et al.* (1997). This framework assesses possession of the attributes of power, legitimacy and urgency by a stakeholder to measure stakeholder salience - which was used to sensitise the researcher on stakeholder implications during grounded theory analysis.

Sources and methods of data collection were described with emphasis on multiplicity of sources and reliability of data capture. These aspects were further emphasized by implementing strategies against threats to research validity and reliability.

Grounded theory followed the counsel of Strauss and Corbin (1990; 1998) because it was logically structured, easy to follow, more manageable and was appropriate for a time-constrained research project. Grounded theory coding procedures earlier mentioned in Chapter Three were re-iterated.

Finally threats to research validity and reliability were addressed by stating and implementing a number of research strategies. Due care was taken to ensure research validity and reliability by pursuing strategies that countered potential threats to validity and reliability

during all stages of the research – from research design to production and presentation of research output. A multi-site research design and discontinuous residence in the field ensured representativeness and case variation. Tape recording of interviews ensured accurate data capture while triangulation of data sources enhanced data credibility. Finally the emergent theory was presented to respondent organisations and stakeholder representatives.

Results and experiences from executing this methodology form the remainder of this thesis but the following chapter starts with the background details of the organisations and profiles of stakeholders.

Chapter Six

6 Organisational profiles and analysis of stakeholder salience

6.1 Introduction

This chapter sets the general context of the research by providing descriptive background details of organisations and their stakeholders. This is accomplished in two sections. The first section profiles the three organisations through a longitudinal account of two phases; early formative years, and the years of growth and maturity. Details of management and administrative structures, finances and accounting, and budgetary practices are provided, compared and contrasted.

The running argument of the second section is that since accounting is essentially a communicative facility, perspectives from both organisational actors and stakeholders must be considered if accounting and accounting relationships are to be understood and described. Delineating stakeholder relationships and their relative salience permits observance of attention patterns and intensities accorded by organisations to different stakeholders. This section therefore profiles stakeholders - the Government; Donors; Boards of Trustees; the Accounting Board; Members; and Beneficiary communities. The tool of analysis is the framework suggested by Mitchell *et al.* (1997). For each stakeholder group an assessment is made of the three attributes of power, legitimacy and urgency, and the section ends with a summary account of stakeholder salience.

6.2 Research sites – profiles of organisations

This section presents background information and profiles the three organisations – AIKA, AICHI and AIDA - that were the main focus of the research. The objective of these narratives is to offer a ‘feel’ of the field to a reader such that the understanding of contents of subsequent chapters and sections is enriched. Rather than present each case individually they

are presented along themes that link them: the early formative years; the years towards growth and maturity; management; finances and accounting; and budgetary practices.

6.2.1 The early formative years

AIKA was established in 1992, a year after AIDA [established 1991] and five years after AICHI [established in 1987]. Its 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. AICHI'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. AIDA 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.

AIKA and AICHI are membership organisations. AIDA, 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 AIKA and AICHI founder members play an influential role in the running of the organisations. At AIKA for example, the Director and two-thirds of members of the Board of Directors are founder members – a situation also observed at AICHI where the current Manager and all members of the Executive Board are founder members.

6.2.2 The years towards growth and maturity

The organisations went through a period of growth and transformations until 1995/96. The period beginning 1996/97 marks the maturity phases of these organisations. Between 1995 and 1997 both AIKA and AICHI underwent extensive Organisational Development²³ [OD] processes that put in place the structures that still support their current operations. 1996 was also the year when AIDA completed its first five-year plan and widened its programmes.

²³ Organisation Development refers to planned improvement that is carried out in the way an organisation functions by employing a consultant [change agent] who then 'assists the organisation in defining a given problem, gathering data, discussing the implications of the data, and recommending action' (Inns, 1996, p. 22).

All organisations have been successful in attracting funding and have grown substantially in the past ten years. Table 8 summarises income streams from 1994 to 1998.

Incomes in Tanzanian shillings ²⁴					
Year	1994	1995	1996	1997	1998
AICHI	67,250,674	102,909,570	104,658,470	233,074,174	264,334,853
AIKA	185,236,451	271,437,981	304,895,720	457,388,145	543,050,276
AIDA	95,508,000	129,715,000	219,390,000	283,651,000	378,217,000

Table 8 : Financial summaries

AIKA 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 AIKA'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: AIKA, 1999). Management wholly agreed with this observation, insisting that: 'you must realise that we started as activists and we still have a militant spirit. We have built up everything more or less by ourselves, and we fully appreciate that the time has now come to take a good look at these matters' (Interview notes - Mandege: AIKA).

AIDA did also experience major growth in its operations. But it had very close relationships with its funders who were included in its organisational structure – this aspect seemed to have facilitated a smooth and planned transition to its current status.

Things were not the same at AICHI. Although it also recorded significant growth in its first six years, this growth brought with it a major and long running crisis that was resolved only during 1995/96. The beginning of the crisis is 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 .. so it did not matter to some but it mattered to a lot of people. 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 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 (Interview notes - Kibibi: AICHI).

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, served as the Board as well as the Annual General Meeting.

Between 1995 and March 1997 the organisation underwent a re-orientation that began with a meeting of all factions²⁵. Incorporated in the formal OD process was a meeting that took a dispute settlement format routinely employed by womenfolk of the East African coast. In this society conflicts among female members of the community are settled in the presence of all characters implicated so that words and actions can be attributed to specific individuals. Such a gathering is a candidly very open session with sharp exchanges that end in tears and often a settlement. In that context, this meeting was described as a meeting to 'tear each other into pieces, revisit what happened, let off steam and work out strategies for the way forward' (Interview notes - Kibibi: AICHI). By the end of the meeting participants were hurt but they also had seen the need for change and realised the emergence of a new beginning for a revitalised organisation. It was in the words of one participant 'a painful process but psychologically healing and therapeutic' (OD Consultants final report: AICHI, 1997). The significance of the meeting was such that without a convergence of the factions it would have been impossible to make any progress. It provided an opportunity where 'people who had not talked to each other for years [could] look at each other and express their pain' (Interview notes - Kibibi: AICHI).

²⁴ The exchange rate is about TAS. 1,000 to one sterling pound. The annual headline inflation rates were 21.1% (1994/95), 22.8% (1995/96), 16.4% (1996/97), 12.0% (1997/98) and 7.5% (1998/99) [IMF, 1999]. Taking account of inflation there was substantial growth of incomes in real terms between 1994 and 1998.

²⁵ Members had fallen into three categories; the *core* group, the *punched* group and the group of *inactive members* who had got uninterested in the factional conflict. The core group was composed of primarily the Executive Board and very few other members who were favoured by the Chairperson, a person to whom the bulk of wrongdoing is attributed. Consequently, the core group resented any 'interference' from other outspoken members who were then blacklisted and shunned from activities of the organisation. These formed what was then known as the punched group, outspoken but powerless members who took every opportunity to express their dissatisfaction with the way the core group ran the organisation. The remainder of membership was inactive because they had lost interest in the organisation as a consequence of the long running internal conflict.

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 OD process in March 1997 membership had risen to 130 and there was renewed vigour and enthusiasm among membership. The resolution of crisis led to removal of the old leadership and installation of a new one with a limited tenure of three years.

Two issues were critical in the organisational crisis experienced at AICHI; the handling of organisation's finances that led to loss of internal and external credibility and the leadership style that was factional and had severed reporting relationships among the different organs of the organisation. These episodes were not experienced in the remaining two organisations.

6.2.3 Management

The Annual General Meeting is the highest decision making organ in all organisations except AIDA which being a non-member organisation such an organ is known as a Stakeholders' Annual Meeting. All organisations have a Board of Directors [AIKA and AIDA] or an Executive Board [AICHI] to which Chief Executives report. In AIKA and AICHI 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 AIDA 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].

Of the three organisations studied AIDA is the only one where key stakeholders (donors, the government, writers, publishers and booksellers) had a direct representation in the organisation chart. The Annual Stakeholders' Meeting functions like the Annual General Meeting except that it does not elect members to the Board. The Board is made up of representatives appointed by each of five major sub-sectors that deal with literacy [i.e. publishers, writers, illustrators, booksellers and librarians]. The main criterion for appointment is stated as 'honest individuals of proven integrity who are conversant with the publishing industry' (Funding proposal for Phase II: AIDA, 1996).

In all organisations the Board is the policy-making organ and oversees the running of the organisations. Figures 4, 5 and 6 show organisation charts of AIKA, AICHI and AIDA respectively.

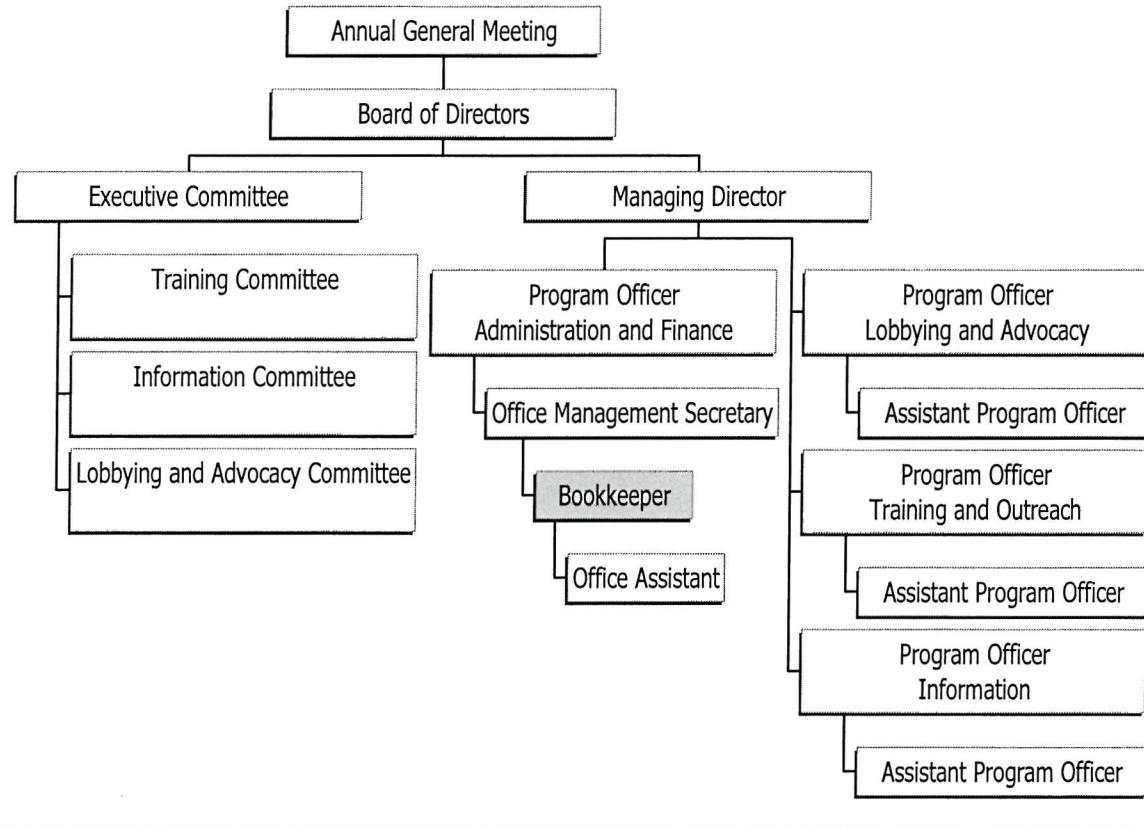


Fig. 4 : Organisation chart - AIKA

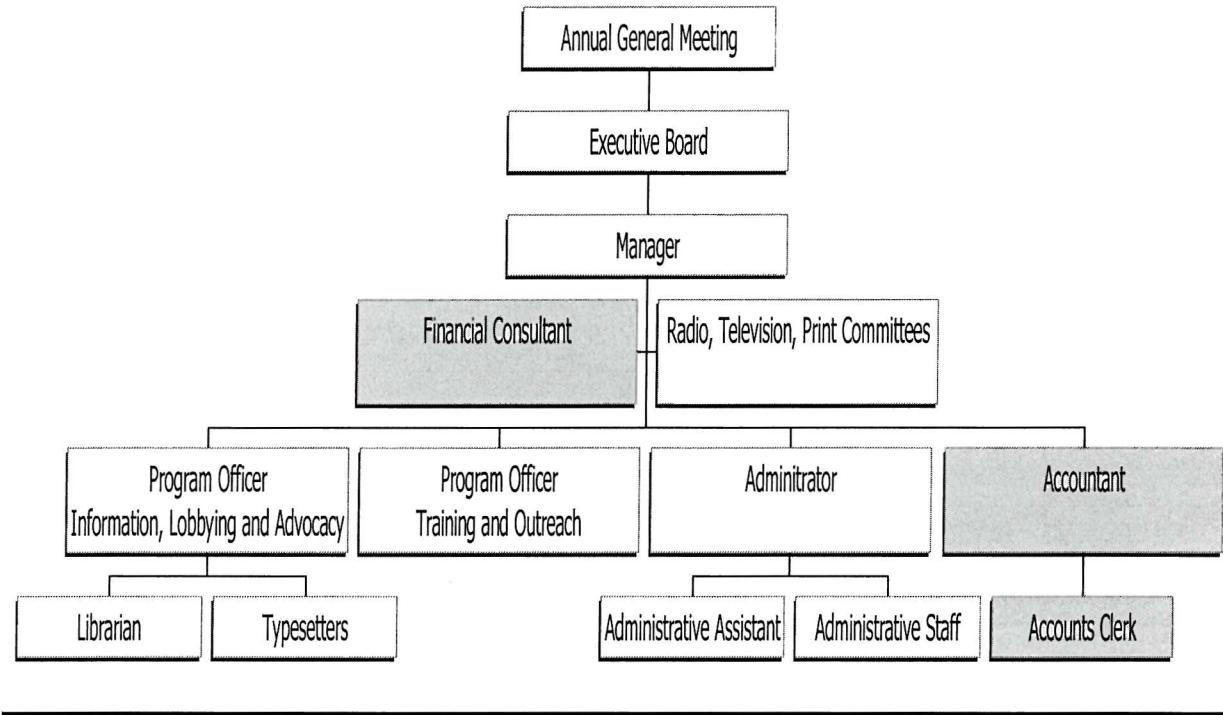


Fig. 5 : Organisation chart - AICHI

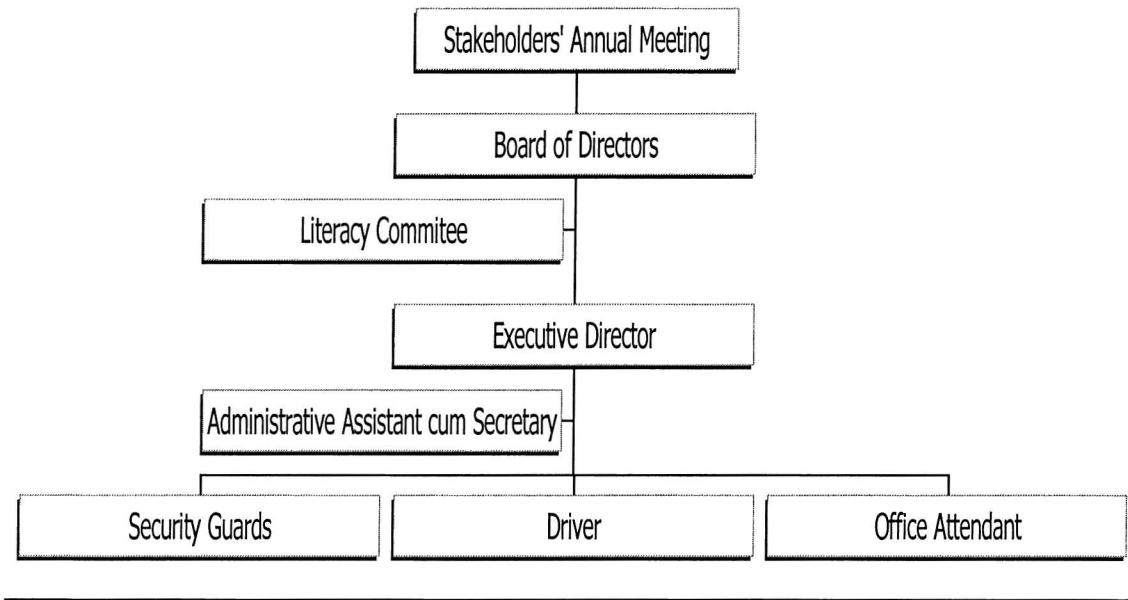


Fig. 6 : Organisation chart - AIDA

The organisational structures have a maximum of six levels of hierarchy [AIKA] and the minimum of four [AIDA] with AICHI having five levels. These are relatively flat structures that would indicate small distances in personnel and ease of interaction among staff – a situation that was actually observed to be true. There were rituals that reinforced this sense of

closeness - at AIKA the lunch hour included a huge salad bowl ceremony where all congregated and ate, while at AICHI it was the mid-morning office tea or coffee prepared in turns [including the chief executive] that everyone partook.

What was markedly different in the structures of these organisations was the various ways the accounting function was incorporated in the hierarchies. While AIKA had only a bookkeeper in level four, AICHI had three positions - Financial Consultant, Accountant and Accounts Clerk – at higher levels in the hierarchy. AIDA in contrast did not have any accounting position in the hierarchy. 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.

6.2.4 Finances and accounting

All three organisations attract not only substantial donor funding and public interest but also government attention. The annual incomes for 1998 in each of the organisations were TAS. 543 million, TAS. 264 million and TAS. 378 million²⁶ for AIKA, AICHI and AIDA respectively. Income streams for the organisations have doubled in the past four years, which reflects the general trend towards increasing funding of NGOs [see Table 8, page 122].

Accounting played only a minor role during the formative years of these organisations. Until 1995, four years after formation, there was, for example, not even a bookkeeper in position at AIKA – a bookkeeper was employed in 1996. Routine accounting activities were limited to cheque payments after grants had been received. At AICHI similarly accounting was insignificant as a function during the formative years – a relative of the then chief executive served as a part time bookkeeper working from home until 1996.

Accounting processes as reflected by the nature of records kept and output produced could be designated as simple. Basic book keeping in place emphasised keeping track of cash and production of donor periodic reports. The cashbook was the primary record in all organisations – AIKA used a spreadsheet template for analysis while AIDA made use of

²⁶ To put the budget sizes in perspective, the 1997 supply vote actual expenditure for Exchequer and Audit Department was TAS. 507,191,077 and that of Radio Tanzania, the government owned national public radio was TAS. 281,510,933.

Quicken - a personal finance software. Auditors are heavily involved in the preparation of end-of-year financial statements. AIKA, for example, did not actually prepare a Balance Sheet as this was normally left to the auditors. AIDA's financial statements are limited to memoranda of how funds were spent analysed by expense categories and donor source. Except for AICHI, neither AIKA nor AIDA paid much attention to segregation of duties, one of the key tenets of internal control. AIDA has donor restrictions imposed on administrative expenses and so it could not employ an accountant although the chief executive was of a view that the expense incurred during routine visits of donor evaluation teams far exceeded the cost of employing an excellent accountant.

AIKA engaged a consultant to design and install an accounting system in 1995. Noting the absence of a comprehensive accounting system, the consultant proposed a short-term measure [the spreadsheet template still in use at the start of the fieldwork] and developed a 30-page accounting guideline/manual. The accounting manual was discarded soon after it was tendered. The consultants, in the view of the head of administration, did not seem to understand the needs of AIKA - consultants developed elaborate steps and document formats that were not implementable in AIKA. AIKA's accounting system had therefore undergone little substantive change since then. By the end of the fieldwork however, AIKA had installed a computerised accounting package and personnel had begun to learn to use it.

AICHI, in contrast, did develop a fairly robust accounting system after the organisation's crisis. An accounting manual was developed and is in use together with a set of internal control procedures. Four individuals are involved at different levels of the organisation in accounting processes; a Treasurer, an Accountant, a Financial consultant and an Accounts clerk. The Treasurer is by constitution the head of finance and functions as a direct link to the Board on financial matters. The Treasurer however, is actually not an 'accounting person' which is common in organisations of this nature. This is also the case at AIKA where the head of finance and administration is an engineer.

6.2.5 Budgetary practices

All three organisations generate little income from their own sources and are sustained by grants from donor agencies. The budget is therefore a critical tool in obtaining resources. There are three types of budgets in use; the annual organisation-wide budget; the programme

activities budget; and the once-off-activity budget. The programme activities budget is the critical budget. It attempts to match programme activities with donor funding interests because each of the donors funds particular activities and not others. It is not uncommon for different donors to fund the same programme activities. The once-off-activity budget is often a result of expression of donor interest to fund an activity that an organisation does not engage in or a brilliant idea by the organisation that cannot fit into existing programme activities. One example was voter education in an election year - an activity that was undertaken by AICHI and AIKA in 2000. The once-off-activity budget is often the beginning of long term funding relationships and organisations' executives are keen to establish contacts with key donor officials.

In the two organisations where there are accounting personnel [AIKA and AICHI] the accountant prepares the budget in consultation with heads of programmes but assumes overall responsibility for its completion. The accountant also makes all revisions as requested by funding agencies. Once approved by donors the accountant has a role to ensure expenditures specified for programme activities are not exceeded. An amalgamation of the programme budgets for a single year forms the contents of the annual budget that gets approved by the Annual General Meeting every year. At AIDA the chief executive oversees the preparation of the budget with the assistance of a short-term financial consultant.

The budget therefore is a 'funds soliciting' tool rather than a financing target to be achieved. It is what funding agencies are willing to provide that is critical and establishing a good reputation and contacts is therefore a crucial part of an NGO's top management. The size of the programme budget submitted to donors is also intended to send an important message to established institutional donors about growth prospects of an NGO. As one executive confided the programme budget has to be seen to grow and the organisation therefore has to ensure a bigger budget was submitted on a year-by-year basis.

Programmes are of a five-year cycle at AIDA and three-year circle at AIKA. AICHI operates on an annual programme funding basis although it has been running four basic programmes since 1996. Donors agree to an indicative plan for a five or three-year circle and review detailed plan for each year as it approaches. Financial reports to donors follow the format of the agreed programme activities budget, which is the reason why expenditure analyses in the

organisations were based on funding source. It is from these expenditure analyses that, with the assistance of auditors, financial statements are prepared and audited.

Having provided background details of the three focal organisations, the following section presents an analysis of salience of stakeholders with which these organisations interact or are associated with.

6.3 Towards analysis of stakeholder salience

The absence of stockholding altogether in the not-for-profit sector presents arguably a promising platform for use of stakeholder theory to understand and explain some of the relationships between and within organisations as they interact with other entities. The identification and analysis of stakeholder salience was one of the initial activities undertaken during the research – it was therefore substantially completed early during the first field visit. However, prior to entry to research sites, some group and individual stakeholders were evident. This was because they were proclaimed as such in statutes [such as the Registrar of Clubs and Societies and the National Board of Accountants and Auditors] or by executive order [the NGO Co-ordinating Division in the Office of the Vice President]. Others were proclaimed in constitutions of the non-governmental organisations [Boards of Trustees and Members] while others were stakeholders by contract [such as Donors and other financiers]. Beneficiary communities and the public are also acknowledged as stakeholders in relation to operations of NGOs.

A number of typologies exist that suggest classes of stakeholders: primary versus secondary (Clarkson, 1995); direct versus indirect (Freeman, 1984); and generic versus specific (Carroll, 1989). These typologies attempt to answer the question 'Who are stakeholders?' and identify them - a worthwhile endeavour. More important however are narratives of interactions between management and stakeholders of different salience - what is referred to as descriptive stakeholder theory (Jones, 1995; Donaldson and Preston, 1995; Mitchell *et al.*, 1997; Jones and Wicks, 1999). The ensuing analysis avoids these typologies. Instead, as discussed in Chapter Five (sections 5.2 and 5.3) it makes use of the interpretive stakeholder framework of Mitchell *et al.* (1997). Mitchell *et al.* (1997) suggest a comprehensive attempt that exceeds a typology. They not only define who stakeholders were but also they offer generic definitional attributes of power, legitimacy and urgency for ascertaining each

stakeholder's salience. Employing these attributes one is able to classify stakeholders and observe changes in stakeholder stature over time.

Following are interpretations of stakeholder salience for each of the six stakeholder groups: the Government; Donors; Boards of Trustees; the Accounting Board; Members; and Beneficiary communities. The analysis of stakeholders' salience also provides accounts of interactions - past and present - within and between organisations studied and other entities or stakeholders.

6.3.1 The Government

Two government offices handle matters related to NGOs; the office of the Vice President, which has an NGO Division headed by a Commissioner and the office of the Registrar of Clubs and Societies in the Ministry of Home Affairs. These represent the government as a stakeholder. Moreover, since NGOs have become an important organisational player active in the social services sector, government officials at all levels take interest in operations of NGOs. Accountability of NGOs has been a major consistent demand of the Government.

The legitimacy of the government's demands for 'accountability' in NGOs is founded on two premises. First, the government interprets its status as the grantor of permission and freedom to and for all organisations to exist and operate within prescribed laws. Second, the government takes upon itself the responsibility for looking after interests of beneficiary communities and the public. Beneficiaries and the public are often unorganised - they remain benefit recipients who often do not have substantial effect on benefit delivery itself. Since beneficiaries are weak stakeholders, lacking power to enforce their claims the government appears to assume the role of safeguarding their interests. As a Commissioner in one of the regulatory agencies stated: 'It is the government [through the Registrar] that gives an NGO the mandate to operate. If the NGO does not deliver the expected services, then the government has the right to demand an explanation'. The government in the Commissioner's view has an inherent responsibility to ensure that services pledged to beneficiaries by NGOs are delivered. The acceptance of donor funds by NGOs commits these organisations to deliver promised value and the government therefore assumes it has a role in ensuring that this is accomplished. It is on this basis that a speech extract such as follows can be justified: 'All reports, including reports on funds availed to NGOs by donors need to be made openly available to the government.

The government is the entity that takes ultimate responsibility for all external funds made available to NGOs or any other organisation whether the funds are in the form of grants or loans' [Speech to the Parliament - Minister for State, Prime Minister's Office, 1997].

The government's interpretation of its stakeholder status is a contested one; NGOs and other stakeholders question the legitimacy of the government's claims. However, there is public expectation that the government will curb abuses in NGOs that are entrusted with resources that do not reach intended beneficiaries. Government authorities respond to calls to curb alleged financial impropriety by seeking to regulate affairs of NGOs. Thus a Minister for State is on record stating that:

[...] Non-governmental organisations' contribution to national development is significant. In Tanzania we have now over 800 indigenous and international NGOs. Compared to 299 in 1994, this is a ponderous growth and we should not be alarmed by this growth. Though many of them are said to be briefcase NGOs without any roots in the communities they intend to serve, the sheer number is an indication of the need for grassroots level organisations. While it would not be sound at this juncture to take full punitive measures of deregistering or suspending registration of questionable NGOs, we have to improve and update our legal, policy and institutional frameworks and increase their efficiency. Developing sound laws and regulations can play an important role in empowering the NGO sector to enhance its ability to respond in an accountable and more professional manner towards the needs of the society [Speech to the Parliament - Minister for State, Prime Minister's Office, 1997].

Consequently the government has spearheaded a national NGO policy that was finally adopted in 2000 after a five-year consultative process. In its seventh draft it was not wholly acceptable to NGO representatives but was deemed NGO-friendly enough. Actors within the NGO community still expressed scepticism over the government's interest in operations of NGOs. The government's legitimacy to a financial reporting relationship is questioned as not being of a co-operative spirit but a domineering and 'policing' nature. Consistent accounting failure within the government itself, leading to theft and abuse, is cited as a weak moral ground on which the government could call for enhancement of accountability in other organisations. The most current report of the Controller and Auditor General for the financial year ended 30th June 1997 for example, reports that about 25 percent of public accounts were not submitted in time, advances and imprests were not retired or recovered, and there were many instances of unvouched and improperly vouched expenditure all which eventually

resulted in 64 out of 103 public accounts [62 percent] receiving adverse audit opinions. The Controller and Auditor General's report narrated that:

[...] The reasons for issuance of an adverse opinion arise from major errors in the accounts submitted, and common failure to prepare bank reconciliation statements. Despite adverse comments in previous years' reports, little or no action seems to have been taken by Accounting Officers to rectify the recurring weaknesses in accounting. The implication is that in many cases the proper utilisation of public money cannot be demonstrated. As in previous years, performance audits ... highlight weaknesses in administration of projects, wastage, inefficient procurement, poor supervision and/or execution of works [Report of the Controller and Auditor General, 1997, p. 7].

NGO activists argue, such a damning report showing financial mismanagement within the government is a weak moral authority with which to demand financial discipline on the part of NGOs. As one NGO actor stated:

[...] the contentious point there is, how does the government come into NGOs, they have failed to be accountable themselves. So they are pointing fingers, they want other people to make their house clean while their house is in shambles. So that raises a bit of suspicion [that the government's interest in NGOs is political rather than purely administrative]. They don't make life easy for us to do the job well. They make it difficult, a lot difficult [Interview notes – Mandege: AIKA].

Furthermore, the social sector is a platform on which the government made development commitments since independence. Beginning from the late eighties social sector and financial reforms have eroded the government's ability to meet those commitments and even renege on some. NGOs' achievements within the social sector are perceived as threatening the validity of the government's aspirations and it's standing in the public eye. A government minister gives credence to such a view when she states:

[...] there were a number of NGOs tending to work out programmes and implement them without consulting the relevant district and regional authorities. The public is therefore made to see NGOs as more concerned about their welfare than the government. Relevant authorities need to put in place development projects and programmes capable of being funded and supported by donors and [international] non-governmental organisations. Lacking any such programmes in a specific area provides a loophole enabling NGOs to come in and set up their own projects

thereby overshadowing government efforts [Speech extract – Minister for Community Development, Women and Children, 1997].

Some elements in government have, at times, viewed NGO operations in an adversary manner, even though the government's stated policy position is supportive of NGOs. In such circumstances, a reporting relationship is susceptible to misuse. A donor official for example, narrated the following potential abuse of financial reporting to government authorities:

[...] It is not a very good situation, of course. If you look at the new NGO Policy there is a clause in it that [states] NGOs shall submit annual financial reports to the government, which I think is not fair. Take the example of the Maasai NGO which has been fighting for Mkomazi Game Reserve, it is not fair if the government knows how much they have on their account in the bank²⁷ [Interview notes – Anderson: Kenish Embassy].

The above notwithstanding, NGOs have found ways of cultivating common areas of understanding with the government, treading a fine line and maintaining covert and overt links with key actors in government at individual levels.

In terms of the three stakeholder attributes (Mitchell *et al.*, 1997), the government fits the definition of a definitive stakeholder. It has power that emanates from its broad governing mandate with which it can allow registration or de-registration of an NGO and confer tax exemption status. It also has legitimate claims on NGO operations and the claims embody a sense of urgency. Questions on legitimacy of government's claims can be seen as not an issue of contesting the legitimacy of government's claim *per se*, but questioning the sincerity with which the government pursues its claims. The fact that the government has high salience (Mitchell *et al.*, 1997) in the outlook of organisational actors within NGOs points to the definitive stature of its stakeholder status.

²⁷ A Maasai NGO has taken the government to court seeking to reverse a government decision to remove a Maasai community from their traditional pastures inside Mkomazi Game Reserve. The Maasai are nomadic pastoralists found in Northern Tanzania. The NGO has received donations from many quarters as well as legal aid in support of their cause.

6.3.2 Donors

Operations of NGOs are heavily dependent on donors' financial contributions. Donors therefore possess substantial power associated with their conferring of resources to NGOs. Moreover, being 'in good books' of a donor of high standing confers to an NGO a form of organisational credibility among other stakeholders and NGOs. Donors' claims for NGOs to 'account' to them are therefore legitimate because donors provide financial resources to these organisations. Inherent in this is the willingness to share and support an organisation's cause. NGOs have come to refer to donors as partners. One organisation acknowledged for example that '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' [Annual Report: AICHI, 1998, p. 6].

Donors' legitimacy is often contractual, as memoranda and contracts are signed to demonstrate expectations of respective parties before making funds available to an organisation. Such contractual arrangements often stipulate the nature and timing of accounting reporting relationships. Failure to submit reports on time has damaging consequences for the organisation.

In terms of Mitchell's model (Mitchell *et al.*, 1997) donors are also definitive stakeholders since they possess all three attributes of interest; power, legitimacy and urgency. However, as with the government's stakeholder status, donor's definitive stakeholder status is not uncontested, because organisational actors view as onerous the requirements for meeting donors' accounting information demands and their effect on other internal organisational resource priorities. These are later brought up in how stakeholder interactions are implicated in accounting.

6.3.3 Boards of Trustees

Boards of Trustees in NGOs and the not-for-profit voluntary sector generally have been reported to be weak and ineffective, with trustees chosen on the basis of prestige (Sahley, 1995). The Board of Trustees as an organ overseeing an organisation's management, ought to have power, legitimacy and urgency to demand and receive from management the attention it is warranted. Calls for self-regulation and less oversight by government regulatory

mechanisms rest on the assumption of a strong oversight function being performed by the Boards of Trustees. Such a normative view that boards ought to be effective oversight organs leads to a commonly stated preference for the board rather than a government authority to perform oversight functions. One of the donors stated for example that:

[...] we question what role the Ministry responsible for NGOs can realistically have in reducing malpractice, enhancing accountability and increase efficiency of the NGO sector. The personal liability incurred by members of boards should be sufficient to keep them clean. NGOs also represent and are accountable to their members and their boards whose job it is to ensure that the NGO is a viable organisation [Comments on draft NGO Policy: UCAID, 1999].

The government, it is argued, need not interfere with activities of not-for-profit organisations because Boards of Trustees ought to ensure that these organisations are run according to their constitutions. Unfortunately evidence indicates that this may appear not to be the case.

Organisations in the study have strong boards that are elected on merit rather than prestige or social status. Members of the board are elected among members at AIKA and AICHI. AIKA however, appoints two of its six board members from non-members in order to tap special expertise and contacts. AIDA being a non-member organisation - allows each of its five stakeholder groups to appoint a representative to its Board of Trustees every four years.

Board members have been known to suffer from the 'founders syndrome' where they became too tolerant and uncritical towards fellow co-founders in day-to-day management. AICHI for example had a chief executive who was seen to run the organisation against the spirit of participation, upon which the organisation was founded. The chief executive was also the Board Chairperson and was even able to employ a close relative to handle all financial accounting and reporting functions. Board members were also in charge individual operational units, which meant the Board both formulated policies and implemented them. Consequently, the board failed to provide direction. Nevertheless, it took eight years and the near collapse of the organisation for a change to be instituted. This change - the removal of inept and self-serving leadership - was a result of members' action with the direct encouragement of an institutional donor. In this instance the board was not able to take effective and corrective action when it was needed. This changed after the crisis - the reconstituted Board became effective in its oversight function.

The power of the board is therefore observed to be transient, depending not only on individual board member strengths but also the depth of personal relationships with management and degree of tolerance of managerial inefficiencies. External pressure from the news media, donors and members was in the case of AICHI also influential in rectifying a damaging situation.

Therefore in terms of the stakeholders attributes (Mitchell *et al.*, 1997) the Board of Trustees meets the criteria for a definitive stakeholder. However, on evidence available, the Board of Trustees can be inept and fail to exercise its oversight functions. Of the three definitive stakeholders Board of Trustees appear to be the least stable.

6.3.4 The Accounting Board

The Accounting Board is vested with statutory powers to oversee accounting practice and regulate the accounting profession in Tanzania (Accountants and Auditors [Registration] Act No. 33, 1972²⁸). All organisations with annual revenues exceeding TAS. 120 million [about £120,000] must employ a Certified Public Accountant and produce financial reports in accordance with Tanzania Statement of Standard Accounting Practices. All three organisations in the study far exceeded the annual income threshold but none has a Certified Public Accountant employed.

The Accounting Board appears to portray the technical-rationale perspective of accounting as reflected in the belief that there is a 'need to have strong regulations, promulgate accounting standards/guideline(s) to harmonise NGO reporting, reinforcing supervision' (ESAMI, 1998, p. 2). The emphasis is evidently on regulation, standardisation and uniformity because in that context it is posited: 'a uniform and standardised management and financial system could be used by NGOs so that their operations and resources could be better managed and make their operations more transparent' (ESAMI, 1998, p. 3). This ideal is often unfounded in organisational realities because a uniform and standardised management and financial accounting system does not necessarily improve accountability and transparency. AICHI, for example produced annual financial statements that were audited and bestowed clean audit opinions for eight consecutive years between 1987 and 1995. Yet during this period the organisation's management was reputed to have misused funds to the extent of nearly crippling the

organisation. During interviews it was suggested that fictitious accounts were prepared - a belief reinforced by the failure of the removed leadership to hand over any accounting records.

Such a technical rationale accounting perspective is shared by management consultants often brought into organisations with the encouragement and support of donors. In AIKA for example, a management and financial information system was designed and installed with minimum consultation. It was eventually discarded. The head of Finance and Administration saying: '.. we trashed the recommended [accounting] system as soon as they had handed in the report. It was not meant for an organisation such as ours'.

In terms of the stakeholder definitive model (Mitchell *et al.*, 1997) the Accounting Board has power emanating from its statutory position as the regulator of accounting practices and professionals in all kinds of organisations; private and public; governmental and non-governmental. It also has legitimate claims with regard to accounting in non-governmental organisations. However, the Accounting Board has so far also not chosen to exert its authority on employment of qualified accounting personnel in organisations with incomes exceeding the TAS. 120 million threshold. The Accounting Board therefore, has power and legitimate claims but it has not indicated an urgency to pursue these stated claims. It therefore fits the profile of a dominant but not a definitive stakeholder. Growing public opinion for regulation of accounting in NGOs may instil a sense of urgency on the part of the Accounting Board. This tendency may move the Accounting Board towards a definitive stakeholder status.

6.3.5 Members

Members compose ultimately the highest decision making body in membership NGOs. Therefore members ought to have power, legitimacy and urgency in relation to all activities of the organisation. However, many Tanzanian NGOs are of limited membership while some are non-membership organisations altogether. Of the three organisations cased, AIDA is a non-membership organisation, AIKA is a limited membership organisation while AICHI is a membership organisation. Since 1997 when the government suspended the registration

²⁸ Amended by Act No. 2 of 1995.

of new NGOs, all NGOs established thereafter came into being as companies limited by trust under the Companies Act of 1973. All these would be non-membership organisations.

Members' commitment to organisations they belong to may not be steady and substantial numbers may not be paying subscription fees although they would still consider themselves retaining some affiliation with the organisation. In the case of AICHI for example, the organisation was not run to the satisfaction of its members between 1987 and 1996, yet members could not initiate remedial action and only showed their displeasure by neglecting organisational activities. By the end of 1995 there were hardly any active members in the organisation other than its executive committee. It is therefore not abnormal to observe in a membership non-governmental organisation that members are in a weak power position relative to management and therefore may not be able to effect their legitimate claims. In organisational realities members may not have powers to institute changes and control events outside once off constitutional forums such as the Annual General Meeting - when and if they are held. These weaknesses are acknowledged by other definitive stakeholders as reflected in the following quote:

[...] Because if you look at NGOs in Tanzania they are often quite different from Kenish NGOs, the Kenish NGOs are more mass organisations made up of large numbers of active members. But here it is just a handful of people, or to be correct retired or retrenched from the government side and has to find a new way [of making a living]. So I think you can say that some NGOs are made up of one or two leading individuals [and they run everything] But for us to learn and accept it is a bit difficult (Interview notes - Anderson: Kenish Embassy).

Using the stakeholder analysis model (Mitchell *et al.*, 1997) members as a stakeholder group appear to lack the power to put forth their interests to management and to ensure they receive sufficient attention. Therefore, although members have legitimate claims that may be urgent, they are situated only as dependent stakeholders. Their needs being met either at management's discretion or by being adopted by dominant or definitive stakeholders such as the government or donors.

6.3.6 Beneficiary communities

The service orientation of the three NGOs studied is that of 'public benefit' - implying that they stand for improvements of living conditions of target members of a community; in these

specific cases women and children. Although two of the organisations are structured around some form of membership base these members are only organisers committed to the cause and are not supposed to be beneficiaries. These organisations have a fiduciary responsibility to account for funds availed to them for use in support of beneficiary communities. Legally these NGOs are accountable to their governance structures and to the laws of the land under which they have been registered. There is no legal requirement to be accountable to beneficiaries. This is where the government sees it has an additional quasi-legal role to look after interests of the 'public'.

The celebrated mode of operation in NGOs emphasises participatory methods and involvement of beneficiaries and local communities in planning, execution and evaluation of organisational activities. Nevertheless, despite the stated values and rhetoric of participation, beneficiary communities do not in practice have sufficient power to push for their legitimate claims even when they are urgent. Beneficiary communities are thus identifiable as dependent stakeholders. For their claims to be effected they must be adopted by a stakeholder in a dominant position, such as donors, the Accounting Board or the government. Although donors do include pre-project approval requirements for participation of beneficiaries during project formulation, it may admittedly be impractical to institute mechanisms to verify the participation of beneficiaries and local communities during implementation.

Participation of beneficiary communities has at times been for symbolic impressionist purposes - to portray an image of their involvement while they may be of no consequence to courses of action taken. A media participant commented as follows on the lack of *Swahili* translation during a workshop that had included representatives from beneficiary communities who did not understand *English*, the language in which the workshop was conducted²⁹:

[...] the grassroots level people will always remain watchers of things happening as they are not in control, and that they will equally remain receivers of instructions on what they should do since their input even when invited in workshops is immaterial and is never taken into account. Three quarters of the session was conducted in English implying that during this time, the village

²⁹ 'IDS and OXFAM create a mini tower of Babel: Are we heading nowhere fast?' Sunday Observer, Issue No. 202, August 1, 1999.

representatives who had been invited to the meeting and other people were not able to follow proceedings. To involve such people and treat them as such is to underrate them and openly ignore their contribution. Organisers of the workshop were quite capable of providing bilingual translators if at all they were intent on treating the rural folks as equal partners.

English is the language of choice in the three organisations studied although there are notable on going efforts to reach out to the non-English speaking community. The organisations in the study produce regular bilingual³⁰ newsletters and AIKA runs a regular consultative session that has taken *Swahili* as its official communication. Nevertheless, annual reports and other periodic reporting are in English. Noticeably an English-proficient readership is targeted which tends to marginalize beneficiary communities and the general public. This may reinforce the view that participation of beneficiaries and community was only superficial.

6.3.7 A summary account of stakeholders salience

Fig. 7 summarises the emergent results of stakeholder analysis using Mitchell's framework and illustrates the relative salience of each of the six stakeholders.

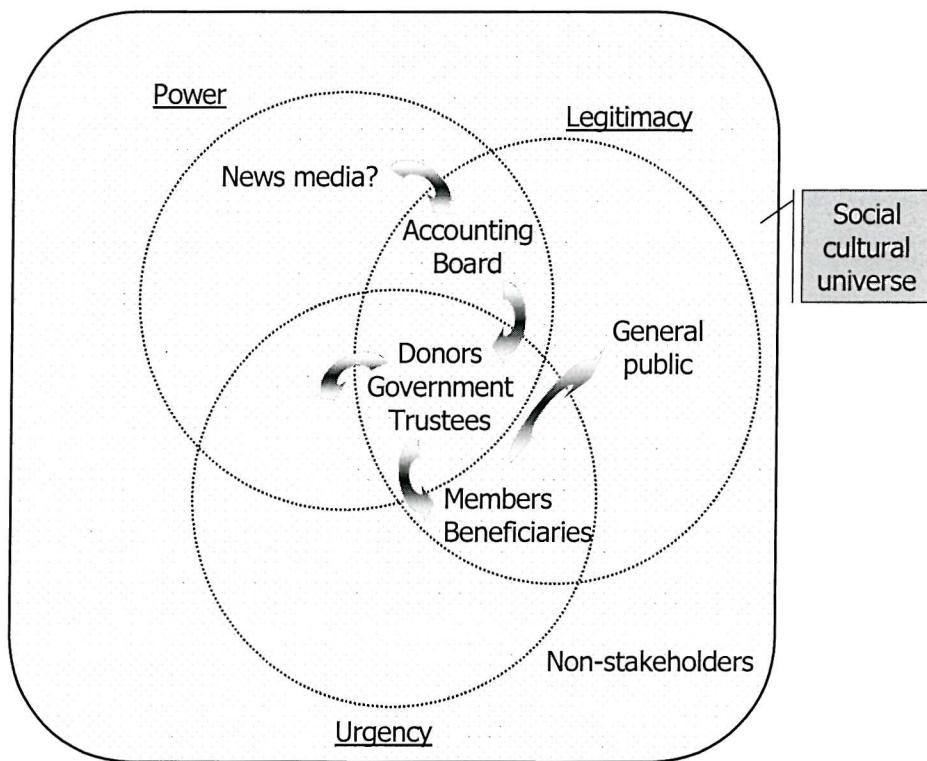


Fig. 7: A diagrammatic account of stakeholder salience (adapted from Mitchell *et al.*, 1997)

³⁰ In Swahili and English - Swahili is the national language.

This diagrammatic account reflects stakeholder salience in a dynamic fashion as positions are continuously being negotiated. Changing broader social values and norms also influence both the process of creation as well as the acceptance of the stakeholder attributes of power, legitimacy and urgency. This salience is also not enjoyed across all issues - in some issues a salient stakeholder may lose one of the attributes and take a lower salience status. Managers therefore may pay certain kinds of attention to certain stakeholders regarding certain issues but these stakeholders will not attract the same attention in other issues. Two incidents capture this theme well: the joint efforts of an institutional donor and members in effecting a leadership change at AICHI; and the successful negotiation for acceptance of basket funding and uniform periodic accounting at AIKA.

In the first incident although the institutional donor had high salience the donor did not have the legitimacy to directly demand and effect a change in AICHI's top management - only members had the legitimacy to demand and effect that kind of change but they had no effective power. The institutional donor sent a signal to management and key vocal members that it would only consider continued long term funding if AICHI would undergo an OD exercise. The institutional donor also gave a commitment to fund the OD exercise and any necessary transitional arrangements. Vocal members originally shunned by leadership gained salience - top management was changed and AICHI started a successful turnaround. We observe in this incident a convergence of 'stakes' through which the institutional donor lends support to a less salient stakeholder to effect a change that would possibly not occur if each acted single-handedly.

In the second incident, AIKA endured a major administrative burden of frequent multiple donor accounting - this it sought to be relieved of. The organisation had built pleasant relationships with two international donors of good standing - so it teamed with these two to persuade the remaining donors to ease what it termed 'petty reporting'. AIKA sought to persuade all its major donors to agree to a basket funding arrangement from which a single set of accounts would be circulated at regular pre-agreed times. This strategy did not succeed during the first round table meeting but AIKA included this information [of failure of donors to agree to basket funding and uniform accounting report] in its well-circulated and well-read report. This ensured that it was known around important donor circles, which of its donors stuck to 'petty reporting'. A year thereafter more of its institutional donors agreed to the idea

of basket funding and a common financial reporting arrangement. In this incident we observe differences within one stakeholder group - donors - towards an issue, being taken advantage of by the organisation to persuade reluctant donors into acceptance.

As observed earlier substantial literature addresses the question 'Who are stakeholders?' and a number of typologies have been suggested. However, the empirical descriptive component of stakeholder theory (Jones, 1995; Donaldson and Preston, 1995; Mitchell *et al.*, 1997; Frooman, 1999) has not received sufficient attention - the description and explanation of 'to what and how' managers pay attention in stakeholder interactions. This account is an effort in that direction.

6.4 Summary

This chapter provided background details of three organisations, which were the main focus of the study, and also those of stakeholders with which they interacted. It gave a longitudinal account of events and analysed their implications on current statuses of the organisations. All organisations experienced growth, which is consistent with the trend of increasing availability of funds to NGOs. Growth however, generated administrative problems that had impacts of different magnitudes on observed accounting practices. Two organisations handled growth with minimum administrative problems but in one organisation growth led to a major organisational crisis. A resolution of the crisis had an effect on the perceived importance of accounting functions because subsequent to the crisis the accounting function was substantially strengthened.

The chapter also profiled stakeholders with which organisations interacted - the Government; Donors; Boards of Trustees; the Accounting Board; Members; and Beneficiary communities. The Government, Donors, and Boards of Trustees possessed the three attributes of power, legitimate claims, and urgency. These therefore were identified as definitive stakeholders. Of these, the salience of the Board of Trustees was found to be transient and least stable. Members and beneficiary communities had legitimate claims that were urgent but they did not have power to effect their claims. These were identified as dependent stakeholders. The Accounting Board was a dominant stakeholder with statutory power and a legitimate claim

but without urgency. Members of the general public appeared to be the least salient of stakeholders and featured least in accounting relationships.

Implications of stakeholder salience recur throughout the discussion of emergent concepts and are discussed as appropriate during the ensuing stages of grounded theory analysis covered in the subsequent chapters.

Chapter Seven

7 Emergent theoretical perspectives

7.1 Introduction

This chapter executes the initial phase of grounded theory analysis and its output is a list of categories describing the emergent theoretical perspectives. It starts by merging inferences from the previous chapter with results of initial reflections over what were indicated to be important issues in the emerging data. These issues included accounting practices, accountability and organisational assessment, and issues of organisational culture and trust. Amalgamations of these form emergent research themes - conceptual boundaries for the research process. Emergent research themes are substantive realities from the field viewed in creative, emergent terms - neither fixed nor finite, and open to subsequent redefinition (Schatzman and Strauss, 1973).

Within those boundaries, open coding was conducted to generate initially concepts and later categories. Open coding is an attempt to 'open up' the emergent research themes in data to create more concise descriptions of important events and changes in organisational structures and processes. Depending of their eventual theoretical densities some of these categories finally graduate into elements of an emergent theory. Therefore, even during this stage there is a pronounced effort to consider preliminary linkages between categories with the objective of easing final integration of categories.

7.2 Emergent research themes

As set out in the research strategy, grounded theory analysis started with initial reflection over the data, an activity that was completed during the first three weeks of field work and sought to organise the emerging data around themes in terms of issues that were important to organisational actors and stakeholders. These became emergent research themes that were contrasted with and modified the tentative research questions outlined in Chapter Four to

form the broad boundaries for the research. Some of the tentative questions did not feature in the emerging data and were relegated. One example is tentative research question [iii], which was stated as 'How does accounting influence their interpretations of events?' Very early in the research it emerged that accounting played an insignificant role in internal decision processes and therefore it could not influence organisational actors interpretations of events.

In this section the discussion of these emergent research themes is more descriptive and less conceptual (Strauss and Corbin, 1990). Conceptual complexity increases as grounded theory analysis progresses. In order to illustrate the direct relationships of these themes with the data ample and generous quotes are included. Since these are the themes that guide the research they recur in different modes throughout the whole coding process, i.e. open, axial and selective coding. Following are the five major themes of this research:

- i. Stakeholder 'claims' and implications for accounting,
- ii. Organisational culture and accounting,
- iii. The relationship between trust and accounting,
- iv. The role of accounting and accountants within organisations, and
- v. Accountability relationships and organisational assessment.

Below are narratives of each of these themes.

7.2.1 Stakeholder 'claims' and implications for accounting

[...] because we are given a mandate by the government of Keni we must follow the Kenish regulations to satisfy the national accountants. We usually demand different reports; one is the financial report, which should be delivered as soon as possible and also a narrative report of achievement, but the financial report is very important .. it is always. We cannot give support without signing a contract and demanding a financial report [Interview notes - Anderson: Kenish Embassy].

Stakeholder salience appears to have a major bearing on accounting functions in NGOs. Of all stakeholders donors emerge as the most salient with respect to accounting. They influenced not only the decision on whether an accountant position was to exist but also the form, frequency and format of accounting output. At AIDA for example, the organisation does not have an accountant although its manager expressed interest in recruiting one. As the

Manager explained during preliminary access interviews: 'we do not have an accountant in this organisation because donors would not support such a position. They told us the office secretary could handle all routine accounting matters'. This organisation handled a TAS. 378 million annual budget in 2000. The Accounting Board stipulates that an organisation of this size must employ a qualified accountant³¹.

Again as the opening quote illustrates, the donor-recipient relationship includes contractual obligations to produce specific financial reports within prescribed time periods and accounting in these organisations appeared to lean largely towards donor reporting. Such reporting may have little internal relevance. One donor required, for example that, '.. as a minimum, [an NGO] observe the same guidelines as the Tanish³² NGOs [and] keep accounting records in accordance with the Tanish accounts legislation'. In this instance Tanish accounting regulations were embedded into local NGO accounting practices entirely out of compliance.

Other than donors, as observed in stakeholder analysis [see Chapter Six, section 6.3.7], government regulatory authorities and the Accounting Board do not currently pay much attention to accounting matters in NGOs. For example, although NGOs registered under the Society Ordinance Cap 337 of 1954 are required by law to submit annual audited financial statements, many [by the Registrar's own verbal admission] did not lodge such accounts. Staff shortages, under-funding and an archaic filing system were cited as the reasons for a weak follow up regime.

Organisations in this study however, showed increasing accounting activity over their histories and it became of interest to understand the contexts within which such change occurred.

7.2.2 Issues of organisational culture and accounting

[...] AIKA staff's careful preparations for the visit of the Givas' inspector were for me a special experience and said a lot. I came across this realistic attitude throughout the organisation. It shows great self-assurance and strength [Sten Dyne - Financial Inspector: Givas, 1999].

³¹ A qualified accountant is one who has a professional accounting certificate such as CPA, ACCA, CMA, etc. and is also registered to practice with the National Board of Accountants and Auditors.

³² An EEC member country.

This quote from a financial inspector summarises the overall impression AIKA made to its external constituents, something that is related to 'image'. Nevertheless, one of the major items in the report associated with the above quote was that AIKA had not devoted enough attention to aspects of internal control and accounting. Yet, the financial inspector was remarkably positive in his assessment of the organisation. Since its establishment AIKA has consistently been able to attract substantial donor interest and is reputed to be one of the 'prime' NGOs in the country. The issue of interest was how does an organisation with an admittedly weak accounting function succeed in creating and maintaining a sound reputation in matters of finance. It appears that the organisation had succeeded in constructing and maintaining a good impression to external constituents - a subject that warranted further attention.

Frequent appearance and use of theme words such as 'transparency', 'accountability' and 'participation' in organisational literature reflected a stated desire to be open and accessible. The organisations credit their successes to a number of factors - AIKA for example lists these as; 'resources', 'shared vision', 'common values', 'clear mission', 'leadership', 'teamwork', 'commitment' and 'participatory methodology'. AICHI's 'enabling factors' are almost similar to those of AIKA, and are listed as; 'team spirit', 'alliances and networks', 'commitment' and 'resource flows from good funding relationships'. This pointed towards the employment of a vocabulary that indexed a form of conduct and values appropriate to the image desired and being constructed by the organisations. Noticeably 'factors' to which organisational successes were ascribed are essentially collective - pointing to some form of social and/or ideological bond among organisational actors.

At the same time accounting appeared to be accorded different levels of prominence in the three organisations. Size of the organisation and resource endowment seemed not to immediately provide an explanation. Observed also were desired and ongoing changes within organisations towards improving the state of accounting and strengthening accounting personnel. Of immediate research interest then was the impact of what one trustee referred to as 'professionalisation' on existing organisational values.

There were therefore promising insights from looking into these relationships, between accounting, the image of the organisations and cultural underpinnings.

7.2.3 The relationship between trust and accounting

[...] It depends on the way we pursue our activities, but we were small, we have grown very very fast. May be let me give you a background. At that time the co-ordinator and myself were the only signatories and taking account of the way we related to each other as a family, and you know³³ she [Program Director] is a lady of many activities, therefore even for the cheques, it was a matter of trust and she would sign in advance a number of cheque leaves and I would countersign as and when I needed [to make a payment] and we went on like that. But when expansion of programmes began we created departments, etc. We then had to improve on our guidelines [financial]. Note that we had some financial guidelines stipulated in the constitution, but these were just there [Interview notes – Mandege: AIKA].

Across all three organisations trust emerged as an important concept. Whether it was during the start up years or when organisations were mature, interpersonal trust among organisational actors seemed to be very important. Basic internal control procedures were for example, ignored at AIKA. The justification offered being trust and commitment among staff. The AIKA bookkeeper who joined after practising for some years in industry had to share with a secretary and her program officer not only office space but also the cash box keys. This was initially unsettling but she learnt to trust that alternate cash box key holders would not jeopardise interests of the organisation. She attributed this to the high level of trust, transparency and openness within the organisation. If she happened to overlook closing the cash box one of her office mates would simply secure it.

It appeared that even during recruitment organisations made substantial effort to obtain 'suitable' accounting personnel. It took fourteen months [from July 1999 to October 2000] for AIKA to find a suitable accountant.³⁴ By their own admission the process was 'slow and demanding' but they were convinced they had found the most suitable candidate for the post. At AICHI a comparable episode occurred as the head of the organisation narrated: 'Tahir [the organisation's accountant] was not an accountant, no - but he is honest then we turned him into an accountant' (Interview notes - Kibibi: AICHI).

This relationship between trust and accounting emerged as another key strand of the emergent research themes.

³³ The researcher knew the Program Director during the period in question.

7.2.4 The role of accounting and accountants within organisations

[...] AIKA does not have an accounting system, financial policy or accounting manual to guide or use in the financial management of the resources of the organisation. Memorandum documents are, however, kept for all financial transactions including donor-funded activities. These are used for providing returns to donors and accountability for funds on donor funded projects. The reporting to donors is done using forms and formats specified by donors themselves. Each donor has a different type of forms or formats. AIKA does not have its own comprehensive reporting system [Organisation Assessment Mission Report for AIKA - Development and Management Consultants: 1995].

Promptly and early during data collection, accounting emerged as being predominantly donor driven and production of reports to donors was observed, from the organisations' perspectives, to be the primary role of accounting. Donors stress the importance of report production in enhancing organisational credibility and accounting is perceived as such by reporting non-governmental organisations.

Despite seemingly 'limited' accounting, organisations have managed for long periods to meet requirements of donor reporting by keeping source documents and memoranda that allowed the production of donor reports. Provided donors accounting requirements were met, so it appeared, there was little consideration for internal accounting needs.

As regards the role of accountants, accounting personnel in the organisations were seen as custodians of money and at their discretion money could be spent. As one accountant stated: 'People want to borrow [personally] and do not expect the accountant to say I don't have money'. The fact that the accountant is the custodian of money and processes payments provided another dimension of perceptions of accountants - that of crafty technicians who benefit financially from their positions. As one accountant stated: 'If you have money people presume you are spending the organisation's funds on your own person. You cannot help that view'. This view is encouraged by what the public sees happening in other NGOs, but it is also a perception that extends to accountants in government and public sector enterprises as well.

³⁴ This person although deemed 'suitable' by the organisation, was not a CPA and therefore does not satisfy the minimum requirements of the Accounting Board for organisations of the size of AIKA.

Of emergent research interest in this theme was what were the explanations for the demonstrated role of accounting in the organisations, and in what ways, if any, was accounting internally useful.

7.2.5 Accountability and organisational assessment

[...] Donors were very much impressed that we on our own had decided to appoint an international audit firm. Actually there is increased credibility and donors were impressed but even members were impressed as well. So in terms of information made available to users it is the same as in previous years. But in terms of opinion it is now international. As you know many NGOs are problematic in accounting matters. So when they see these people are going to ClassicFirm Partnership [a top five audit multinational firm] it means they are serious [Interview notes - Tahir: AICHI].

The annual report and audited accounts, donor periodic reporting, inspections and evaluations comprised avenues that facilitated organisational assessment. External constituents especially donors and members depended and used accounting reports for organisational assessment. Donors also undertook their own inspections and evaluations. All donors required an audit to be conducted to verify how funds availed to an organisation have been utilised. Where multiple donors or multiple grants from the same donor were involved - a common occurrence in NGOs - multiple audits were conducted in a single financial year.

The audit resonates organisational credibility and actors within NGOs attach a great deal of importance to it. As the preceding quote illustrated the perceived professional standing of the auditor appeared to be an important issue for consideration in the auditor's appointment. AICHI appointed ClassicFirm Partnership [a top five multinational accounting and assurance services firm] as auditors to replace a local audit firm, a decision that resulted in a three-fold increase in audit fees. However, it was made very clear to the researcher that this was money very well spent.

As for internal organisational assessment little effort was evident on translation of programme activities and their impacts into accounting figures. It was not seen to be important for example to establish the cost of in-house photocopying or that of a newsletter published internally. Consequently financial reports provide mainly the gross resource

endowment and utilisation story of the organisation. Success or failure details were described largely in narrative form - for example, reported as 'the strength of links with actors in highest levels of national policy making and legislation', 'winning recognition as a vital resource in policy-related issues', number of publications produced, volume of researches conducted and disseminated and reception in target audiences, and public media attention.

7.3 From emergent research themes to formulation of categories

To reiterate, emergent research themes are the broad indicators of the areas along which data was collected and analysed. Subsequently further grounded theory analysis involved breaking down of data in the form of incidents and concepts and linking these concepts to form categories. This is the task undertaken during the open coding phase of the research. Extended integration of the categories to provide conceptual depth at higher levels of abstraction are tasks undertaken during axial and selective coding. These aspects are covered in Chapter Eight. Figure 8 attempts to graphically demonstrate this progression from the emergent research themes to integrated categories in selective coding.

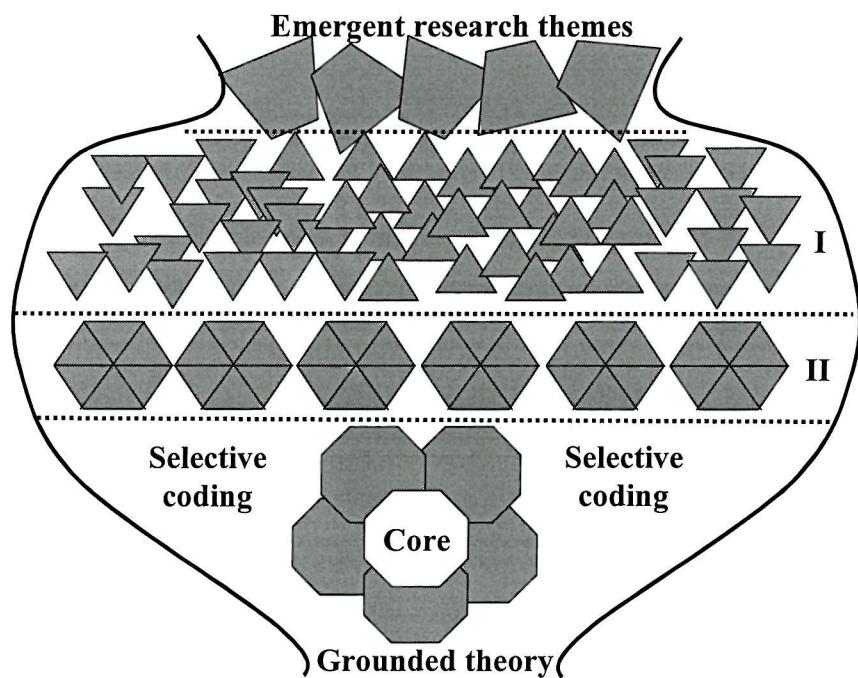


Fig. 8: From emergent research themes to grounded theory

Put simply, emergent research themes suggest the research boundaries during data collection, open coding [I] then allows the researcher to immerse himself in the data and fracture it into

small incident or issue-related components. Axial coding [III] and selective coding then are about reorganising the data and assembling categories along their emergent theoretical relationships. The five emergent research themes therefore, provided a focus of what issues seemed to be important to the research. Open coding [Phase I] allowed the analysis of written, verbal, physical, and historical incidents in order to find out and label concepts and link them to form categories. Axial coding sought to link categories generated in the open coding phase, while selective coding involved integrating categories generated during axial coding to form a substantive grounded theory. As Strauss and Corbin (1990) suggest this integration during selective coding is not very much different from axial coding. It is just done at a higher level of abstraction (p. 116).

7.4 The generation of categories during open coding

Open coding ends with categories but must begin with the breaking down of data into discrete parts that are closely examined and contrasted (Strauss and Corbin, 1990; 1998). The initial effort in open coding is the generation of concepts and naming them, a process that is followed by grouping of concepts around a particular category. What are referred to as 'categories' in this chapter are results of this final part of open coding. Categories possess conceptual power because they pull together around them concepts or subordinate categories and suggest some explanations for the relationships.

In this research generation of concepts started early because a large amount of empirically rich word-processed material was made available to the researcher even before interview and observation data had accumulated [see section 5.4.3, Table 7]. Open coding started with such documentary data and concepts generated became initial tentative posts that the researcher could refer to and build on during interviews and observation.

Strauss and Corbin (1990; 1998) suggest three approaches to open coding; line-by-line, sentence or paragraph and entire document. Open coding was approached initially on a line-by-line mode that shortly afterwards graduated into a sentence or paragraph mode especially after substantial interview and field note data was available. Although whole interview transcripts and documents were read, coding using the entire document mode was not attempted. Reading of whole documents and transcripts was only a way of absorbing the data. Line-by-line coding was not a single and sequential process; transcripts and documents

were coded at least twice, the first being an early impression. Line by line coding is generative but it normally results in large numbers of concepts³⁵. These were subsequently categorised, which is the grouping of related concepts and seeks to reduce the number of concepts one needed to work with.

Following counsel of Strauss and Corbin (1990) categories were developed first in terms of properties; characteristics or attributes that 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. For example, friendly versus hostile or important versus unimportant.

Properties were, in a number of instances, identified in reverse mode where dimensional ranges were manifested first before a property was labelled. For example, during one early interview with a founder and former head of an organisation the researcher sought assistance in gaining entry. This interviewee responded that assistance would not be necessary because theirs was ‘a collective and transparent leadership’ and that gaining access would not be a problem, which subsequently turned out to be true. In this case, *collective* versus *individualistic* and *transparent* versus *secretive* were only the dimensional ranges of an early category labelled as *leadership style*. Similarly when a government minister suggested curbing alleged financial abuse in NGOs by taking ‘necessary action in a healthy and unthreatening way’, *healthy and unthreatening* versus *threatening and damaging* indicated dimensional ranges of the enforcement regimen; a property of another early category labelled *regulatory framework*.

7.4.1 Logic diagrams and theoretical codes

Logic diagrams are ‘visual representations of analytic thinking that shows the evolution of the logical relationship between categories, .. a kind of logical, visual sorting process that helps you identify how the categories are related to one another’ (Strauss and Corbin, 1990, p. 197). Features of a logic diagram follow closely the elements of a paradigm model (i.e. causal condition,

³⁵ By the end of the first fieldwork for example 78 concepts had been identified and labelled from research data. These are listed on Appendix II.

phenomenon, contexts, intervening conditions, action/interactional strategies and consequences). A fully developed logic diagram eventually becomes the paradigm model itself. Therefore logic diagrams employed from the outset in this project were necessarily tentative and initially incomplete because it was only towards the end that all features of the paradigm model were completed. Table 9 is an example of an early stage logic diagram for the category *organisational cultural aspects* along with its preliminary theoretical note. A theoretical note is a type of memo that not only summarises but also records the theoretical sensitising as well (Strauss and Corbin, 1990, p. 197). There is, in the logic diagram, an attempt to identify properties of a category and develop dimensional ranges. There is however, no concerted effort to establish *contexts*, *strategies* and *tactics*, *intervening conditions* as well as *consequences*. These must wait until one is able to relate together a number of categories, a process that starts in earnest when open coding has progressed into axial and selective coding.

Table 9: A logic diagram

Category/concept			
Organisational cultural aspects			
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

Preliminary theoretical notes:

Organisations portray a set of values that can be labelled as activist in cultural orientation. There is a high level of commitment among organisational actors as well as a high degree of value sharing. Both organisations are keen in *building and maintaining alliances* with other organisations a phenomenon known in NGO circles as '*networking*'. *Leadership styles* are leaning towards collective leadership and staff interaction is generally excellent. However, there are inter-organisational differences that required further attention and analysis.

The activist culture appeared to dominate other technical values and considerations in the organisations. Noticeably, other than resources, all the other factors to which organisational success is ascribed are essentially collective. Shared vision, common values, clear mission, leadership, teamwork, team spirit, alliances and networks, commitment and participatory methodology are all collective in orientation. Such values can be shared even at a basic level only where there exists a good measure of ideological bond among organisational actors. New entrants to the organisation are *initiated and assimilated into this culture* as in the case of an accountant who joined from the corporate sector and relates her gradual change in attitude as follows:

[...] I came purely as accountant, I even did not know what was inside this organisation. I am now an activist and part of the organisation. My outlook has now changed a great deal .. I can say that I am now empowered .. with confidence.

At AICHI in contrast the accountant is not involved in organisational activities outside the support role. Nevertheless, there was an initiation process evident in the following quote: 'Tahir [the organisation's accountant] was not an accountant, no but he is honest then we turned him into an accountant'.

New members go through an initiation process, an initiation into an organisational culture.

We see a conflict though: AICHI is more formal, more visibility of accounting and a territorial office layout. These are not seen at AIKA.

Logic diagrams provided a rigorous technique during categorisation and assisted immensely in ensuring sufficiency of properties as well as observing relationships between categories along dimensional ranges. In this latter regard logic diagrams contributed towards the axial coding process when categories were related and main categories were being formulated. Twenty categories were developed in total, each with its logic diagram and associated theoretical notes.

Categories resulting from open coding are listed in the order of their emergence. In this regard three clusters of open code categories can be distinguished. The first cluster is made up of categories that relate to physical and social interactions among organisational members and their perceptions of their organisations. These were noted by the researcher on coming in contact with organisational actors and include categories such as organisational cultural orientation, trust and organisational credibility. The second cluster of categories related to administrative and accounting structures and processes within organisations [administrative structures, accounting processes, functional visibility of accounting, budgetary practices and auditing processes]. The last cluster of categories to emerge were those that involved relationships with external stakeholders. It included categories such as regulatory regime, accountability and reporting practices, stakeholder relationships and patterns of legitimacy. These twenty categories are narrated in the subsequent sections³⁶. Theoretical notes formed the basis, in many cases verbatim, of these descriptions. Categories, as it will be evident, differ in density and complexity - some being richer than others. The richer and theoretically dense categories are more likely to develop into main categories during axial coding. Following is the list of categories that are subsequently described:

- i. Cultural aspects within organisations,
- ii. Trust dimensions,
- iii. Building and maintaining credibility,
- iv. Administrative structures,
- v. Accounting processes,
- vi. Functional visibility of accounting,
- vii. Budgetary practices,
- viii. Auditing processes,
- ix. Organisational evaluation,
- x. Organisational oversight,
- xi. Conflicts in organisations,
- xii. Organisational growth,
- xiii. Social and economic reforms - a fading role for the state,
- xiv. Ambiguous regulation of NGOs,
- xv. Deficient accounting provisions,

³⁶ Categories underwent a number of modifications and changes during open coding. Categories presented here are a refined output of those modifications and changes.

- xvi. Accountability and reporting relationships,
- xvii. Stakeholder relationships,
- xviii. Patterns of legitimacy,
- xix. Patterns of organisational change, and
- xx. Change instituting and accommodating paths.

7.4.2 Cultural aspects within organisations

Organisations portray a set of verbal, written and physical values and characteristics that were labelled as *activist* - a term that was used by organisational members themselves on a number of occasions. The term *activist* appeared to refer to being an active member who is committed to utilise time and energy to work, often without commensurate remuneration, to help the cause of the organisation. It reflects a consummate desire to achieve organisational goals because individuals identify with those goals. Consequently, there is a high level of commitment among organisational actors as well as a high degree of value sharing. All organisations are keen in building and maintaining alliances with other organisations and key personalities - a phenomenon known in NGO circles as 'networking'. Organisational stewardship is also more collective and staff interaction appeared to be informal rather than formal.

Aspects of this activist cultural orientation were seen to dominate other technical and operational aspects of the activities of the organisations. There were a number of incidents that suggested that there existed what generally can be identified as cultural initiation and assimilation processes especially for new entrants to the organisations. One member of accounting staff who joined AIKA from industry said for example:

[...] I came purely as accountant, I even did not know what was inside this organisation. I am now an activist and part of the organisation. My outlook has now changed a great deal [Interview notes – Mania: AIKA].

The conversion of this individual from a state of 'did not know what was inside' into being 'an activist and part of the organisation' conveyed the internalisation by this accountant of what others also took as organisational values.

Staff recruitment in the organisations was a lengthy process and candidates were scrutinised for 'fit' into the organisations. For example, it took thirteen months for an accounting position to be filled at AIKA because the organisation wanted to obtain an individual who had the potential to fit into and share AIKA's organisational values. In this case the position was not advertised and management was allowed to handpick desired staff. It was possible therefore that in this process to identify and invite into the organisation only individuals with personal qualities that were in tune with the organisation's cultural orientation.

As later observed cultural orientation of organisations appeared to have significant impact on the functioning of accounting in these organisations.

7.4.3 Trust dimensions

As suggested in the emergent research issues trust was manifested as an important concept during the different phases organisations went through. Whether it was during start up or during maturity phases trusting relationships appeared to play an important role in organisational lives. Implications were evident in the experiences of the organisations, both in terms of erosion and strengthening of trust. Observed properties of trust were in terms of basis for trust, level of trust, duration, and its effect on other organisational processes.

Prior personal experiences with others, often before organisations were formed, seemed to be the core of initial basis for trust. Prominent founder members of AICHI for example either graduated from the same tertiary training college or were working in related organisations and so already did know each other. Similarly at AIKA founder members had worked together in a special task force for a few years before AIKA was formed. Trusting relationships therefore are located at a personal level although it later became apparent that these personal relationships impacted on the conduct of organisational affairs. In this sense one could infer to 'organisational trust'.

The nature of trusting relationships changed even for individuals who had long established trusting relationships. Trust was eroded by negative incidents of trust betrayal. The manager at AICHI between 1987 and 1995 was, for example, initially a trusted individual among associates but over a period of time members related incidents of favouritism and financial abuse – incidents that resulted in her eventual forceful removal from office. In this case a

regressive dimension of trust could also be observed at work - in the perpetration of favouritism and financial abuse. Having succeeded in temporarily closing out the vocal and critical members the former chief executive formed an inner circle of 'trusted' colleagues who shared a mutual belief that none would expose another's vulnerabilities.

Evident in these cases were the implications of trusting relationships for accounting in the organisations. In AIKA, having been consistently a cohesive entity without a major organisational crisis, trusting relationships were nurtured and evidently there appeared to be a decreased role for internal controls and adhering to authority limits. At AICHI in contrast, having experienced a major organisational crisis, trusting relationships were destroyed and had to be rebuilt. Consequently there appeared to be a larger role for accounting and internal controls. Already as evident in this instance, even now during open coding, we are able to link this category [*trust dimensions*] with others [*organisational conflict* and *organisational growth*] which illustrates the overlapping nature of the coding process, in this case open and axial coding.

7.4.4 Building and maintaining credibility

Organisational credibility is seen in terms of its properties; societal standing or public appeal, management's personal reputations and organisational long-term fund raising capacity, which in the case of NGOs was a proxy for donor credibility.

All three organisations currently enjoy high societal standing - we term this *organisational credibility*. All three organisations were among those recommended to the researcher as fine organisations by NGO operatives and other researchers early during negotiating entry. Organisational credibility was however a non-static and changing attribute. AIKA for example has consistently maintained a credible image since its establishment while AICHI has experienced an extended period of *credibility deficiency*. Despite clean audit reports donors were dissatisfied with the way AICHI managed its finances and as the following quote illustrates donors froze it's funding:

[...] we are obliged to look at the [financial] report as far as we can see that the money has been used in a way that it was meant for, but also in a cost effective way... If we are not satisfied that

is the end of the relationship, for a while. That is what happened at AICHI after an evaluation in 1992 [Interview notes – Anderson: Kenish Embassy].

The rendering of audited financial reports did not in this instance satisfy a donor - a key stakeholder and consequently AICHI lost donor appeal and its credibility suffered. In the early stages of this credibility deficiency period it appeared that leaders of the organisation were restrictive in revealing problems encountered – there were attempts at damage limitation. Organisational credibility was aided by sound accounting practices but these seemed not to be particularly essential for a credible organisation to attain that status. AIKA seems to support this proposition because it has been able to consistently maintain its financial credibility regardless of the technical status of its accounting systems.

Organisations also appeared to actively seek to manage reputations by incorporating and communicating practices that are seen as sound by important parties in the wider society. NGOs are generally reputed to be participative and transparent entities and organisations in the study were seen to incorporate and communicate their dedication to these practices.

Even physical office arrangements appear to have communicative content that enhances a desired organisational reputation. The office layout at AIKA for example is an open plan – large rooms occupied by between 2 and 4 officials, open doors and walk through arrangements. When probed organisational actors expressed their preference for this office layout. These physical arrangements seem to complement the image of a transparent entity – one of the attributes and values well articulated in the organisation.

Management personalities also seem to be important in building and maintaining organisational credibility. The success of AIKA in appealing to donors is attributed to unblemished characters of its founders - all professionals in their own rights, and the receptive understanding of an official in an high profile donor organisation that has since become a key financial supporter of AIKA's core institutional program. Once the organisation had the confidence of one high profile donor it easily attracted others.

7.4.5 Administrative structures

Administrative structures was a category observed along three properties; degree of formalisation of procedures, existence of organisational hierarchies [form, size] and level of fixation of organisational actors with administrative structures. All three organisations have open 'homely' receptions that have no barriers. Access to data collection was granted without extended formalities although that did involve verbally accepting a set of written research conditions at AICHI.

All organisations have flat and small organisational structures. There are similarities in organisational hierarchies and attitudes towards hierarchical positions. The flat and small structures seemed to emphasise collective rather than individual leadership styles and also enhanced a team atmosphere. Routine interaction among staff was informal and one could not feel hierarchical attachments in verbal communications. At AICHI for example the Manager fielded incoming calls and on a number of occasions was observed making tea for staff and visitors. The extent to which administrative procedures are laid down is minimal in all organisations although these appear to contrast in certain respects.

Accounting procedures provided an important contrast across the three organisations. The focus of attention was the documentation of accounting and internal control procedures as well as the extent of compliance with laid down procedures. The following category is devoted to those accounting processes.

7.4.6 Accounting processes

Features of the accounting systems and internal controls are properties that encapsulate the *accounting processes* as a category. Observed dimensions were: the existence of a system; the researcher's evaluation of adequacy of systems in place; the level of documentation of accounting and internal control processes; the degree to which documented or stated accounting processes were complied with; and outputs of accounting processes.

AIKA - the largest of the three organisations in resource endowment had, until the end of the first fieldwork, a basic manual system that was not properly documented because operational guidance in the form of manuals and internal control procedures did not exist. Attempts had

been made in 1995 to develop an accounting manual and there are some policy guidelines for financial decision making in its constitution. However, as stated by the programme manager and confirmed by the bookkeeper, policy guidelines have not been religiously abided by. The programme manager stated: 'Note that we had some financial guidelines stipulated in the constitution, but these were just there [with no practical implication]'. In the circumstances it was normal for example, for payment authorisation limits stated in the policy guidelines to be overlooked. The principal output of AIKA accounting processes were program expenditure reports by source of grants and year-end financial statements which were finalised with the assistance of auditors.

AICHI on the other hand was observed to have comparatively a more robust accounting system that was sufficiently documented. It had in place an accounting manual and internal control procedures that were seen to be routinely implemented. The researcher for example, observed Tuesdays and Thursdays as the only days of the week when payments could be authorised because these were the days the Treasurer [a full time government employee] agreed to be available for the authorisation of cheque payments.

Donor reports by program expense categories were similarly the principle output of AICHI's accounting processes but it also prepared a complete set of end of year financial statements - something that AIDA could not do and AIKA did only with the assistance of statutory auditors.

AIDA, despite the impression of complexity inherent in using a personal finance software, had a rather less robust accounting system. There were no accounting manuals or internal control procedures. The computer application merely analysed payments by donor source and its accounting output therefore focused primarily on the needs of its three institutional donors. General-purpose financial statements such as the Income and Expenditure Account and Balance Sheet were not produced and the audit only involved vouching authenticity of the expenditure reports.

Evident in this narration is the contrast between the three organisations in their accounting processes. The more resource-endowed organisations did not necessarily institute more

robust accounting processes. The possible contexts and conditions that may contribute to this phenomenon are explored by involving other categories during axial coding.

7.4.7 Functional visibility of accounting

The concept of *functional visibility* reflects the importance of an organisational function [e.g. accounting, personnel and administration] relative to other functions. Indicators of visibility were the hierarchical level in organisation chart, personnel strength in number and professional rank, as well as organisational actors' own perceptions of the importance of a function. Recall Organisation Charts produced in Chapter Six [Fig. 4, 5 and 6, pages 125 - 126].

Over time in all three organisations accounting was less functionally visible during the formative years. In organisations where there was change, increasing functional visibility seemed to be associated with growth and its ramifications. AICHI had only a part time accountant working from home for the first seven years of its existence while AIKA did not have an accounting function altogether until 1996, four years after its formation.

Growth in resource endowment seemed to affect, in markedly different ways, visibility of the accounting function in two of the organisations. Increase in resource endowment triggered a major and long running conflict in AICHI the resolution of which gave increased prominence to the accounting function. AICHI comes out of an organisational crisis with its financial credibility deeply eroded and consequently there is a strong accounting representation in the re-constituted organisation. There are four accounting positions in the organisational hierarchy as contrasted to one at AICHI. Moreover the accounting function is headed by a semi-professional who is conferred the title 'accountant' and as previously narrated its accounting processes are better developed.

At AIKA in contrast despite its substantially larger resource base accounting is less visible as a function. It does not stand as an independent function but is embedded within the administration and finance department that an engineer heads. In relation to responsibilities in matters of accounting and finance this head of the department explained:

[...] Actually we have a bookkeeper and so I am kind of an overseer, a financial controller. To oversee the money budgeted for an activity is spent for that activity and in time [Interview notes – Mandege: AIKA].

A need for an 'accounting person' to head this department was expressed in conversations with other organisational actors. Even the bookkeeper referred to in the above quote perceived the need for a senior accounting professional:

[...] I have been here since 1996 and there is a big difference. We handle large amounts of money .. we were supposed to have a senior accountant. I am a bookkeeper but I am still the one who handles all accounting matters [Interview notes – Mania: AIKA].

The difference in titles of accounting personnel such as 'accountant' at AICHI versus 'bookkeeper' at AIKA was not merely semantic - it appeared to demonstrate the apparent disparity in how accounting was viewed within the organisations.

7.4.8 Budgetary practices

Budgetary practices was a category observed along three properties; the perceived importance of the budget, its use within the organisations, and procedures for budget preparation [involvement and responsibilities]. For organisations that derived over 90 percent of their incomes from institutional donors the budget was the single most important tool in indicating, communicating and seeking financial need and reciprocal donor commitment. Utmost care was therefore taken to ensure that the 'right' budget was prepared and submitted to donors. The budget was right if it required few subsequent revisions after its submission. Organisational actors at AIKA for example waited, with anticipation, the arrival of the 'accounting person' because this person was seen to have the capability to get the budget right.

The budget also was seen to communicate to donors an impression of a confident and ambitious organisation that has matching growing organisational activities. In this sense it was indicated to the researcher that it was vital for the program budget to show increases on a year-by-year basis.

Often because donor 'funding interests' were widely publicised and taking account of established relationships between donors and organisations, activities and project items that are 'fundable' are normally known in advance. Organisations therefore targeted specific donor interest areas. Until the end of this study there was no single donor that funded an entire organisation's budget although AIKA was fervently pursuing such an arrangement. The organisation - wide aggregate budget was therefore of little significance except for providing an aggregate total. At the year-end for example there was no attempt in all organisations to compare organisation - wide budget and actual expenditures. Instead it was the individual program activity budget that was important. Budgetary control activities were also restricted to this level because this was also the focus of contracted donor reporting obligations.

In the two organisations where there are accounting personnel [AIKA and AICHI] the accountant prepares the budget in consultation with heads of programmes but assumes overall responsibility for its completion. The accountant also makes all revisions as requested by funding agencies. Once approved by donors the accountant has a role to ensure expenditures specified for programme activities are not exceeded. An amalgamation of the programme budgets for a single year forms the contents of the annual budget that gets approved by the Annual General Meeting every year. At AIDA the chief executive oversees the preparation of the budget with the assistance of a short-term financial consultant.

7.4.9 Auditing processes

Observed properties for the category 'auditing processes' were types of audits, importance attached to audits and auditors, the role of auditors and duration of auditor appointments. Two types of audits were evident; the statutory audit and other grant audits required by different funding contracts. The statutory annual audit is an exercise required by law and all three organisations undertake it³⁷. Presentation of the Annual Report and Audited Accounts is a key agenda of the Annual General Meeting in all organisations.

The audit of individual grants is prescribed by individual donors and does not normally acknowledge the existence of the statutory annual audit - a subject of resentment within

³⁷ Since AIDA's year-end financial statements do not include the Income and Expenditure Account and a Balance Sheet, it could be argued that its annual audit does not meet the requirements of the Society Ordinance.

organisations because of the additional administrative workload demanded to accommodate multiple grant audits within a year. Donors are resolute in demanding external audits for grants exceeding a stipulated ceiling as the following quote illustrates:

[...] if it [the grant] is \$25,000 then there must be an external audit that must be approved by [the donor's acronym] ... then they [NGOs] must also set aside a certain amount of the contribution for the audit [Interview notes – Anderson: Kenish Embassy].

Organisational actors and donors portrayed the view that the audit and the auditor were both important means of enhancing organisational credibility and donor confidence. AIKA and AICHI both have switched auditors in the past three years [despite mounting audit fees] - decisions that appear to be having impact on forms of funding in these organisations. The manner which organisations managed the audit process had consequences in important areas of operations for organisations, such as donors' attitude towards basket funding and their perceptions of accuracy and reliability of NGO financial statements.

7.4.10 Organisational evaluation

Organisational evaluation took varied forms and its properties were identified as the initiating source [management or stakeholder initiated]; focus [internal or external]; regularity [adhoc or periodic]; and coverage [short term or long term]. However, across the organisations similar patterns emerged. All organisations had internal scheduled as well as ad-hoc evaluation sessions ranging from the monthly functional heads sessions to semi-annual board meetings. The internal sessions were important as indicated by a member of management in terms of establishing '.. where am I and how is the picture looking like?' The focus was evidently on how resources available compared with the activities undertaken or soon to be undertaken. Internal evaluations were therefore mostly short term in orientation and focused on the programme budget.

External evaluations were either statutory or donor oriented. Yet again, such orientation is reflective of definitive stakeholder stature of donors as well as the government. Donor reporting took the bulk of external evaluation activities within organisations.

Adhoc evaluations took the form of site visits and inspections. On paper these were a prerogative of donors and regulatory authorities. The Registrar of Societies for example, is empowered to 'enter and search meeting places or business places' (Society Ordinance, Cap 337, s. 25). Only donors however, have conducted inspections in the three organisations studied. Inspections and site visits were short in duration and paid attention to areas deemed not comprehensively covered in routine documentary reports, for example, on site assessments of the strength of accounting systems and procedures. Organisations perceive inspections as important in maintaining organisational credibility and these inspections were conducted in a very co-operative spirit despite expressed misgivings on their cost relative to what they achieve. AIDA for example believed the total cost of one visit mission with an entourage of four was enough for the organisation to pay an accountant's annual salary - a post they could not fill although the organisation desired to.

Now and then, usually after 3 - 5 years of operations, it was common in all the three organisations for management to initiate a major evaluation. What is sought in these evaluations is an independent assessment of long-term performance usually by a team of professionals who understand the NGO environment. Such management-initiated evaluations were perceived to have a positive effect on organisational credibility as AICHI's Manager narrated:

[...] This year we did two things, which it never occurred to us in the Secretariat [that] they were excellent fund raising devices. First, we on our own requested for an external evaluation, we initiated that ourselves, we have nothing to hide ... That is one and secondly we on our own changed auditors and appointed ClassicFirm Partnership, this also helped with the funders [Interview notes - Kibibi: AICHI].

In one incident management fiercely contested the accuracy of a management-initiated evaluation report because it uncovered serious weaknesses attributed to poor management. Therefore, it is possible that in certain situations management initiated evaluations are self-serving because management may look towards such evaluations as means to validate their leadership.

7.4.11 Organisational oversight

Organisational oversight is a category that captures the evolving structures and processes in organisations that were aimed at ensuring that organisations achieved what they set out to do. Two important oversight structures in NGOs were the executive positions (day-to-day management) and the Board of Trustees (overall direction). Organisational oversight was observed along the following properties; the selection process, tenure and competence of management and trustees. As observed earlier in Chapter Six, all organisations selected trustees based on perceived performance record. Prior performance alone was however insufficient as an attribute especially when trustees were not strong as a single body and/or when there was high tolerance of each other's inefficiencies. This tolerance was associated with the existence of close relationships between trustees and management - referred to by respondents as the 'founders' syndrome' in a number of incidents.

The transient nature of organisation oversight is reflected well in the following two quotes related to performance of two different Boards of Trustees for AICHI in the space of 5 years:

An inept board:

[...] It is difficult for ordinary members to penetrate the core group .. the core group owned the organisation .. members of the board are also in charge of units, they formulate policy and implement them .. there is no follow up of matters discussed in previous [board] meetings [OD Consultants Report: AICHI, 1996].

A 'very accountable' one:

[...] I had one advantage when I became the Director, I had a board which was very committed, very accountable financially. The Board had a sense of responsibility, which was formerly non-existent [Interview notes - Kibibi: AICHI, 2000].

Enhancing organisational oversight was also manifested in three other episodes. First was the pattern towards fixed tenure for both trustees and management positions in all organisations. This was intended to prevent individuals from entrenching their positions in organisations, a situation that made change difficult to institute - a phenomenon illustrated well during AICHI's management crisis. Also evident were the stated desires to strengthen the accounting functions within organisations by seeking to employ accountants and in two instances to install 'new' accounting systems. Finally there is increasing recognition by

donors that capacities to manage resources availed to organisations are important for long-term survival of organisations. These donors have shown increasing willingness towards financing institutional capacity development programmes. In the past donors were not willing to finance such administration programmes.

7.4.12 Conflicts in organisations

Organisational conflict emerged as a recurring theme in the data and it was observed in terms of properties such as causes of conflicts, intensity and consequences to the organisations. The root of organisational conflict at AICHI for example was opportunistic behaviour on the part of some members of management. In this instance as detailed in organisational backgrounds [see Chapter Six] finances and accounting for organisational resources was one of the major issues of contention. Despite clean audit reports members alleged financial impropriety and favouritism by leadership. The fact that accounting records were maintained by a close relative of the manager reinforced the belief of collusion. This was further reinforced by failure of the outgoing leadership to hand over any accounting records when the crisis was finally resolved.

In this episode an authoritarian and divisive leadership style destroyed member cohesiveness that existed at start up. This together with a weak constitution increased not only the intensity of the conflict but it made an internal settlement impossible. This had immense consequences on operations of the organisations. A settlement, when initiated, was made possible by the intervention of a credible external party [a donor] and involved a process of re-creating member cohesiveness, a new constitution, new leadership and organisational procedures.

The underlying contributing factors towards organisational conflicts appeared to be failure to handle growth [increased resource endowment that was not well managed], disinterested memberships and weak institutional structures such as constitutions and Boards of Trustees. Organisational conflict and its resolution significantly impacted on post-conflict accounting processes and functional visibility of the accounting function. Again even at this stage a relationship can be observed between this category and others such as accounting processes and functional visibility of accounting. These relationships are further explored during axial coding.

7.4.13 Organisational growth

Organisational growth is a category that was found to embody a number of milestone events in the organisations. Growth was seen in terms of properties such as scale [increase or decrease in resources, programmes and staffing; and its impact on organisations [positive impact and negative impact]. Organisational growth is linked to organisational credibility [see section 7.4.4] because only credible entities could have sustained access to donor funds. Increases in resources did not necessarily lead to increase in programmes. While this was true in the formative period it reached a time when organisations had sufficient donor appeal and programme diversity was seen as diluting focus on core programmes. When this moment was reached organisations discouraged new programmes, especially short-term project oriented support. This phenomenon where a recipient organisation could reject a type of funding in preference to another is a form of bargaining power - a phenomenon covered later in Chapter Nine [section 9.5.3].

As suggested earlier when concluding section 7.4.3 as well as the preceding section [7.4.12], there appeared to be an association between organisational growth and organisational conflict. In the case of AICHI increase in resource endowment resulted in the need to remunerate some organisational work while other organisational work could not be remunerated. This situation conflicted with the activist mode of operation that existed and the matter of who gets paid and why became a contentious one. An atmosphere of mistrust was created that eventually matured into a long running crisis for AICHI.

Increase in programme activities also required a readiness by individuals in leadership to let others take programme responsibilities. There was reluctance to do this especially during formative phases of organisational lives. Finally increase in resource endowment needed commensurate administrative and accounting system improvements. The lack of parity between resource endowment and administrative and accounting systems appears to take considerable time to achieve.

7.4.14 Social and economic reforms - a fading role for the state

Behind the growth of NGO operations in the past two decades are social sector and economic reforms - a much broader phenomenon that has direct implications in NGO operations.

Liberalisation of the economy and encouragement of 'good governance'³⁸ are pillars of the on-going reform measures. Reforms seek to enhance the role of the private sector and civil society while reducing the role of the state. The following quote summarises the government's acknowledgement of the effect of reforms on its capacities as well as the role of NGOs:

[...] Since the government is downsizing its roles such as provision of social and economic services, the private sector and private institutions have now a more important role to play in the development process of the country thus creating the need for the promotion of NGOs [Speech extract - Minister for State, Prime Minister's Office, 1997].

Consequently, the number and scale of operations of NGOs has increased dramatically since 1990 - what respondents have referred to 'mushrooming of NGOs'. Information from the Registrar's office indicated that 102 NGOs had been registered in the two months of January and February 1999 alone and 'many are on the waiting list'. The encouragement and subsequent increase in number and operations of civic organisations and NGOs appear to be consequences of social and economic sector reform. Implications of this growth are reflected in opportunistic tendencies within NGOs where actors personalise organisations and only seek access to funding sources.

7.4.15 Ambiguous regulation of NGOs

[...] multiplicity of laws result in inconsistency, burden NGO registration, allows fraud and abuse with[in] unscrupulous organisations, difficult co-ordination [Interview notes - Mashi: Government regulatory official].

Properties along which regulatory regime is discussed as a category are basis for regulation [external and legal versus self-regulation]; regulatory atmosphere [co-operative versus hostile]; extent of compliance; enforcement mechanisms and penalties for deviant behaviour. In Tanzania regulation of the majority of NGOs falls under the auspices of the Registrar of Societies - a single point that deals with NGOs nation-wide. There are nevertheless other routes for one to formally establish an organisation that effectively operates as an NGO. For

³⁸ 'Good governance' is contrasted against 'bad governance' - a term used by the World Bank to include parameters such as administrative inefficiency, corruption and lack of transparency, as reasons for failure of its economic policies in developing countries. Good governance therefore generally reflects administrative

example, from 1997 increasing use was recorded of the use of the Companies Ordinance to register NGOs as companies limited by guarantee³⁹. This followed a temporary government ban on registration of new NGOs under the Society Ordinance of 1954. Self-regulation was reflected in data as a strategy for NGOs to lessen the need for government regulation hence the potential influence of the government on NGO operations. It is nevertheless, broadly accepted that in the foreseeable future the government will continue to seek to exert influence in affairs of NGOs.

Because of a seemingly adversarial stance in the relationship between NGOs and the government the regulatory atmosphere appears not to be a trusting one. Regulation is observed in a suspicious context where both the regulator and the regulated allege false intentions; regulatory authorities believing NGOs not to be disclosing material financial information and NGOs seeing the government being intent on thwarting their activities. Finances and accounting repeatedly appear to be one of the major areas of regulatory focus.

Regulatory authorities, by admission of a senior legal counsel in the Registrar's Office, have not been able to keep pace with growth of operations of NGOs and despite government rhetoric, its involvement in the affairs of NGOs remained effectively minimal. In this regard a Minister and a Ministerial Director are on record stating that:

[...] the increase of NGOs in the 1990s has made it more difficult to establish what they are doing, their capacities and impacts of services they provide [and] the lack of mechanism to establish resource utilisation and ownership by NGOs availed from different sources [Speech extract - Minister for State, Prime Minister's Office, 1997].

[...] The existing institutional framework does not provide a well-organised forum .. The need arises to formulate a more appropriate regulatory mechanism and formulate a National Policy [Interview notes - Denga: Government regulatory official].

Consequently there exists significant leeway for organisations of suspicious repute to operate - what have come to be known as briefcase NGOs.

efficiency, rule of law, accountability and transparency. Encouragement of civil society organisations is seen as important in order to encourage good governance.

As outlined in stakeholder analysis regulation is a contested phenomenon embroiled in stakeholder positioning arrangements. It is a phenomenon in a transient and unsettled state. The principle legislation regulating NGO affairs was enacted in 1954, long before the advent of non-governmental organisations. It is therefore, on the whole, outdated. Moreover, there exists considerable ambiguity [and sometimes latent conflict] over which ministry has authority over NGO operations. Consequently compliance with legal, financial and non-financial provisions is low. Many organisations have existed for a number of years without submitting statutory annual financial reports.

7.4.16 Deficient accounting provisions

Accounting provisions are accounting requirements stipulated by law or other overseeing authority that must be met as a condition for continued general acceptance of an organisation and what accounting information it communicates. This category focused on the state of accounting in the NGO sector generally rather than the accounting processes in the three organisations. Existence, clarity, adequacy and compliance are three properties along which the state of accounting in NGOs was conceptualised. As in the civil service and private corporations it is generally expected that the Accounting Board would have an influential role in accounting in NGOs. Other regulatory bodies needed only to be periodically furnished with reports meeting some commonly agreed criteria. However, general purpose accounting in NGOs appeared to receive little tangible attention from the Accounting Board as there has been a continued lack of enthusiasm towards affairs of NGOs.

A clause in the Society Ordinance of 1954 required for example that audited accounts be lodged annually with the Registrar of Societies. It does not however, provide description as to the nature and form of the reports. Nevertheless, even within existing statutory requirements few NGOs satisfied that accounting provision. In this respect a senior legal counsel in the Registrar's Office was [rightly or wrongly] of the opinion that 'all of them [NGOs] are contrived when it comes to accounting'.

As narrated earlier, towards the end of the fieldwork, the Accounting Board initiated the process of introducing a Statement of Recommended Accounting Practice for NGOs. Its

³⁹ In the presence of the researcher one NGO activist provided to a prospective NGO such advice to register as a limited company in order to circumvent the temporary government ban on registration of new NGOs.

preparation did not however, involve consultations with NGOs and consequently neither staff in all three organisations nor participants in the host validation presentation were aware of this accounting development. It was apparent nevertheless, that all constituents seemed to appreciate the inevitability for sufficient accounting provisions for NGOs.

7.4.17 Accountability and reporting relationships

Reporting relationships were suggestive of accountability patterns and the extent to which organisations were accountable to stakeholders. Reporting relationships is a category that was observed along a range of properties [nature, form, format, direction, frequency and acceptance]. Donor reporting emerged as the dominant reporting relationship. Statutory reporting in the form of lodging annual audited reports to regulatory bodies was performed, it appeared, at the discretion of organisations - submitting reports as and when the organisations preferred; AIDA for example, did not lodge these reports. Reporting to members was effected during the Annual General Meeting and all organisations did this. Nevertheless, when an organisation did not have a wide membership base as in the case of the three organisations, membership did not wield substantial power in the conduct of affairs.

The form, format and frequency of donor reporting followed prescriptions agreed during grant making and organisations abided by these. Organisations took pains to ensure that reporting requirements were met even if this involved, at times, some deliberate misrepresentation as reflected in the following quote:

[...] 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 [Interview notes - Mania: AIKA].

Discharging accountability to donors was viewed as so important that in certain cases when a funding relationship was at its infancy organisations had and were willing to submit original supporting vouchers along with financial reports. This, it is suggested, may be contrary to good accounting practice that required the safe preservation of original supporting evidential matter for audit trail purposes.

Consequently it emerged that the burden of donor reporting was carried with much displeasure even in the organisations that were reputed to be credible. Organisations individually or in consort with other parties worked, with varying levels of success, to obtain relief from the donor-reporting burden. Actions taken towards reducing the accounting burden are outlined among paths taken to institute and accommodate change in section 7.4.21.

Reporting to other stakeholders was voluntary and despite the identification of partner organisations, beneficiary communities and the general public as noteworthy stakeholders there were no established avenues for reporting to these. Interestingly during the validation presentation *hesabu - shirikishi* [peer cross financial reporting] was suggested by one NGO executive as an alternative form of reporting within a self-regulatory mechanism. In this form of a reporting relationship NGOs within an established network share financial reports and narratives at regular intervals. Although not implemented in any of the organisations it indicated a desire to consider alternative forms of accounting and reporting.

7.4.18 Stakeholder relationships

Stakeholder relationships are observed along management to stakeholder as well as stakeholder-to-stakeholder perspectives. Observed properties were basis for relationship [contractual or non-contractual]; nature of relationship [internal or external]; and duration of relationships [long term or short term and transient]. Stakeholder relationships may be contractual [with elaborate laid out procedures governing the relationship] or non-contractual [based on mutuality of interests]. Stakeholder relationships were contractual as they related to donors and regulatory authorities. The relationship between internal organisational hierarchies, such as between Trustees and Management, were also contractual as outlined in organisations' constitutions. Other relationships among stakeholders as well as between NGOs and beneficiary communities were voluntary and are governed by mutuality of interests or the need to attain *societal legitimacy* on the part of NGOs and their management.

Stakeholder relationships appeared to be long term in duration. In the case of donors for example, relationships were maintained even when direct financial support had ceased. This is because donor financial support may be transient, ceasing and resuming with passage of time and changes in interests of donor organisations.

Stakeholder relationships evidently depended on *stakeholder stature*, which is a constituent concept of *power*, *legitimacy* and *urgency*. These aspects were discussed at length in Chapter Six - Stakeholder Analysis.

7.4.19 Patterns of legitimacy

For an organisation such as an NGO a legitimate status embodies willingness by a society in which it resides to accept such an entity as being constituted and conducting itself in an appropriate and desirable manner. A legitimate status facilitates ease of access to resources [for example, donor funds] and long-term survival. On the part of organisations themselves legitimisation entails an on going process of articulating competence – competence in conduct and delivery of the public benefits. Some of the important properties emerging from data that relate to legitimacy were nature of legitimacy, organisational 'ownership' and representativeness; accessibility and transparency; leadership competence and their personal credibility; and accountability.

Once organisations are constituted within the law they attain legal and formal legitimacy. However, not all NGOs are formally constituted and so it is plausible for an organisation not to be formally constituted yet attain societal or non-formal legitimacy. Indeed, many community organisations are not formally constituted. Briefcase NGOs are for example necessarily legitimate in the formal sense because they are legally constituted but they do not attain nor do they seek broader societal legitimacy.

Organisational 'ownership' and representativeness emerged as important aspects of building and maintaining organisational legitimacy. Ownership related to the relative influence of members of the organisations to effectively control the organisation while representativeness was construed as the ability of organisations to take account of interests of the community or members it targeted as well as being or appearing to be effective in delivery. Representativeness was therefore associated with the issue of accessibility and transparency. At the outset membership based organisations appeared to be more representative than non-membership organisations. But cohesiveness of membership was seen to be an unstable quality. AICHI for example came to be dominated by an opportunistic leadership for a long period despite its cohesive membership base at start up.

The more open the organisation for others to work and identify with the more legitimate it was perceived to be. Also important was the readiness for organisations to reach out to society and tap reputed expertise in certain areas or issues. All three organisations did this on a long-term basis [by co-opting reputed experts in boards] or short term by involving stakeholders in some, albeit limited, aspects of project formulation and/or implementation. The organisations, especially AIKA and AICHI undertook backward networking with communities - an action that sought to improve communication with weak stakeholders in the communities. An illustration of this was the translation of annual reports by AICHI into *Swahili* and bilingual production of newsletters and occasional reports by all three organisations.

Leadership competence and credibility were also shown to promote organisational legitimacy. The incident at AICHI where removal of management and installation of new management changed donors' and the public's perception of the organisation was clearly reflective of this relationship. Legitimacy was associated with organisations where institutional structures appeared to work and where a dominant and 'indispensable' leadership was non-existent - a seemingly common feature of briefcase and low repute NGOs.

Accountability for resources availed to organisations was also a key component of the legitimisation process. However, the direction of accountability largely mirrored funding flows; substantial financial accountability being discharged to donors. As detailed in results of stakeholder analysis [see Chapter Six] accountability to less definitive stakeholders was not consistently strong.

7.4.20 Patterns of organisational change

Patterns of organisational change were analysed from the following aspects that formed its properties: source and stimulus for change [external versus internal]; scale and impact of change [extensive versus confined change]; and duration of change [long term versus short term change]. In terms of the locus of the impetus for change two patterns of organisational change were noticed - changes that were a result of events originating within organisations and changes that occurred as a result of demands that originated largely externally. For example, donors as definitive stakeholders suggested changes that organisations could not decline. A donor acknowledged for example that:

[...] Like so many other NGOs, AIKA has in the main been guided by (or in some cases has been obliged to comply with) the requirements of donors regarding administration and reporting [Donor inspection report: AIKA, 1999, p. 3].

In this specific incident AIKA's accounting and administrative systems were undergoing changes - changes that were recommended by a donor inspection team without sufficient consultation and preparations before implementation. In this case a computerised accounting system was being installed even before additional accounting staff had been recruited. The accounting software was not evaluated prior to installation and sufficient provision was not made for staff training. One year after its installation additional accounting staff were still not in place and the existing 'accounting person' still could not properly configure report production from the accounting application.

Change was also observed on the regressive and progressive dimensions. Regressive change was negative in its effect to the organisation as a whole [even if there were limited benefits to some individuals] while progressive change was of positive effect to the organisation as a whole. During its long running crisis AICHI experienced regressive change that resulted in stagnation and nearly organisational collapse. The subsequent corrective episodes were however, progressive [recall background details to the cased organisations in Chapter Six].

Scale of change ranged from small internal adjustments to existing arrangements to extensive change made in distress. Such extensive changes were always of long duration and their impacts were also long term. AIKA signified the former while AICHI experienced the latter type of change. For example, accounting functions have evolved much more slowly at AIKA when compared to AICHI. A strong dynamic appeared to be the organisational crisis at AICHI that triggered extensive changes to its administrative structures. AIKA was able to escape such internal upheaval and appeared to have largely controlled the scale of changes. Even in the case of the new accounting software the organisation did not make radical changes to its accounting outputs. The bookkeeper for example, saw the advantage of a computerised system only in terms of speed - analyses of expenditures by donor source did not have to be made manually. Little else had changed.

7.4.21 Change instituting and accommodating paths

Change instituting and accommodating paths is a category that encapsulates all actions and inaction by organisational actors that were intended to influence the direction, intensity, pace or consequences of accounting-related change. These occurred at macro level [such as thinning down the accounting requirements of the draft NGO policy] or at micro organisational level. Foremost among these was *judicious conformity with donor accounting and reporting requirements* - an aspect that was introduced in section 7.4.13. Organisations complied with and accommodated burdensome accounting and reporting requirements especially during the formative years in order to guarantee continued flow of donor funds. However, over time *continuous negotiations for a lesser accounting burden* were initiated by individual organisations - in terms of the extent and frequency of financial reporting required by donors. Often this negotiation occurred in an accommodative atmosphere but there were occasions where negotiations were confrontational.

A similar strategy was observed in diluting accounting requirements in the draft NGO Policy. NGO representatives made presentations for changes to be made and when these were not made to their satisfaction they resorted to *tainting of the NGO Policy initiative* altogether. This they did through well placed articles in the news media to portray the policy initiative as largely a government effort to achieve control over finances availed to NGOs.

Another area of interest was *managing professional sense makers* - the way organisations handled management consultants. Management consultants played an influential role in the development of accounting and administrative structures in NGOs. Nevertheless, rather than being a result of expressed management awareness of need, initiations of consultancy assignments were often outcomes of external interventions [such as an inspection mission in one instance or other consultancy reports in two instances]. Organisations seemed to play only a limited role in defining the form and coverage of consulting activities. Consequently, in one incident despite the co-operation extended to a donor-initiated consultancy assignment [to improve AIKA's accounting systems], the consultants' recommendations were quietly discarded. In so far as accounting was concerned the consulting process was perceived as prescriptive rather than consultative. Five years later, in 2000 a similar quest to improve AIKA's accounting system was re-started along almost lines analogous to those of 1995.

Of interest to the research was why would organisations accede to, accommodate and co-operate with consultants but in some instances effectively disregard the output of consultation processes. It appeared that organisations were keen to be associated with efforts to incorporate practices and procedures expected of them by institutions of the society and other dominant stakeholders. But these organisations also played passive roles to effectively limit, constrain and slow down implementation of recommendations that they believed were incompatible with their preferred and trusted ways of running organisations.

Other paths taken to accommodate change impacts were networking among NGOs to create a cohesive lobby. This was effective in changing the original contents of the NGO policy. Organisations also actively sought to covertly establish links with government officials in key positions. On a few occasions such links graduated into overt links as when AICHI was able to receive government funding for one of its public sensitisation projects. Finally organisations appeared to seek to develop long-term relationships with donor agencies regardless of whether or not there was a continuing funding relationship. Such relationships were exploited by organisations when occasion demanded - such as when AIKA needed to assemble together 'understanding' donors in support of a basket funding arrangement. This particular use of donor agencies relationships was termed *character witnessing* and is further brought up during integration of the emergent theory in Chapter Ten.

7.5 Summary

This chapter outlined the emergent research themes for the research project and expanded on these through the first stage of grounded theory analysis - open coding. The process generated twenty open code categories that captured events, structures and processes that were important to organisational actors and/or in histories of the organisations. These were described at different levels of densities in terms of their characteristic features. A limited and preliminary effort was made to explore relationships between open code categories.

What the chapter achieved was to lay out details of discrete aspects of phenomena that on further analysis may yield relationships from which an emergent grounded theory could be fleshed out. This is attempted in the next chapter where relationships between open code categories are explored and described. The objective being to formulate higher order categories - axial codes - that have more density and theoretical complexity.

Chapter Eight

8 Further theoretical abstraction - axial coding

8.1 Introduction

This chapter advances grounded theory analysis from the level of open code categories as discrete aspects of phenomena to a higher level of analysis where main categories emerge out of the open code categories. In research reality this distinction between open and axial coding is artificial because grounded theory analysis is an iterative process and one moves between open and axial coding as categories become richer and dense. However, this distinction is made for ease of organising the text.

The chapter briefly reiterates the objective of generating higher order categories and then proceeds to illustrate how the code matrix was used in the process of exploring and testing relationships between categories in order to derive the main categories. The remaining sections of the chapter describe each of the ten main categories by employing logic diagrams and contextual discussions. The logic diagram summarises in tabular form the conditions, properties and specific dimensions of each main category while the contextual discussion offers the attendant details on how the category appear to exist and how it is related to its subsidiary categories. Offered also are indications of relationships to other main categories, where appropriate.

8.2 Generation of higher order categories

Open coding had enabled, through breaking down of data, the identification of twenty categories. Axial coding assembles those categories and seeks connections between them⁴⁰ (Strauss and Corbin, 1990). The objective of axial coding is to achieve theoretical complexity through further development of and linkages between open code categories (Strauss, 1995). The end result of axial coding is a collection of higher order categories also

⁴⁰ Recall the discussion of Axial coding in Chapter Five [section 5.5.2]

known as main categories. These have many and strong links with lower level categories [theoretical density] and also have the capacity to integrate with other higher-level categories [theoretical complexity]. The initial open code categories now become sub-categories. These relationships between main and subsidiary codes are graphically illustrated using a code matrix (Miles and Huberman, 1994) - the subject of the following section.

8.2.1 The code matrix - relationships between categories

As outlined in Chapter Five and in the introduction of the chapter, open and axial coding are inseparable stages of analysis and one alternates between the two as the analysis progresses. In this iterative process it is likely for one to observe, as we did, some early relationships among the initial open code categories. In developing further relationships between categories Strauss and Corbin (1990) recommend:

[...] posing questions in terms of the conceptual labels themselves, and how one category might be related to another. With such category relating questions in mind, we then return to our data and look for evidence, incidents, and events that support or refute our questions. At the same time that we are looking for evidence to verify our relationship, we are also looking for instances when they might not hold up (Strauss and Corbin, 1990, p. 108).

Fig. 9 depicts in a code matrix the output of the process of posing questions that sought relationships between the initial twenty categories from open coding. The relationships of categories in the code matrix underwent a number of iterative modifications and Fig. 9 represents the final output of this process of seeking relationships.

Code No.	Sub-category [open code]	Main category [axial code]
7.4.15	Ambiguous regulation of NGOs	Regulatory regime (outdated and weak)
7.4.16	Deficient accounting provisions	
7.4.14	Social and economic reforms	Favourable funding environment ('Mushrooming' of NGOs)
7.4.12	Organisational conflict ~ stability	Internal organisational situation
7.4.13	Organisational growth ~ decline	
7.4.17	Accountability and reporting	Accountability patterns
7.4.18	Stakeholder relationships	
7.4.7	Functional visibility of accounting	
7.4.6	Accounting processes	The profile of accounting
7.4.8	Budgetary practices	
7.4.5	Administrative structures	Organisational cultural orientation
7.4.2	Organisational culture aspects	
7.4.4	Building and maintaining credibility	Attaining and maintaining legitimacy
7.4.19	Patterns of legitimacy	
7.4.9	Auditing processes	Managing the audit
7.4.11	Organisational oversight	Improving organisational governance
7.4.10	Organisational evaluations	
7.4.20	Patterns of organisational change	
7.4.3	Trust dimensions and accounting change	Bargaining for change
7.4.21	Change accommodating paths	

Fig. 9 : Code matrix

The ten main categories are each described in the next sections. For each main category two elements are included; the *logic diagram* and the *situated context* in which the category is discussed. Features of the logic diagram and how it is employed in this research were discussed in Chapter Seven [section 7.4.1], but the 'situated context' is a new element. It is a description of the 'specific set of properties that pertain to a phenomenon; that is, the locations of events or incidents pertaining to a phenomenon along a dimensional range' (Strauss and Corbin, 1990, p. 96). It relates to the specific circumstances (dimensions) in which an interpretation of a phenomenon is made because meaning and interpretation must always be in context.

Just like other categories, main categories must also have properties and dimensions, although these are essentially derived from properties and dimensions of constituent sub-

categories. The ensuing discussion of main categories concentrates mainly on the principal purpose of axial coding - exploring relationships between categories. The discussion in this chapter does not therefore delve into detailed material covered during open coding. The following main categories extracted from Fig. 9 are subsequently discussed.

- i. Favourable funding environment,
- ii. An outdated and weak regulatory regime,
- iii. Organisational cultural orientation,
- iv. Internal organisational situation,
- v. The profile of accounting,
- vi. Accountability patterns,
- vii. Attaining and maintaining legitimacy,
- viii. Managing the audit,
- ix. Improving organisational governance, and
- x. Bargaining for change.

8.2.2 Favourable funding environment

[...] Despite the objective of supporting institutional pluralism, there is a need for careful appraisal of initiatives, ... in relation to support for NGOs - the sense of an aid 'market' in Tanzania is highly developed, so that it is relatively easy to get an NGO response to a donor interest, but this could result in very shallow institutions, developed mainly to take advantage of financial opportunities signalled by donor interests [Notes from an Issues Paper – Mueller: International Development AID].

The broad context for the main category of 'favourable funding environment' is evidently the ongoing social and economic reform measures that encourage growth of the civic sector as healthy for good governance. Consequently, on one hand, this has resulted in the creation of what the above contributor termed 'a donors' aid market'. It is a situation where funds are easily accessible by those who wish to start and run civic organisations. The response, on the other hand, has been the establishment of new organisations and enlargement of operations of existing ones. Table 10 is a logic diagram that summarises key features of this main category.

<i>Conditions</i>	<i>Main category</i>
Social and economic reform measures	Favourable funding environment
<i>Properties</i>	<i>Specific dimensions of favourable funding environment</i>
Relative growth of sub-sector	Growth rate in number
Changes in levels of funding	Funds and funding sources availability
Readiness to fund	Propensity to fund

Table 10 : Favourable funding environment

The situated context

In 1990 Tanzania had 163 registered NGOs (Kiondo, 1993) but by the end of December 1994 the number had grown to 813 (URT, 1995) - a fivefold increase over a five-year period. In June 2001 the Minister for Home Affairs reported that between 1995 and May 2001 an additional 2,350 NGOs had been registered⁴¹. This growth period coincides with the time when reform measures were being implemented in earnest resulting in increasing funding being made available to non-governmental organisations. Respondents supported the view that in this accelerated growth of NGOs there are many organisations that are motivated by financial inflows from donors. This is the context around which we observe the phenomenon informants termed 'mushrooming of NGOs'.

The phenomenon of 'mushrooming of NGOs' was facilitated by *an outdated and weak regulatory regime* - a category narrated in the following section. A weak and outdated regulatory regime made it easy for organisations of suspicious repute to thrive. This linkage is further pursued later in Chapter Nine during integration of main categories into the emergent grounded theory.

The favourable funding environment has important implications for accounting because along with the increasing donors' propensity to fund organisations, they also prescribed stringent and demanding accounting and reporting requirements. This was a large administrative burden for genuine NGOs but not so for the financially motivated organisations. How organisations handled these aspects associated with the increasing accounting burden are issues later discussed in the category '*bargaining for change*' [section 8.2.11].

⁴¹ The Minister for Home Affairs gave this figure in response to a question in Parliament reported in a national daily at <http://www.ippemedia.com/guardian/2001/07/10/guardins6.asp>. This figure does not include NGOs established under Companies Ordinance.

8.2.3 An outdated and weak regulatory regime

An outdated and weak regulatory regime is a main category that synthesised two sub-categories; *ambiguous regulation of NGOs* and *deficient accounting provisions* - all associated to the institutional framework for overseeing operations of NGOs. Table 11 is a logic diagram for the main category with its features discussed subsequently.

Conditions	Main category		
Ambiguous regulation of NGOs	An outdated and weak regulatory regime		
Deficient accounting provisions			
Properties	Specific dimensions of regulating NGOs		
Existence of regulation and guidance	Sufficiency of the regulatory framework	Inadequate	
Modes of regulation	Number of regulatory bodies	Multiple	
Uniformity and clarity of regulation	Compliance level	Low	
Compliance and enforcement	Enforcement and sanctions	Weak	

Table 11 : An outdated and weak regulatory regime

The situated context

The title ascribed to the category has dimensional elements [outdated and weak] that sufficiently summarise the situated context in which regulation of NGOs is observed. Existing regulatory provisions derive from multiple statutory sources [six] that are uncoordinated. It is relatively easy for registered NGOs to ignore statutory provisions and enforcement is weak, hence low compliance. In the circumstances, organisations are created, exist and are run and/or disbanded with minimum involvement of regulatory oversight. Neither is an accounting framework in place to govern financial reporting in NGOs.

Accounting for and reporting on finances availed to organisations is a major issue of interest among all stakeholders. In progress are attempts to strengthen the regulatory regime on two fronts; statutory/legislative requirements and accounting requirements. The preparation of a national NGO Policy seeks to define the legislative environment and reporting relationships between organisations and key stakeholders. The introduction of the Statement of Recommended Accounting Practice for NGOs illustrates the desire to enhance accounting regulation. Nevertheless, the question as to how and to whom NGOs should provide accounting reports is a contentious one especially in the ongoing NGO Policy development initiative. Some participants even question the logic of lodging financial reports to government regulatory authorities altogether as the following quote demonstrates:

[...] It is not a very good situation, of course. If you look at the new NGO Policy there is a clause in it that [states] NGOs shall submit annual financial reports to the government, which I think is not fair. Take the example of the Maasai NGO which has been fighting for Mkomazi Game Reserve, it is not fair if the government knows how much they have on their account in the bank [Interview notes – Anderson: Kenish Embassy].

As seen in the previous category [8.2.2] a combination of a favourable funding environment and a weak and outdated regulatory regime facilitated an accelerated growth of NGOs, some of which were motivated mainly by the financial opportunities presented. The two main categories discussed so far are later presented as providing the macro contexts for the central phenomenon emerging from this research.

8.2.4 Organisational cultural orientation

Organisational cultural orientation is a main category resulting from a synthesis of two related sub-categories categories; *cultural traits within organisations* and *administrative structures and processes*. Cultural traits within organisations interpenetrated with administrative structures - a situation that provided specific contexts around which we discuss the main category of organisational cultural orientation. Organisational cultural orientation is taken to include the evolving, shared and learned customs, habits, traditions and beliefs by individuals as members of an organisation. These attributes are observed within administrative structures and processes. It refers to general and sustained patterns of customs, habits, traditions and beliefs while also recognising that such a phenomenon is never absolute - it is open to existence of contradictory elements.

Table 12 shows a logic diagram for this main category whose other features are subsequently discussed.

Conditions	Main category
Organisational culture aspects	Organisational cultural orientation
Administrative structures	
Properties	Specific dimensions of organisational cultural orientation
Articulation of values and value sharing	Perceived value congruence
Levels of commitment	High
Staff interaction	High
Attitudes towards hierarchies	Office layout
	Staff communication
	Leadership style
	Non-territorial
	Easy-informal
	Collective

Table 12: Organisational cultural orientation

The situated context

Specific contexts in which organisational cultural orientation is observed are where organisations lean towards activist rather than professional [non-activist] organisational traits and where administrative structures and processes encourage informality rather than formality. Organisational actors had flexible and relaxed attitudes towards hierarchies as if these were not important. All organisations appear to fit a situated context where there is commonality of values and high degree of commitment and team spirit, where leadership is collective and inclusive rather than individualistic. Office layout is non-territorial and/or interpersonal communication is easy and informal.

How ascendant a distinct activist cultural orientation is had apparent implications for the nature of accounting practices in the organisations as illustrated by this quote:

[...] and that is even surprising to others, we have a distinct attitude. I may forget and leave the cash box open and someone like Mandege will come and will lock it. That has happened many times. It is as if we are relatives, I can say that .. There is a lot of money [in the cash box] but even a *shilling* does not get missing [Interview notes – Mania: AIKA (emphasis added)].

Noticed in this quote is the relationship between that distinct attitude and less reliance on internal accounting controls. Already as can be observed in the above quote there exists a relationship between *organisational cultural orientation* and another category - *trust dimensions*.

Contrasting the organisations it is nevertheless observed that AIKA appears to be more activist than AICHI and AIDA. Consequently its administrative structures and processes are

rather more informal. Of all organisations, AIDA appears least activist and seems closer to what may be termed as a 'professional' mode of organisation.

8.2.5 Internal organisational situation

Two sub categories [*organisational conflict* and *organisational growth*] connect to create the main category *internal organisational situation*. It summarises the phases organisations went through and the impact of some key incidents of long duration on the lives of the organisations. These two sub categories relate to one another because conflict or stability had repercussions for organisational growth. Table 13 presents the logic diagram and its contents are narrated in the subsequent section.

<i>Conditions</i>	<i>Main category</i>
Organisational conflict~stability	Internal organisational situation
Organisational growth~decline	
<i>Properties</i>	<i>Specific dimensions of internal organisational situation</i>
Prevailing epoch	Observed pattern
Duration	Conflict~stable
Consequences on organisations	Growth~decline
	Duration of phases
	Effect of operations
	Long lasting
	Extensive

Table 13 : Internal organisational situation

The situated context

The situated context for organisational situation were on two points on the conflict~stability and growth~decline continua. All organisations experienced a long initial growth phase as funding was increasingly made available. However, in one organisation [AICHI], failure to appropriately manage organisational growth together with a self-serving leadership fanned a major long running conflict that brought organisational decline. Once the conflict was resolved the organisation recovered its stability and a long growth phase ensued. The effects of conflicts for organisations were therefore extensive.

Accounting and accountants were central in intensification of conflicts as well as conflict resolution and organisational recovery. Financial abuse was the central issue in the conflict and despite the availing of audited accounts, the long running conflict affected the credibility of accounts, that of the part time accountant as well as that of independent auditors. These and their work were contested and questioned and in light of what members saw and

experienced the accounting processes could not be trusted. Consequently, restoration of credibility of accounting, accountants and auditors was one of the important post-crisis steps taken. Rather than one part-time accountant the organisation ended with four accounting positions, the independent auditor was substituted and there is in place a relatively more robust accounting system.

AIKA offered a contrasting context where a long running conflict phase was non-existent and the organisation therefore has not moved out of a growth~stability setting. It appears that organisational stability facilitated the low profile of accounting in that organisation. Nevertheless, the organisation seems to currently grapple with the ways to incorporate accounting more into its administrative routines in order to illustrate its ability to manage increasing donor funds.

8.2.6 The profile of accounting in organisations

Table 14 summarises in a logic diagram the building blocks of the profile of accounting in organisations as a main category. This category brings together three subcategories; *functional visibility of accounting*, *accounting processes*, and *budgetary practices*.

<i>Conditions</i>	<i>Main category</i>
Functional visibility of accounting	The profile of accounting in organisations
Accounting processes	
Budgetary practices	
<i>Properties</i>	<i>Specific dimensions of the profile of accounting</i>
Functional importance of accounting	Hierarchical level on organisation chart
Personnel strength and standing	Low
Accounting system documentation	Number of accounting personnel
Accounting system output	Relative professional rank/qualification
Internal controls	None to Low
Budget procedures	Accounting system features
Use of budgetary information	Simple
	System documentation
	Internal controls
	Post submission use of budget
	Weak
	Little

Table 14 : The profile of accounting in organisations

The situated context

Two situated contexts were observed - high and low profile accounting contexts. Accounting had a low profile during start up years in all organisations and over time this had changed and continues to change. As of now, accounting at AICHI has a high profile because it is accorded relatively more importance [second tier organisation hierarchy] and assigned staff

who are not only strong in number [3] but who are also of relatively higher professional standing [semi-professional]. Despite its simplicity the accounting system is adequately documented and sound internal controls are in place and are being implemented.

AIKA on the other hand, illustrates a low profile context where accounting is relatively less important [fourth tier organisation hierarchy] with a single bookkeeper in charge of the accounting function. The accounting system is not adequately documented [no accounting manual and written internal control procedures], and although some financial policies [authority limits] exist they are not adhered to. AIDA does not have an accounting function altogether.

Budgetary practices and the use of budgetary information were comparable across all three organisations. Preparation and submission of budgets were responsibilities of accounting personnel. The role of the budget is that of a fund raising tool and there is little post-submission use of budget information.

The profile of accounting appears to respond to pressures of increasing resource endowments and programme diversity. It appeared that there was an impending ascendancy of accounting within organisations but organisations delicately managed this ascendancy of accounting. AIKA has for example, been more successful in this than AICHI. Reasons for the contrast are explored among the interactional strategies.

The existence of an outdated and weak regulatory regime sets the broader context within which the profile of accounting in organisations is fashioned and sustained. An outdated and weak regulatory framework had failed to ensure adherence to a working general accounting and financial reporting framework. This coupled with the shortage of qualified accounting personnel nation-wide⁴² probably facilitates existence of the observed profiles of accounting.⁴³

⁴² Tanzania has a population of 30 million and 1,115 accountants giving a ratio of 37 accountants per million of population.

⁴³ Note that all three organisations do not meet even the minimum requirements of the Accounting Board in terms of staff qualifications.

8.2.7 Accountability patterns

Accountability patterns is a main category that links together two sub-categories; *accountability and reporting relationships* and *nature of stakeholder relationships*. As anticipated accountability patterns appeared to be largely in tune with stakeholder stature. This is consistent with results of Stakeholder Analysis [see Chapter Six] that showed definitive stakeholders received maximum attention. These were stakeholders possessing all three stakeholder attributes of power, legitimacy and urgency. Relatively little attention was paid to discretionary stakeholders - those with only a legitimate claim but no power. Table 15 is a logic diagram for this main category.

Conditions	Main category	
Accountability and reporting	Accountability patterns	
Nature of stakeholder relationships		
Properties	Specific dimensions of accountability patterns	
Nature of accountability patterns	Stakeholder accountability	Superior~inferior
Stakeholder stature	Stakeholder position	Definitive~discretionary

Table 15 : Accountability patterns

The situated context

The situated context of accountability patterns is located on a two point continua of stakeholder relationships [definitive and discretionary] and accountability patterns [superior and inferior]. Stakeholders are located on different points that reflect accountability patterns. Donors are the most salient stakeholders [they have all three attributes of power, legitimacy and urgency more consistently] and consequently reporting as it relates to donors is more prescriptive and their information needs are met with minimum confrontation. Donors acknowledged this pattern as illustrated hereunder:

[...] Like so many other NGOs, AIKA has in the main been guided by (or in some cases has been obliged to comply with) the requirements of donors regarding administration and reporting. As a result, the system used by AIKA is not well suited to providing the information needed for AIKA's own management and budget monitoring [Donor inspection report: AIKA, 1999, p. 3].

The general public represents the other extreme of a stakeholder group that has only a legitimate claim but with no power and urgency accompanying the claim. Consequently this is a stakeholder group largely ignored in accountability relationships. The remainder of

stakeholders occupy the middle ground and accountability to these is issue-specific and transient. Fig. 10 summarises these relationships.

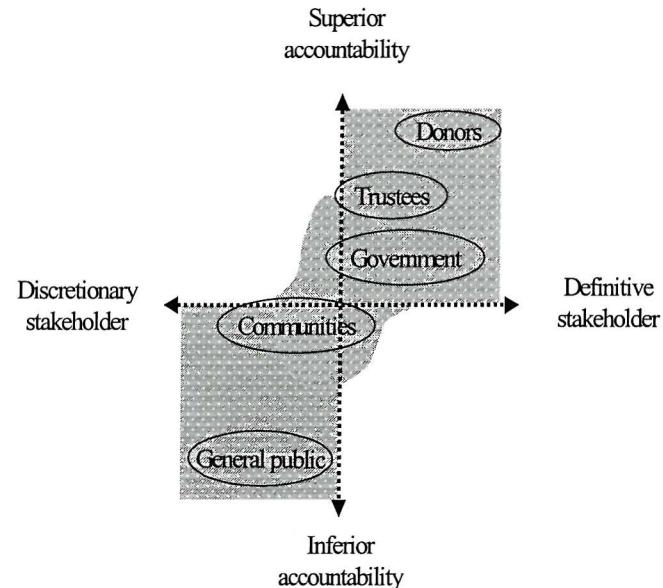


Fig. 10: Patterns of accountability

8.2.8 Attaining and maintaining legitimacy

Attaining and maintaining legitimacy is a main category that embraces all interactions between management and stakeholders. While management seeks to attain legitimacy for themselves as well as their organisations, stakeholders evaluate their interactions with NGOs and in response confirm or decline legitimacy. It is a main category that, as shown on the logic diagram (Table 16), links two sub categories; *building and maintaining credibility*, and *patterns of legitimacy*.

Conditions	Main category
Building and maintaining credibility	Attaining and maintaining legitimacy
Patterns of legitimacy	
Properties	Specific dimensions of legitimization
Management's competence and credibility	Organisation's 'ownership'
Organisational transparency	Representation
Fund raising capacity	Perceived effectiveness and reach
Basis for legitimacy	Accessibility
	Accountability to stakeholders
	Member-based
	Strong
	High
	High level
	Superior

Table 16 : Attaining and maintaining legitimacy

The situated context

Organisations appear to command broader societal legitimacy in situations where 'ownership' of an NGO is based on a strong and active membership [AIKA and AICHI]. Where an organisation does not have a membership base [AIDA], a legitimate status was earned through the success of its efforts to represent interests of members of the community it targeted. Such a status also depended on the effectiveness with which the organisation reached intended beneficiaries and delivered on its stated objectives. AIDA was able to achieve both.

Legitimacy at a superficial level was achieved by mere formal registration, a process that all registered NGOs go through. Formal registration does not however, confer societal legitimacy. Briefcase NGOs are for example formally legitimate entities but they fail to attain, and many do not even seek, broader societal legitimacy. Organisations earned broader societal legitimacy by being accessible to communities and interested members of the public or their representatives. Also by achieving a superior level of accountability - accountability that extends to a broader spectrum of stakeholders and is not restricted to definitive stakeholders.

Accounting is a critical aspect of the process of attaining and maintaining legitimacy. Organisations are obliged to submit periodic reports to salient stakeholders such as donors as well as statutory end-of-year accounts to regulatory authorities. If an organisation submits good quality reports in time it attains credibility and failure to report results in loss of credibility as the following quote illustrated:

[...] we must have the report, the final report. Then, that is also why some organisations are very quick to deliver the report because they know that if they deliver the financial report they are credible and then they can enhance that relationship [Interview notes – Anderson: Kenish Embassy (emphasis added)].

This tendency to associate financial report submissions with organisational credibility encourages what was termed as a 'reporting culture' - the pre-occupation of organisations with glossy and professionally finished reports. Where report contents and appearance became the focus of attention rather than activities of the organisations on the ground.

8.2.9 Managing the audit

As a requirement built into the regulatory regime the audit may be considered a component of the regulatory regime. However 'managing the audit' is observed as a category that transcends the regulatory aspect to include the process of audit, the appointment of auditors and how those decisions affected the perception of the audit report. By focusing on the audit processes and changes undertaken in the organisations *managing the audit* has emerged as a main category that captures a series of decisions in organisations associated with auditor substitution. Auditor substitution appears to be a calculated decision that aimed to moderate the burden of individual grant audits. It also sought to generally enhance the way definitive stakeholders perceived the outputs of the audit processes. Table 17 summarises some of the key features of this main category in a logic diagram.

<i>Conditions</i>	<i>Main category</i>
The auditing processes	Managing the audit
<i>Properties</i>	<i>Specific dimensions of managing the audit</i>
Nature of audits	Frequency of audits in a single year Perception of audits' importance
Auditor substitution trends	Auditor substitution incidents Emergent trend
	Multiple audits High Increasing Towards audit multinationals

Table 17 : Managing the audit

The situated context

The nature of audits is one where there are multiple audits in a single year - many being grant audits demanded by contractual obligations to donors. These grant audits were resented as they consumed time, energy and funds that in the view of organisational actors, could have been better utilised in programme activities. Also the insistence on grant audits by donors was perceived to implicitly disregard and question the adequacy of the statutory annual audit. Nevertheless, the concept of an audit was perceived to be highly important not only within organisations but also across the whole range of stakeholders (the government, donors, communities and the general public generally).

The incidences of changes in auditors and events that led to such changes were interesting phenomena that indicated towards calculated efforts to increase external credibility of accounting processes and outputs. Auditor substitution also appeared to have an impact of

reducing the individual donor demands for specific grant audits. Experiences of two organisations [AIKA and AICHI] provide, in this instance, two contrasting contexts in which we observe the phenomenon of 'managing the audit'.

The first auditor substitution was undertaken in AICHI in 1996 after strong suspicions on the conduct of the audit during the long running organisational crisis phase. The general perception was that the auditor through negligence or collusion allowed financial abuse to go unreported as the first post crisis Manager of the organisation suggests:

[...] now I am the Manager I ask why didn't the auditors query that [financial impropriety, weak controls and insufficient record keeping]. ClassicFirm Partnership really keep me on my toes and raise with me a lot of issues, so why did the former auditors keep silent? [Interview notes - Kibibi: AICHI].

AICHI made another auditor substitution in 1998 and this time it was purely to do with the international standing of the incoming auditor and how key stakeholders would perceive audited financial statements. As its Manager narrated:

[...] This year we did two things, which were excellent fund raising devices. First, we on our own requested for an external evaluation, we initiated that ourselves, we have nothing to hide ... That is one and secondly we on our own changed auditors and appointed ClassicFirm Partnership, this also helped with the funders [Interview notes - Kibibi: AICHI].

AIKA in contrast had not made auditor substitution for its first seven years of existence. However, subsequent to a donor inspection visit in 1999, the inspector upon an interview with the partner of AIKA's auditors, noted the following:

[...] My meeting with [the] partner left me with the impression that AIKA'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 AIKA's annual accounts. [The] firm is busy bringing its own procedures and audit rules (which do not differ very much from IAS guidelines) into line with those of BC&D [Donor inspection report: AIKA, 1999, p. 5].

Towards the end of 2000, after exit from the fieldwork, the researcher was informed that AIKA substituted the local audit firm for a multinational audit firm. Within a relatively short time thereafter in 2001 four of its key institutional donors agreed to a basket funding

arrangement - something that was denied a year earlier. The impact of auditor substitution was evident.

8.2.10 Improving organisational governance

Although used by informants 'governance' is not an *in vivo* term - it is a term borrowed from literature and employed in this research because it appeared to capture adequately events and observations associated with efforts towards improving organisational oversight. Governance is taken to include the variety of evolving rules, structures, processes and capacities within organisations towards designing, formulating and implementing courses of action that ensure that resources availed to organisations are utilised in the best interest of stakeholders (Robinson, 1996, p. 347). It entails the exercise of some form of power by management as well as stakeholders towards productive management of economic and social resources (Weiss, 1990, p. 797).

Improving organisational governance is a main category that collects a series of actions emanating from both management and key stakeholders that point to improvements in the way organisations were run. The logic diagram in Table 18 illustrates the observed important attributes of this category.

<i>Conditions</i>	<i>Main category</i>		
Organisational oversight	Improving organisational governance		
Organisational evaluation			
<i>Properties</i>	<i>Specific dimensions of organisational governance</i>		
Relative strength of Trustees/Management	Apparent oversight capabilities	Strong	
Trustees/Management tenure arrangements	Form of tenure	Fixed	
Forms of evaluation	Regularity of evaluation	Adhoc~regular	
	Evaluation time scale	Short-term	

Table 18 : Improving organisational governance

The situated context

Over time oversight capacities of organisations were observed to become stronger. Having been in existence for a decade or more organisations were reaching maturity and there is demonstrated preparedness to enhance management of operations. Boards of all organisations now co-opt individuals who are acknowledged experts in areas organisations seek to benefit from and their attendance is consistently good. This sharply contrasts to

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earlier times when the Board was an inconsequential organ. At AICHI for example reports indicate that attendance was poor and records of proceedings were not only inadequate but they were also not followed up for implementation.

In place also are fixed tenure arrangements for Board members and Management - an administrative check against individuals who might seek to entrench their positions in organisations. There are also in evidence a range of evaluation mechanisms - both adhoc and regular. However, regular evaluation appeared to be predominantly short term oriented. These evaluative features were discussed at length in the category 'organisational evaluation' [Chapter Seven, section 7.4.10]. Improving governance is also apparent in the current enthusiasm with which donors support institutional capacity improvement programs - aspects they were reluctant to fund previously.

Accounting features prominently in improving organisational governance. The strong emergence of accounting in the turnaround of AICHI was illustrative of this. AIKA appears to be currently undergoing a similar process where talk of getting an accounting person has actually been implemented and the accounting function is set to undergo some important changes.

8.2.11 Bargaining for change

Change is a recurring theme in the data and bargaining for change is a concept associated with the approaches organisations took to accommodate, accelerate, reject, postpone and even stifle change. Change appeared as a consequence of organisational conflicts, organisational growth or stagnation and ineffectual organisational oversight. Table 19 is a logic diagram of the main category 'bargaining for change' with the remaining features discussed subsequently.

<i>Conditions</i>	<i>Main category</i>	
Patterns of organisational change	Bargaining for change	
Trust dimensions and accounting change		
Change accommodating paths		
<i>Properties</i>	<i>Specific dimensions of bargaining for change</i>	
Change impetus	Sources of change	Largely external
Manner of change	Nature and direction of change	Progressive
Bargaining climate	Change duration	Long
	Internal desirability and reception	Accommodative

Table 19: Bargaining for change

The situated context

The research focus on changes rendered in organisations was on implications for accounting and the implications of accounting on such changes. Changes in organisations were, as previously suggested, prompted by conflicts and stagnation, aspects that stemmed from inept and self-serving leadership. In these instances the direction from which corrective change was initiated was external rather than internal. In the specific instance of AICHI it took the direct interest of dominant stakeholders to intervene and point towards improvement. In this case because the organisational conflict was long running and extensively damaging change rendered was similarly extensive and lengthy in duration. Change was also a result of good fortunes - increasing resources that led to programme diversity. In these instances long-established and accounting and administrative arrangements based on trust were deemed inadequate. Again the direction from which change was initiated was in this instance, external.

The bargaining climate - the atmosphere in which change was received and instituted ranged from accommodative to confrontational. AICHI illustrated a confrontational initiation of change but once change was agreed as essential for the survival of the organisation the confrontational stance ceased and change implementation was accommodative. When change was sponsored by dominant external stakeholders - such as new accounting formats at AIKA - there was passive and accommodative resistance although occasional confrontation was also evident.

A number of tactics were evident in bargaining for change. Creation and maintenance of trusting relationships at AIKA for example seemed to have, until recently, succeeded to stifle

the impetus to make significant changes related to the accounting function. One report had the following to say on AIKA's accounting system:

[...] the system used by AIKA is not well suited to providing the information needed for AIKA's own management and budget monitoring. Instead of taking the funding sources as basis, it would be better to address the important sectors and/or departments and regard them as cost centres to which actual expenditure and coverage from income will subsequently be allocated [Donor inspection report: AIKA, 1999, p. 3].

Despite the recent installation of a computerised accounting package AIKA realised only the benefit of processing speed - accounting output having remained essentially unchanged. Yet, as the above quote demonstrated there were notable deficiencies in accounting for internal management decision making.

The way organisations handled management consultants was also instructive of an orchestrated process that on the surface was receptive to consultants and their recommendations but behind the scenes worked to effectively disregard unpopular recommendations. This aspect was covered in Chapter Seven section 7.4.21.

Organisations also undertook direct and indirect negotiation to seek specific accounting-related changes. One major such change sought by organisations was lessening the burden of frequent and multiple financial reporting to donors. Two strategies were discerned; co-operative and confrontational. In the co-operative strategy a number of NGOs formed a consortium to implement a short-term project. Three international donors also pooled financial resources and each group nominated the representative entity and there was eventually a single financial report from the group of NGOs to single donor representative. All parties hailed this as a pleasant mode of operation in terms of demands for accounting. Less often, bargaining for change involved a confrontational strategy such as refusal of a financial package altogether - action that often resulted in a re-consideration of the contentious issues.

8.3 Towards integration of main categories

Up to this point, elements of the paradigm model (Strauss and Corbin, 1990; 1998) have not been brought into play to describe relationships between categories. Yet, even as early as in open coding certain categories could be tentatively identified as strategies, consequences or contexts. Elements of the paradigm model offer one way of integrating the main categories.

The process of integration involves identifying the core category - the category that accounts for most of the variation of the central phenomenon and which can integrate all the other main categories (Strauss, 1995). This integrated framework is presented as the substantive grounded theory and is the final product of a grounded theory analysis. Chapter Eight presents both the process and the output of the integration.

8.4 Summary

This chapter presented and described output of the second phase of grounded theory analysis - axial coding. Ten main categories emerged - each of which represented an important aspect of the emergent theory. The main categories are dense in that they subsume other open code categories and provide width of scope by permitting contrast and comparison across organisations, where data was available. These main categories also have the capacity to integrate with each other.

This aspect of theoretical integration of the main categories is taken up in Chapter Nine - a chapter that identifies the core category among the ten main categories and proceeds to propose the final emergent grounded theory.

Chapter Nine

9 Towards a substantive grounded theory: accounting and navigating legitimacy in NGOs

9.1 Introduction

This chapter brings together in an integrated fashion the end result of Chapter Seven - the main categories. This integration of main categories, weaving them around a core category is the final phase of grounded theory analysis. Although tentative connections between categories were, in some respects, observable earlier, their integration into a whole coherent framework is undertaken in this chapter.

The paradigm model - a tool for grounded theory composition and presentation - is briefly outlined and subsequently employed as the integrating device for the emergent relationships among the main categories. One main category (attaining and maintaining legitimacy) is elevated into a core category (labelled 'navigating legitimacy'). Key *in vivo* and borrowed terms in the core and other categories are defined and finally main categories are entwined to the core and among each other as conditioning contexts; interactional strategies; or consequences.

9.2 The paradigm model as a theory integrating vehicle

Before proceeding to propose the emergent grounded theory it is imperative that the vehicle that integrates the theory is outlined. This is the paradigm model (Glaser and Strauss, 1964; Strauss and Corbin, 1990; 1998). The paradigm model seeks to link categories in terms of answers to questions 'who, why, where, how, and with what consequences' (Strauss and Corbin, 1998, p. 127) and facilitates the integration of elements of structure with those of process. The flexibility with which the paradigm model allows inclusion of elements of structure into the process of navigating legitimacy is the strongest point for its adoption in this research. For example, although regulating is certainly a process – it is built around a structure [regulatory

bodies/offices; legal provisions; accounting requirements and penalties for deviation]. These are interconnected and discussion of process elements needs to incorporate the structural aspects⁴⁴.

Strauss and Corbin (1998) describe the 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 [p. 128].

Earlier Strauss and Corbin (1990) appeared to have been overly prescriptive about the paradigm model to the extent of suggesting that without employing it the evolving grounded theory will lack density and precision (p. 99). This prescriptive offering is clearly abandoned in their second edition of *The Basics of Qualitative Research* (Strauss and Corbin, 1998) - they now propose the paradigm only as:

[...] a scheme that can be used to sort out and organize the emerging connections. In actuality, the paradigm is nothing more than a perspective taken towards data, another analytic stance that helps to systematically gather and order data in such a way that structure and process are integrated [Strauss and Corbin, 1998, p. 128].

⁴⁴ There are grounded theorists who are fixated with the basic social process to the extent of ignoring elements of structure. In pursuit of the 'process' Andriopoulos and Lowe (2000) for example suggest that 'In order for the researcher to be sensitised to the processes and patterns, which may be revealed at a later stage of the research, the label assigned should be a gerund, a verb ending in "ing"'(p. 735). Such a position would tend to conceptualise emerging relationships only in terms of processes and ignore aspects of structure, which can be of immense significance to theory integration. Strauss and Corbin (1990) are in contrast open to use of nouns, combined adjective and participle, participle and noun, etc. The only condition being fit (p. 121). Chia (1999) describes the relationship between structure and process as follows: ' [...] though they appear to be irreconcilable; structure and process are in fact complementary to each other, both conceptually and in the real world. This is because 'structure can be snatched only out of process; and the novelty that emerges from process can realise itself only by submitting to structure' (Cooper, 1976, p. 999). Thus, the form of process derives its character from the structure of the individualities involved, and the character of the individualities can only be understood in terms of the process in which they are implicated. The actual world is fundamentally in a continuous process of becoming so that every phenomenon of which we are aware... exists as a stabilized moment in a process of continual becoming' [Chia, 1999, p. 218].

This new stance connects to the original position in Glaser and Strauss (1964) when the paradigm was offered only as a guide and one need not have to do everything demanded by the paradigm. In this project the paradigm model is, therefore, used in an eclectic manner. For example, it seems not so important to the researcher to isolate all conditions as *causal*, *contextual* or *intervening*. After fifteen months of refining and shifting categories it is evident that an intervening condition could also be a causal condition or a contextual one. These were identified simply as conditioning contexts.

The emergent substantive theory⁴⁵ is anchored around the core or central category - the basic process of *navigating legitimacy*. This central category 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. Criteria for judging core categories were listed in Chapter Five [section 5.5.2] when the basic steps of grounded theory analysis were outlined. The central category is the subject of the following section.

9.3 Navigating legitimacy in NGOs - the central phenomenon

[...] People have discovered that NGOs are just ways through which donors pour money for the benefit of a few crafty characters .. the fact remains that a virus has crept into the NGO industry. They insist on reaching the poor but in reality nothing goes to the villagers as the greater part of the aid has been trickled down between the donors and the non-governmental organisations in terms of administration, wages and other fat payments for endless workshops, seminars, trips and outright theft [Editorial - Daily Mail, 10th June, 1999].

The main story from the data was how and the extent to which not-for-profit organisations succeeded to access resources availed by donors and modes by which these organisations justified resource utilisation to a spectrum of stakeholders. Without owner's capital contributions these organisations solely depended on donated resources for their existence

⁴⁵ [...] substantive theory mean[s] that developed for a substantive or empirical area of sociological inquiry, such as patient care, race relations, professional education, delinquency, or financial organisations. Formal theory mean[s] that developed for a formal or conceptual area of sociological inquiry, such as stigma, deviant behaviour, socialisation, status congruency, authority and power, reward systems, social mobility, organisations, or organisational careers. Both types of theory may be considered as 'middle range'. They fall between minor working hypotheses of everyday life and the all-inclusive grand theories. Substantive and formal theories exist on distinguishable levels of generality, which differ only in degree. Therefore, in any one study each type can shade at points into the other [Glaser, 1988, p. 3].

and in this respect resource attaining and utilisation turned out to be critical aspects in the way organisations attained, lost, maintained or enhanced legitimacy. Despite contrasts in circumstances observed in the organisations, 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 resource endowed to organisations before a multitude of unequal stakeholders whose interests may not be convergent.

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 also the primary channel for reporting resource utilisation not only to donors but also 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 also 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 - 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 not *in vivo* codes, they are terms borrowed from extant literature. A standard and basic dictionary meaning is taken for the term 'navigating'. The Oxford English Dictionary has the following entry for the term:

Navigate *v.* **1** **a** *tr.* manage or direct the course of (a ship, aircraft, etc.). **b** *intr.* finds one way; steer the correct course. **2** *tr.* **a** sail on or across (a sea, river, etc.). **b** travel or fly through (the air). **3** *intr.* (of a passenger in a vehicle) assist the driver by map-reading etc. **4** *intr.* sail a ship;

sail in a ship. **5 tr.** (often *refl.*) *colloq.* steer (oneself, a course, etc.) through a crowd etc. [Latin *navigare*, from *navis* 'ship' + *agere* 'drive'] [The Oxford English Dictionary, 1995, p. 908]

The first meaning - that of managing the course of [an organisation] and finding the right course to steer [an organisation] - 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 described (see for example, Hines *et al.*, 2001; Walker and Llewellyn, 2000; Shanta Shareel Kreshna Davie, 2000; Bailey *et al.*, 2000; Wilmshurst and Frost, 2000; Gallhofer *et al.*, 2000; Burns, 2000; Lawton *et al.*, 2000; Yapa, 1999; Froud *et al.*, 1998; Burritt and Welch, 1997; Deegan and Rankin, 1996; Funnell, 1996; Greer and Chew, 1997; Mathews, 1997; Seal and Vincent-Jones, 1997). In contrast, legitimacy is a concept extensively covered in international relations literature. This literature however deals with the concept mostly in terms of the dimensions of 'rights' and 'justifications' for actions of, or lack of actions by governments, quasi-government institutions and international organisations.

Suchman (1995) is one fairly recent work in management literature that addresses the concept of legitimacy in sufficient depth. In emphasising the socially constitutive nature of legitimacy Suchman offers the following description:

[...] 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 category - *navigating legitimacy* has two properties; *navigating conditions* and the *legitimacy threshold*. Navigating conditions were circumstances under which organisations sought to attain a desired level of legitimacy. Navigating conditions ranged from smooth when conducive, to difficult when not conducive. Legitimacy threshold was the level of legitimacy sought ranging from low to high thresholds.

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 has donor appeal, high general public standing and its leaders have high credibility; questionable when these attributes are substantially lacking. Legitimacy was however never absolute because even in highly credible organisations, stakeholders continued to demand and management continued to seek improvements.

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 subsequently dealt with in section 9.5 as interactional strategies. Fig. 11 graphically illustrates the dimensions of the properties of the core category and traces the experience of one of the organisations - AICHI - through some of the dimensions. AICHI is used as an example because it showed much movement that graphically illustrated better the concept of navigating legitimacy.

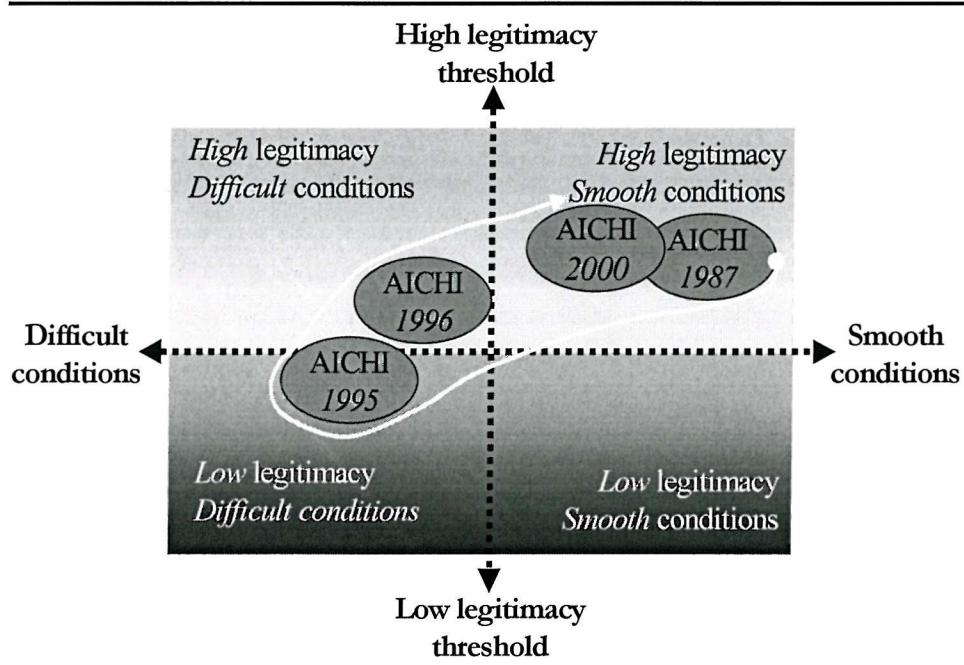


Fig. 11: Properties and dimensions of navigating legitimacy

In Fig. 11 we notice for example, AICHI starting in 1987 as one of the highly regarded pioneer NGOs in the country. By 1995, in the space of eight years, the organisations 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. After a year-long intervention; a new constitution; a new leadership; and a re-vitalised accounting function, AICHI was en route to legitimacy restoration that five years later has seen it back among the 'prime' NGOs in the country. AIKA on the other hand has been able to maintain smooth navigating conditions and a high legitimacy threshold since its establishment in 1993 through a combination of strategies that have seen it emerge as one of the financially secure NGOs in the country. AIDA has maintained almost a steady legitimacy profile by directly involving very closely its key stakeholders in its management structures and operations.

A two-stage navigating process was discovered. Stage one labelled *building credibility* was a conformity phase and organisations sought to meet, with almost religious conviction, accounting and reporting requirements of dominant stakeholders. The second stage labelled – *bargaining for change* – followed the establishment of a good financial track record and sought to first commit key stakeholders into long term relationships that developed beyond funding and into sharing common long term interests. During the first stage [*building credibility*] organisations came up with operational ideas and approached institutional donors for funds but in this second stage it was normal for institutional donors to equally put forward operational ideas for which funding would then be sought. Finally organisations sought to utilise the established relationships to change aspects of stakeholder relationships that were a burden to organisations. Multiple donor reporting was in this respect a recurring bargaining concern. These sub-processes of the central phenomenon are subsequently discussed in depth in Section 9.5 as strategies for navigating legitimacy.

9.4 The conditioning contexts of 'navigating legitimacy' in NGOs

The conditioning contexts that 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. There is certainly interpenetrating of these two contexts with the macro condition having an impact on the micro conditions but it is useful to distinguish sources of their impacts.

9.4.1 International and 'macro' conditioning contexts

The macro conditioning contexts are also two; *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 in 1990, 163 registered NGOs (Kiondo, 1993). The Directory of NGOs in Tanzania with entries up to December 1994 had 813 NGOs, a fivefold increase within 5 years. In June 2001 the Minister for Home Affairs reported that between 1995 and May 2001 an additional 2,350 NGOs 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:

[...] Because if you look at NGOs in Tanzania they are often quite different from Kenish NGOs, the Kenish NGOs are more mass organisations made up of large numbers of active members. But here it is just a handful of people, or to be correct retired or retrenched from the government side and has to find a new way [of making a living]. So I think you can say that some NGOs are made up of one or two leading individuals [and they run everything] But for us to learn and accept it is a bit difficult [Interview notes - Anderson: Kenish Embassy].

[...] 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 - Mzee: Umbrella 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' [Interview notes - Denga: 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. Trusting that deviant behaviour will be noted and punished by relevant regulatory authorities motivates less defensive interactions. 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.

9.4.2 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 organisational situation* and *accountability patterns*.

Internal organisational situation

Internal organisational situation as discussed in axial coding was observed on two points of conflict~stability and growth~decline continua. Internal organisational situation 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. In this case, provided accounting and financial reporting requirements of fund providers were met, organisations

were able to maintain legitimacy with less ongoing effort. This was the case exemplified at AIKA and AIDA.

Internal organisational situation 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 AICHI.

As illustrated in the experience of AICHI, 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. These are aspects covered among strategies for navigating legitimacy in section 9.5.

Accountability patterns

Accountability as a concept is premised on the lack of full knowledge as to what a party to a relationship does and how it accomplishes what it is expected to do. Accountability is also not an *in vivo* code. Substantial accounting and non-accounting literature has addressed the concept of accountability. However, we start from an interactionist point of view that takes the root word *account* simply as:

[...] a linguistic device employed whenever an action is subjected to evaluative inquiry. Such devices are a crucial element in the social order since they prevent conflicts from arising by bridging the gap between action and expectation. Moreover, accounts are situated according to status of interactants, and are standardised within cultures so that certain accounts are terminologically stabilized and routinely expected when activity falls outside the domain of expectations [Scott and Lyman (1968), p. 46].

This adopted definition offers a broader meaning of 'accounting' that is appropriate for the way we intend to describe the concept of accountability patterns. Accountability therefore is the imputed ability of an entity to provide explanation regarding its activities to stakeholders of differing stature but all who have a legitimate claim to receive an account. Evaluation of

accountability takes account of the status of the accounting entity as well as that to whom an account is rendered. This was the subject of the discussion in Stakeholder Analysis in Chapter Six where it was shown that there was more accountability towards definitive stakeholders who possessed attributes of power, legitimate claims and urgency and less accountability to dependent and discretionary stakeholders.

Accountability patterns have properties of scope and quality. In the context of this research accountability that takes notice of only the definitive stakeholders such as donors is narrow in scope. 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 bigger picture to a larger audience.

The second dimension - quality of accountability - is about the accuracy of the account itself and its integrity. Measurement and communication of results require accuracy and integrity. Financial accounting is, among modern day institutions, a standardised primary norm for measuring and communicating results of organisational activities. Built in it are 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.

Organisations could take for themselves accountability profiles on a continuum of superior and inferior accountability outlooks. Superior accountability is wide in scope and higher in quality while inferior accountability merely observes the minimum housekeeping levels of scope and quality. Briefcase NGOs⁴⁶ for example, are essentially of inferior accountability profile. All organisations in this study could be described as those seeking a superior accountability profile.

Accountability patterns negotiated between an organisation and its dominant stakeholders influenced the process of navigating legitimacy. For example, where an organisation

committed itself to few long-term institutional donors the burden of multiple reporting was somewhat lessened and accountability to stakeholders appeared to be better in scope and quality. Financial reports and supplementary narratives were prepared, they were audited, accessible and were reasonably well distributed among interested stakeholders. Nevertheless, as the following quote illustrates, discharging accountability was a major administrative task even for organisations with few and long-term institutional donors:

[...] seen as one of the major sources of increasing workload within the Secretariat was the administrative demand placed by the various needs of the donor reporting. For instance the Secretariat was in 1998 required to produce a host of reports to meet the contractual obligations with her donor partners. Writing a variety of separate reports to meet different donor reporting requirements is a time consuming activity that uses up energies and resources that would otherwise be employed more productively in other areas of programme [Annual Report: AIKA, 1998, p. 15].

Consequently, AIKA was at the forefront of lobbying institutional donors to lessen the burden of accountability. These undertakings as well as other strategies for navigating legitimacy are discussed below.

9.5 Strategies for navigating legitimacy

A number of interactional strategies that were illustrative of the process of navigating legitimacy were employed by organisations. They fall into two interrelated and progressive stages or sub-processes - *building credibility*; and *bargaining for change*. These reflect the ways organisations created and managed good impressions on 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.

⁴⁶ As a mode of operating an organisation Briefcase NGOs are not a new phenomenon. In Tanzania there were at one time Briefcase companies which literally operated from briefcases and had no physical addresses. They were registered purely so that well connected people could transact lucrative business in parastatals - over invoiced supplies, supplies invoiced more than once, advance payments for which actual goods were not delivered. The advent of NGOs simply brought another opportunity to make money and individuals reacted accordingly.

9.5.1 Building credibility

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

Judicious conformity with accounting requirements

[...] 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 and then .. [Interview notes - Kibibi: AICHI (emphasis added)].

Judicious conformity with multiple donor financial reporting and audit requirements was burdensome but it 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.

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' [Interview notes – Anderson: Kenish Embassy].

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 [Interview notes – Mania: AIKA].

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 AIKA and AICHI 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

Which previous donor organisations a prospective funding applicant is associated with was important in ensuring a favourable outcome in a bargaining encounter. 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 other institutions as the following quote illustrates:

[...] 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 [Interview notes - Mandege: AIKA].

In this instance character witnessing was attempted to persuade some donors to abandon financial reporting practices the organisation deemed 'petty'. This aspect is taken up further in bargaining for change [section 8.5.3].

Managing the audit

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. A clean audit report did not however, always confer financial integrity - there were occasions when it was contested. For example, in spite of a string of unqualified audit reports between 1990 and 1995 members of AICHI vehemently questioned the integrity of financial statements. The audit process and organisational leadership were both implicated in

portraying what protagonists saw as a misleading financial picture. This illustrative quote from the current Manager is reproduced here:

[...] now I am the Manager I ask why didn't the auditors query that [financial impropriety, weak controls and insufficient record keeping]. ClassicFirm Partnership [a multinational accounting firm] really keep me on my toes and raise with me a lot of issues, so why did the former auditors keep silent? [Interview notes - Kibibi: AICHI].

Because of the importance of the audit process organisations managed it to maximise its legitimacy attaining potential. AICHI appointed a multinational accounting firm [ClassicFirm Partnership] 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 AIKA 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 AIKA'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 AIKA's annual accounts. [The] firm is busy bringing its own procedures and audit rules (which do not differ very much from IAS guidelines) into line with those of BC&D [Donor inspection report: AIKA, 1999, p. 5].

What AIKA 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 AIKA 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

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 fledgling organisation in deep crisis, AICHI immediately responded by replacing its founder chairperson of eight years. It was symbolically as well as realistically 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 OD 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 AICHI 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 advances instituted by the new leadership.

It was the manner that management consultants were used that provided a symbolic dimension of improving governance. Since questionable accounting was a major concern during AICHI'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 bring much that the accountant does not do 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. At AIKA similarly two separate management consultants have carried out the 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 seem to signify endeavours to seek to improve governance.

Fostering a distinct cultural identity

The identity⁴⁷ of the organisation and values it ascribed to were shown to be important in the manner it was perceived and evaluated by stakeholders. A cultural orientation that was activist was associated with a high level of transparency and commitment. When salient stakeholders accepted this identity for an organisation there developed confidence that resources were utilised properly regardless of the strength or otherwise of accounting systems. Consequently sustaining an activist cultural orientation came out as one of the key strategies for navigating organisational legitimacy. As narrated during axial coding AIKA had a weak accounting system - a fact that institutional donors also recognised; yet its funding had consistently grown since its establishment. This was attributed to its ability to project an image⁴⁸ of a secure and committed organisation that could be trusted with large amounts of money⁴⁹. In this instance the perceived image of the communicator had significant impact on communicated content. AICHI on the other hand had suffered deficient legitimacy until 1996. Although its annual income was nearly half that of AIKA (1998 figures) it had in place a much stronger accounting system, it had 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. It was accounting that instead provided a technical 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 in sustaining as well as projecting a distinct organisational culture were: a non-territorial office layout that encouraged exposure and informality; collective

⁴⁷ Organisational identity is taken as '.. that which is central, enduring, and distinctive about an organisation's character. [It is] organisational members' collective understanding of the features presumed to be central and relatively permanent, and that distinguish the organisation from other organisations. Identity is not permanent - it is imputed from values that are themselves interpretations - not stable or fixed. [Albert and Whetten (1985) quoted in Gioia *et al.* (2000), pp. 64 - 65]

⁴⁸ Gioia and Thomas (1996) have reconciled identity and image as two views of the same phenomenon. Identity being perceptions of internal organisational actors while image reflects perceptions of those external to the organisation.

leadership based on short internal periodic evaluative sessions; and a process of culturally initiating and assimilating new entrants into organisations.

Engendering trust, a strategy closely associated with organisational values appeared to be central in depicting financial probity. Although trust essentially arises from personal interactional experiences one could infer to organisational trust where organisational actors attain this attribute and actually demonstrate it at the behest of the organisation⁵⁰. 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.

9.5.2 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* [Interview notes - Kibibi: AICHI (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 position holders among 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 as the following quote illustrates:

[...] 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 [Interview notes – Mandege: AIKA].

Consolidation of relationships was a logical a follow-on move after *building credibility* because only highly credible organisations could work out long-term relationships with key

⁴⁹ Recall that AIKA's annual income was about £540,000 in 1998 while that of AICHI was £264,000.

stakeholders. Consolidating partnerships did not have a direct bearing on accounting but strong partnerships with some institutional donors were for example, launching pads of lobbying efforts to have other donors agree to basket funding. This aspect of seeking to change accounting and reporting relationships with institutional donors is subsequently illustrated among specific bargaining strategies.

Partnerships with key stakeholders were pursued through active networking – targeting key donor or government officials at both official and personal capacities to secure their understanding and support. Active networking was in this regard covert and overt. For example, in spite of the public appearance of antagonism between the government and NGOs, organisational actors privately engaged government officials. One NGO manager talked for example of 'strategizing and using some [of their own] people in government without mentioning names' [Interview notes – Mandege: AIKA].

Consolidating partnerships extended also to networking among 'like' organisations to create a strong interest group. Such coalitions were effective in directly contesting, for example, contents of the NGO Policy that were seen to be unfavourable to NGOs.

Bargaining was essentially associated with the more dominant stakeholders; the government and institutional donors. Bargaining for change 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 covered a number of issues but this discussion restricts itself to aspects that had implications for accounting and accountability regimes. Subsequent sections identify and describe four specific bargaining 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.

⁵⁰ Jones and Dugdale (2001) invoking the work of Giddens raise the issue of how trust in systems is incomplete without being reembedded into trust in persons. This rhymes with our observation of the relationship between organisational trust and personal trust.

Selling the 'basket funding' idea

This was a strategy initiated by individual organisations and sought to lessen the burden of multiple donor financial reporting by simply seeking to reduce the number of reports produced and their recipients. It was a lobbying effort to get institutional donors to agree to pledge funds in a 'basket' and receive a common main report. 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 and therefore superior relationships. These were then expected to influence other donors into accepting common reporting. This use of other influential donors to buttress an organisation's position was alluded to earlier as character witnessing [see section 9.5.1]. The following narrative thoroughly summarises such a strategy as executed by AIKA:

The Putch, are quite comfortable but when you come to the XY-AID, or the Yermans or the GIDAs you must follow even 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 funding⁵¹, 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 Putchland were receptive to the idea, so basket funding flopped. So we sold core activities individually but [we] keep advocating for basket funding [Interview notes – Mandege: AIKA].

Following resolute high profile lobbying, a year after recording this narrative AIKA 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.

⁵¹ An arrangement where different donors contribute funds to a central holding point, a basket, subsequent to which the organisation, and not the donors allocate funds to specific programmes. A single report is then availed to all donors detailing how funds and other resources were utilised.

Joint venturing one-off projects

Joint venturing was a non-confrontational and an 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. As one involved donor official explained:

[...] what we have done on our side is, seven countries [the Nogians, the Putch and Gadians, etc.] have established a fund. But we have had discussions also with the BS, Wapan, Yermany, Drance and PNDP. But for them it is impossible to join. XY-AID, the Xaricans are not allowed to do that by their own government [Interview notes – Anderson: Kenish Embassy].

This aspect of rigid conformity to 'home country' accounting and reporting regulations was initially raised among emergent research themes in Chapter Seven [section 7.2.1 - Stakeholder 'claims' and implications for accounting, page 146]. It was suggested then that in the absence of a national accounting and reporting framework for NGOs 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

[...] There has been a growing tendency among donors to approach AIKA with proposals for additional interventions. Many of the programme activities proposed by donors match AIKA's mission. However, there is a need for the organisation to keep to say 'NO' [Annual Report: AIKA, 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 passively confrontational approach and

rarely occurred but when used it was an effective bargaining tactic. It entails an element of power - recipient power vis-à-vis donors - the power to reject short-term funding and influence consideration for long-term funding which has a longer reporting time span. Many NGOs may not afford this stance as only those large NGOs with high social standing and credibility can employ such a strategy.

Stalling the NGO policy initiative

The 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].

Organisations sought to influence the envisaged regulatory arrangements in order to define legitimacy from a perspective that was more appealing to them. In relation to the accounting and financial reporting regime NGOs appear 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 - that of 'establish[ing] financial and accountability mechanisms to ensure sustainability of the activities of NGOs' [Tanzania National Policy of Non-governmental Organisations, 5th Draft, 1999, p. 3]. In this regard perhaps NGOs have been successful in preventing what they perceived as the government's intrusion into finances of NGOs. NGO actors appeared to have achieved this by discouraging the inclusion of well-defined and clear-cut accounting and reporting provisions. NGOs successfully

pointed at weak accountability of, 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.

9.6 Consequences of 'navigating legitimacy'

Consequences of navigating legitimacy are observed at two levels; those related to changes that originated largely from the external environment and impacted on all organisations; and those changes occurring within organisations as a result of conflicts, demands of growth, and responses to stakeholders. While accounting features prominently in the process of navigating legitimacy it is observed only in a responsive and reactive capacity - being predominantly a consequence of other aspects of organisational lives. All consequences subsequently discussed are traceable to this position of accounting within organisations. The ascendancy of accounting functions is for example an attempt to enhance the role of accounting within the overall context of improving organisational governance. Even this ascendancy is however largely a result of improvement pressures exerted by providers of funds. This ascendancy of the accounting function has nevertheless not been able to penetrate and influence operational aspects. Accounting appears to be of inconsequential impact to internal decision processes.

Four consequences are described in the following sections. These are 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. The first three are micro level consequences and are mostly restricted to the confines of individual organisations while the last one is manifested and undertaken at an national and therefore macro level.

9.6.1 Ascending functional profile of accounting

Over time changes in the profile of accounting and accounting processes during the life of the organisations testify to results of 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 AICHI had only a part time accountant working from home during the first seven years of its existence, AIKA did not altogether have an accounting function until 1996 - four years after its formation. By 2000 AICHI had completely transformed the accounting function into a second tier hierarchy staffed with three accounting personnel. AIKA 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: AIKA, p. 25].

Notable here are the differences and variations in the nature of accounting in the organisations. These are attributable to differing internal upheavals as well as direct salient stakeholder influence in specific organisations. At AICHI 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 AICHI than at other organisations.

9.6.2 Stagnation of accounting for internal information needs

The ascendancy of the functional profile of accounting has however, 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 is demonstrative of this stagnation:

[...] Every one of the donors wanted their own accounts and reports so you deliver that and you are finished with them. The OD enabled us to reflect [at] all our resources in one package. It was such that you could not even see clearly how much you were spending in a year. You were not consolidating as long as you gave the Oderlands their report, REMIDA theirs, XY-AID 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 [Interview notes - Mandege: AIKA].

While these entities were at one point concerned with exclusively donor reporting they are now able to prepare, with the assistance of auditors, aggregate organisation-wide annual financial statements.

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.

9.6.3 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 AIKA – the problem is how to balance efficiency with vision, so we don't lose the soul of the organisation [Comment notes - Mang'ombe/Trustee: AIKA].

The 'soul' of the organisation in the view of this Trustee is the activist cultural orientation. These activist cultural orientations that organisations took for themselves were more interested in getting things done well rather than procedural concerns. Increase in funding and the attendant reporting obligations do not sit well with activist cultural traits as the above quote reflects. There is recurring tension between cultural traits and the need for incorporating 'sound management practices' in these organisations.

The devotion to organisational culture nurtured at AIKA and acceptance by institutional donors of this cultural orientation seemed to explain how AIKA was able to achieve growth but at the same time successfully resisting external pressures to enhance the profile of accounting. It was also this collection of distinct values and attitudes that prevented regressive and organisationally damaging tendencies experienced at AICHI. Nevertheless, as pointed out earlier, subsequent to agreement of the basket funding arrangement, AIKA is currently in early stages of the process of overhauling its accounting function on strong recommendations from its institutional donors.

9.6.4 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 affairs of NGOs. In the past year it hurriedly introduced a Statement of Recommended Accounting Practice (SRAP) for NGOs. Although dated January 2000 this SRAP had not been formally issued and circulated to NGOs or their representative bodies by the end of the fieldwork in October 2000. The introduction of the SRAP was itself flawed as it was not consultative as it ought to have been. This is bound to attract strong criticism when it is formally issued. It nevertheless is a groundbreaking event that the Accounting Board has 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.

9.7 An indicative model for the process of navigating legitimacy

The integrative paradigm model [Fig. 12] summarises conceptual relationships described in the preceding parts of the chapter.

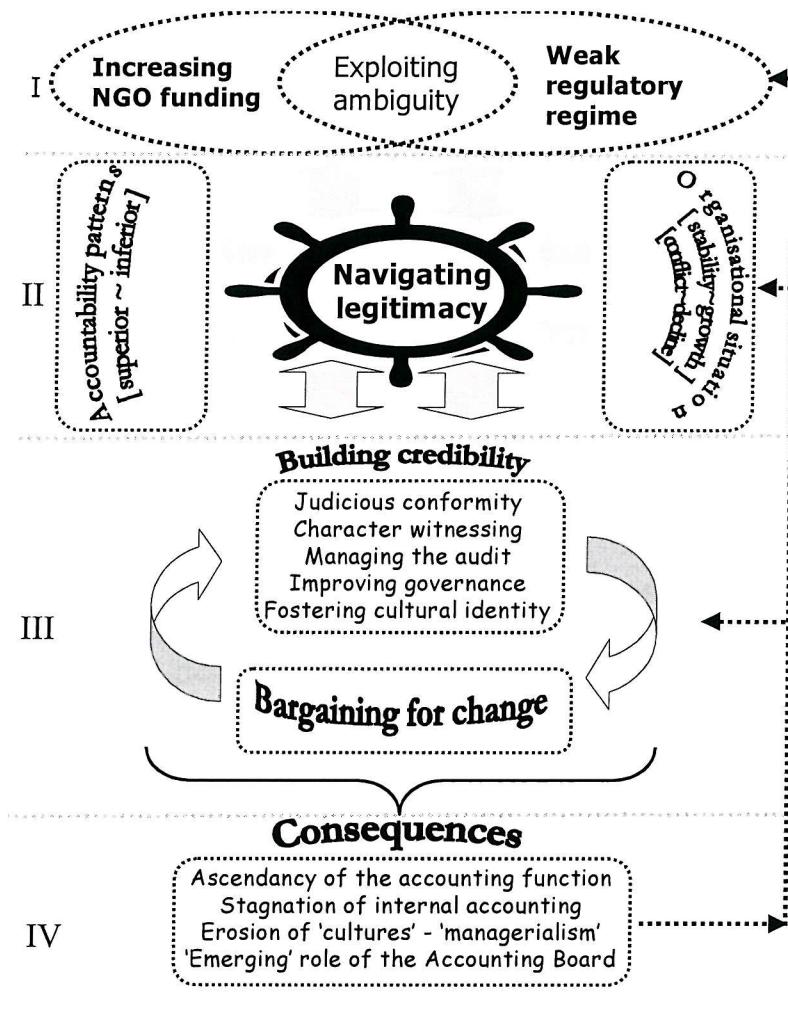


Fig. 12: The paradigm model of 'navigating legitimacy'

This model is divided into four component parts (I to IV). Parts I and II set out the conditioning contexts that facilitate and/or constrain the central phenomenon - navigating legitimacy in NGOs. Part I provides the macro conditioning contexts where increasing funds for the NGO sector coupled with a weak and outdated regulatory regime appear to have encouraged exploitative tendencies where NGOs accessed and obtained funds with little accountability to stakeholders other than donor institutions. Central in macro conditioning contexts are issues of finances and how they are accounted for.

Micro conditioning contexts represent conditions that pertain to internal organisational situation and accountability patterns. Whether an organisation experienced growth and stability or conflict and stagnation/decline had impact on first; the legitimacy threshold it seeks, and second; the courses of action (strategies) available for navigating legitimacy. Internal stability encouraged donors' confidence and hence growth opportunities while

conflict had the opposite effect. Attributes of high donor appeal, leadership credibility and competence and general public acceptance were more likely to be found NGOs experiencing stability. These attributes are associated with organisations with a high legitimacy threshold.

Accountability patterns or profiles are positions taken by or ascribed to organisations with respect to scope and quality of accountability. Superior accountability (i.e. wide in scope and higher in quality) is associated with organisations seeking a high legitimacy threshold while inferior accountability is associated with organisations seeking a low legitimacy threshold, such as 'briefcase' NGOs.

Two main sub-processes (Part III) were discovered as strategies for navigating legitimacy - building credibility and bargaining for change. In building credibility organisations initially sought to establish a good track record with key stakeholders, especially funding agencies. It 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 and also through networking with 'like' organisations. In the end, with 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 also worked in coalitions to successfully influence contents of the draft national NGO policy.

The consequences of this process of navigating legitimacy (Part IV) were observed in the increasing profile of the accounting functions on a temporal dimension. Paradoxically this is also associated with the stagnation of institutional capacity where accounting for internal decision-making was virtually undeveloped. Also evident as a consequence appear to be the emerging 'professionalisation' of NGOs and erosion of 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 accounting. This promises significant future implications for accounting in NGOs.

9.8 Summary

This chapter presented and described the end product of grounded theory analysis - the emergent substantive theory of navigating legitimacy. Because of its capacity to adequately combine elements of structure and process - both of which are important aspects of the emergent theory - the paradigm model was elected as the theory-integrating vehicle.

Navigating legitimacy was identified as the central category of the emergent substantive theory. It represented the basic social process observed in the study. Two macro-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.

Two micro conditioning contexts were also identified. These were the internal organisational situation; and accountability profiles of individual organisations. Taking account of these micro conditioning contexts organisations appeared to seek either superior accountability [high legitimacy threshold] or inferior accountability [low legitimacy threshold]. Organisations seeking a high legitimacy threshold seemed to engage the whole spectrum of stakeholders while those seeking a low legitimacy threshold seemed to engage only the most critical stakeholders who were the Registrar of Societies and donor institutions. These organisations appeared to keep a low public profile, maintained the minimum house keeping requirements and met donor accounting and reporting requirements to ensure a continued flow of funds.

A number of strategies and tactics that organisations employed in navigating legitimacy were described. These fell into two sub-processes - building credibility; and bargaining for change. It was shown that during the phase of building credibility organisations seemed to initially seek to establish a good track record with key stakeholders, especially funding agencies. It 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. 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.

Accounting emerged as predominant in the whole process of navigating legitimacy, which suggested that despite its acknowledged inconsequential role in internal decision processes, accounting may be a crucial legitimating device. 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 legitimating an entity. Over time, the profile of accounting functions within organisations seemed to have substantially increased. Evidently, there were ongoing endeavours to incorporate 'sound' management practices - what is referred to as managerialism in NPM literature. Nevertheless, organisational actors perceived 'managerialism' as a threat to the continued survival of the activist orientations established and nurtured in organisations.

The following chapter ties the emergent theory with extant literature. Aspects of the emergent theory are reconciled with extant literature to find out areas of variance that may reveal interesting insights. This comparison of emergent theory and extant literature is symbiotic in that it enriches both the emergent theory and extant literature.

Chapter Ten

10 The emergent theory within extant literature

10.1 Introduction

This chapter places the emergent theory expounded in the previous chapter within the broad extant literature. In this endeavour one attempts to search for logical extensions to, and comparison with, extant 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 specific objectives of this exercise are therefore:

- i. to corroborate the emergent theory or its constituent concepts with extant literature. Corroboration increases the cumulative knowledge of phenomena by offering new scope and conditions. It also indicates plausibility of the emergent theory;
- ii. to seek areas of contrast and contradiction where the emergent theory could sharpen or be sharpened by extant literature. The essence is to flesh out deeper insights if contrasts and contradictions can be explained; and
- iii. to identify areas where the emergent theory offers new conceptual explanations and relationships.

A discussion of the last objective continues into the final chapter where major theoretical contributions of this research are reiterated. The remainder of the chapter is organised around common themes in the emergent theory and extant interpretive accounting research - themes that fall under the following subheadings: accounting and organisational legitimacy; accounting and accountability; the relationship between accounting and trust; accounting in its constitutive and constituting capacities; accounting and organisational change; accounting and organisational culture; and the role of accounting and accountants in organisations.

10.2 A thematic integration of emergent theory into extant literature

10.2.1 Accounting and organisational legitimacy

In accounting literature, Corporate Social Reporting (CSR) is a field of interest that is premised on legitimacy theory and substantial recent extant literature exists (see for example, Campbell, 2000; Brown and Deegan, 1999; Gray *et al.*, 1988; Gray *et al.*, 1995; Wilmshurst and Frost, 2000; Unerman, 2000; Lehman, 1999). Nevertheless, the direction CSR takes is on 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.

The prominent emergent trend from this study is that of on-going processes of incorporating 'sound' accounting practices into organisations. A decade ago all organisations in the study did not have 'sound' accounting systems by conventional standards, but currently this is changing as organisations seem to incorporate better practices. These changes have increased the functional visibility of accounting in the form of hierarchical positions; strength of accounting personnel; and in systems of documentation such as use of computerised accounting packages.

Interestingly, these changes undertaken within organisations were not wholly attributed to calculated management decisions - often they were initiated by definitive stakeholders, in these instances institutional donors and can be seen as pursuits to accommodate stakeholder interests in order to maintain organisational legitimacy. Being perceived as a competent entity is a key element for the attainment of a legitimate status and incorporating 'sound' accounting practices therefore conveys that sense of a competent entity - an entity that can be trusted to keep proper records and account for finances entrusted to it.

This emerging thesis in the substantive 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). This tradition underscores the role of societal dynamics outside organisations in engendering effects that go beyond any single organisation's control. Meyer and Rowan (1977) 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 (p. 340).

Noteworthy is the observation that accounting changes had not resulted in making accounting important in internal decision processes. The installation of a computerised accounting system at AIKA for example ought to have made easier the accumulation and analyses of programme costs. Yet, it remained only a facility to perform faster nearly the same processes that the accountant previously performed manually - production of expenditure reports by donor source. Nevertheless, computerisation was, on its own, of symbolic significance as an institutionalised aspect of modern day competent organisations. In this case computerised accounting appeared to be significant although organisational actors had not appreciated its utility. Cooper and Hopper (1987) echoing this observation suggested that 'accounting may be significant in organisations and society even if it is not extensively used or understood' (p. 408).

A related aspect of legitimization 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) 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 (p. 355).

This view of use of professionals as a mechanism for articulation of competence also finds support in Fournier (1999) and Suchman (1995).

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, 1999_a, 1999_b, 2000; Beattie and

Fearnley, 1998⁵²). 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) also found out, was a 'powerful form of symbolic capital (p. 377).

10.2.2 Accounting and accountability

One dimension of organisational legitimacy is the scope and quality of organisational accountability. Accuracy and integrity of communicated 'accounts' were shown to be important attributes in attaining or losing legitimacy. Nevertheless, accountability was also observed to transcend accounting functions and processes. Accountability was also dependent on the level of trust relationships between the provider and the recipient of accounts. This aspect of centrality of trust to accountability is in a limited form espoused in extant literature (see for example, Scott, 2000). 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.

In the organisations, not only are financial details availed but also they can be accessed by interested individuals and organisations are even forthcoming with explanations. For example, reporting of an expenditure item relating to foreign trip largely paid for by a donor was such that it gave not only the cost but also narrated and justified the selection of the particular delegate to the international conference. These aspects associated with organisational accessibility and transparency - lending themselves open to societal and public scrutiny have not been sufficiently explored in extant accounting literature as complementary formats of accountability. Organisations in the study as well as stakeholders perceived these attributes to be important in assessing an organisation's accountability.

⁵² Although Beattie and Fearnley (1998) alluded to quality signalling motives in auditor switching, quality signalling was not a major theme of their research - it did not feature for example among the reasons for auditor change in tendering processes in the 12 case studies. Some informants in the study preferred a 'known name in the City' which may be construed to refer to a professional quality attribute but it may as well refer to key connections with important personnel in the City.

The audit of financial statements has been suggested in extant literature as a necessary condition for organisational accountability (Gray *et al.*, 1987; Tower, 1993; Scott, 2000). The emergent theory lends support to this proposition. However, it also recognises the inadequacy of accounting and auditing in attaining superior levels of organisational accountability. The accounting system and its outputs did not necessarily make an organisation accountable to its stakeholders. The case of AICHI illustrated that accounting, accountants and the audit report could be contested by stakeholders while AIKA illustrated an organisation that had weak accounting system but was perceived by stakeholders as more accountable.

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) 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 (Normanton, 1971, p. 314).

Legality is yet another dimension of accountability suggested in 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 that discussed formal structures and processes meant to ensure that NGOs operated within established statutory provisions. 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.

10.2.3 The relationship between accounting and trust

Accounting and trust interpenetrate and the emergent theory suggests that there exists significant confluence between these concepts. Although a growing body of extant literature addresses the concept of trust (see for example, Neu, 1991; Korchynski, 2000; Hosmer, 1995; Gambetta, 1988; Lewicki and Bunker, 1996; Creed and Miles, 1996; Tyler and Kramer, 1996) literature that links trust and accounting is rather scarce. Seal and Vincent-Jones, 1997 and Tomkins, 2001 are two recent works that explore this relationship.

Seal and Vincent-Jones (1997) offer an analysis of accounting and accountability and argue that trust is a fundamental facet of development of long term relationships. They contribute interesting insights that are supportive of the emergent theory - that accounting plays a major role in maintaining continuity and legitimacy; and that it is an essential component of the process of enhancing systemic trust. Their propositions are summarised in Model I of Figure 13. Model II is a modified version that takes account of elements brought up in this study.

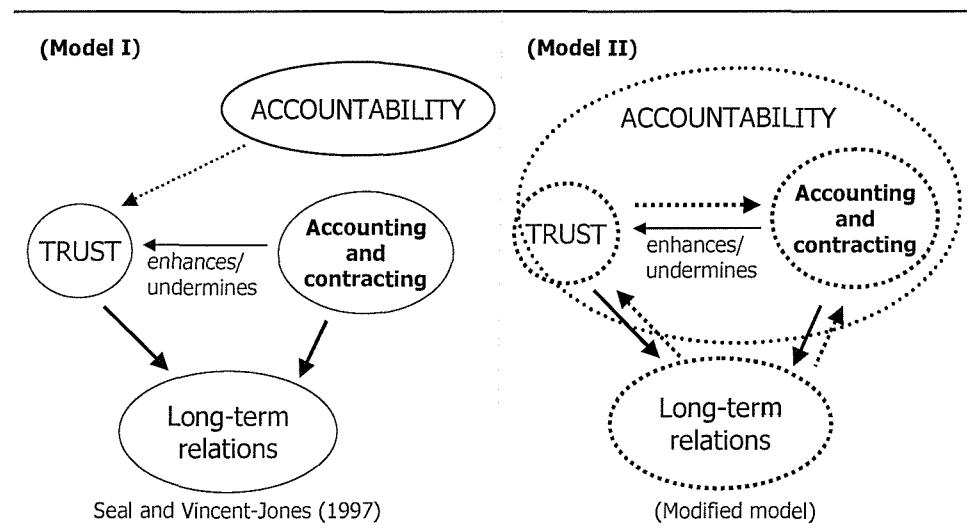


Fig. 13. Accounting, trust and long-term relations

As depicted in the above models the principal issue of variance between the emergent theory and propositions of Seal and Vincent-Jones (1997) is the uni-directional nature of relationships between trust; accounting and contracting; accountability; and long-term relations. Seal and Vincent-Jones (1997) propose for example, that 'contracting and accounting may enhance or destroy trust .. [and] certain aspects of accounting can help to build trust in new relations .. (p. 412). Trust therefore, as the model appears to portray, is enhanced or

undermined by accounting but neither trust nor long-term relations seem to influence accounting practices.

Emerging from this research is a view suggesting that both positive and negative dimensions of trust have equally significant influence on accounting practices. For example, negative trust in the form of favouritism to cronies (in 'allowances and foreign trips') was one element that severely eroded the credibility of AICHI in the eyes of both internal and external stakeholders. This accentuated a major organisational crisis - a resolution of which involved, among others, institution of robust accounting systems and internal control procedures. An atmosphere of mistrust led to introduction of stronger systemic based trust enhancing mechanisms in the form of accounting and internal control protocols. Hopwood (1987) illustrates the emergence of accounting from organisational conflicts or crises. He suggested 'in times of crisis business methods often are re-examined .. And it in this context that his cost accounts were born' (p. 215). He further suggests 'Once constructed Wedgwood had a powerful instrument for observing the organisation in economic terms. .. A calculative means had been found for conceiving the functioning of the organisation in different terms' (p. 217). What was different in the cases of AICHI was the observation that accounting changes were predominantly oriented to meet demands of external stakeholders rather than being a 'calculative means' in internal decision processes. Increased accounting seemed to allow organisations to be perceived as more competent in accounting for donor funds.

AIKA in contrast is an example of positive trust at work where elements of deep-seated trust were strong among organisational actors and were accepted as such by key institutional donors. Consequently, AIKA experienced less pressure to institute elaborate internal control procedures despite having an annual income twice that of AICHI. This phenomenon where less emphasis was placed in formal accounting mechanisms was also observed by Ansari and Bell (1991). Although the main focus of Ansari and Bell (1991) was accounting within the cultural setting of a Pakistani firm they state that 'formal structures were poor substitutes for personal trust (*bharosa*) and reciprocity' (Ansari and Bell, 1991, p. 14). In this research, as outlined previously, *engendering trust* appeared to be part of distinct and important organisational processes because trust was also a means for gaining and maintaining organisational credibility. This was the case even in a situation such as AIKA where accounting systems were acknowledged to be inadequate.

Contrary to the proposition of Seal and Vincent-Jones (1997) the relationship between trust and accounting emerging from this research appeared to be multifaceted. In this respect the emergent theory relates to and appears to be consistent with other works in extant literature. Broadbent *et al.*, 1996 for example suggest that the depth of trust may influence accountability mechanisms. They assert that:

[...] The presence of "high trust" will lead to the use of communal forms of accountability where expectations are ill-defined ... In a low trust situation it is likely that contractual forms of accountability will be more apparent with expectations clearly spelt out and where possible expressed in measurable form. .. Communal accountability allows the agent freedom to define how best to proceed and this can be encouraged in certain types of high trust relationships (Broadbent *et al.*, 1996, p. 274 - 275).

Tomkins (2001) also offers a position that contrasts with Seal and Vincent-Jones (1997) and suggests that:

[...] the state of trust at any time is *the fundamental determinant of information requirements*. .. In fact, it might not be too extreme to argue that information and accounting system designers should always commence the design of their systems by considering carefully and explicitly what and who can or cannot be trusted (pp. 165-166 [emphasis added]).

By suggesting that trust is the determining attribute this proposition also appears to be unidirectional although Tomkins (2001) goes on to argue that rather than being an inverse relationship the association between trust and information resembles an inverted U shaped curve. In the long term as trust builds there will be less need for extensive information. Initially as a relationship begins there is less trust but also less commitment as parties get to know each other and so less trust. Trust cannot in these early stages be enhanced without further information. This therefore leads to an increasing of both trust and information until a sufficiently high level of trust is established when there will be falling need for information.

The proposition of Tomkins (2001) was also reflected in the case of AIKA. Initially there was multiple financial reporting which was seen to be burdensome but eventually donors agreed to a single uniform common reporting arrangement - thus lessening the accounting burden. In the position of Tomkins (2001) trust had reached a sufficiently high level. However, the advent of the uniform reporting arrangement was associated with the

commitment to strengthen accurate production and maintenance of financial records as well as switching from a local audit firm to a multinational audit firm. Therefore while trust was important, enhancement of accounting information systems was equally consequential.

In contrast to uni-directional propositions of Seal and Vincent-Jones (1997) and to a lesser extent Tomkins (2001) the emergent theory is convergent and suggests that trust may shape the nature and frequency of information requirements, but the level of trust within organisations as well as between organisations and stakeholders may also substantially affect the nature of accounting practices. During the initial stages when relationships begin trust is necessarily a leap of faith - where one makes a decision or takes a position without sufficient information on the other party. Subsequently accurately communicated 'accounts' may justify and enhance initial trust and with repeat performances trust grows as the long-term relationship also grows. Findings of this research indicated that where trusting relationships were strong there appeared to be increased tolerance of a weak accounting system. But where trust was eroded only a strong accounting system could portray integrity and accuracy of the 'accounts'.

Therefore, in relation to Seal and Vincent-Jones (1997) it is suggested that rather than being a concept that has an effect on trust, accountability appeared to encompass aspects of trust and those of accounting - a position that also finds support in extant literature (see Sinclair, 1995; Scott, 2000). Also, trust, long term relations and accounting are interpenetrating concepts - each having an effect on another. Therefore, as the modified model suggests in Fig. 13 there is confluence of the three concepts.

10.2.4 Accounting in its constitutive and constituting capacities

Extant literature acknowledge accounting in its capacities to shape and create organisational reality and influence courses of organisational transformations (Roberts, 1991; Burchell *et al.*, 1980; Hopwood, 1990) 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). An apparent departure of the emergent theory from extant literature is that accounting, in the experiences of organisations in the study, has not had a significant constituting effect on organisational realities. Accounting cannot be inferred to have been able to redefine resource statuses, heighten

visibility of reported items and stimulate organisational change (Nahapiet, 1988) simply because accounting has not been accorded sufficient importance in internal decision processes.

Paradoxically, despite little internal relevance accounting was, as previously discussed in section 10.2.2, a critical device in building and maintaining credibility with external stakeholders. Ansari and Euske (1987) suggest this is because:

[...] 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 symbolic significance of accounting is therefore evident both in the emergent theory and extant literature.

Finally, the long-standing question posed by Burchell *et al.*, 1980 - 'why has accounting grown to become a cohesive and influential function?' (p. 7) cannot be asked of organisations in this study because accounting has yet to achieve such a status. However, there were evident indications of increasing institutionalisation of accounting at national and organisational levels. In the future these could present opportunities for understanding and explaining rationales for further accounting changes.

10.2.5 Accounting and organisational change

The emergent theory observes and suggests accounting as an organisational function that has experienced a period of increasing ascendancy in terms of hierarchical positions, numbers of personnel employed and their professional qualifications. This change is substantial in these organisations although may seem relatively small when compared to organisations of similar revenue base in profit-oriented organisations. The ascendancy of accounting nevertheless, did not translate into increased use of accounting in internal decision processes. This is because, as outlined previously, externally initiated accounting change had not succeeded in

penetrating activist cultural orientations resident and dominant within organisations. This appears to explain why accounting was not yet an influential function in internal decision processes.

Two contrasting narratives were illustrative; 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. In these instances desired changes were not able to penetrate interpretive schemas of organisational actors (Broadbent, 1992; Laughlin *et al.*, 1994). 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 who observed that:

[...] What may appear as acceptance can be passive rejection - with organizations going along with formality of the reforms for purposes of external legitimization 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 (p. 18).

Although Humphrey *et al.*, 1993 referred to particular cultures of professionals in medicine and the police, inferences they made tie very well with what emerges from this research. In the above quote Humphrey *et al.*, 1993 also relate the success of passive resistance to the strengths of organisational cultures - these aspects are further discussed in a section dedicated to accounting and organisational cultures [section 10.2.6].

In the contrasting setting of AICHI, transformation of the accounting function registered more success in an organisation that had endured a six-year crisis, had lost most of its credibility and was on the verge of disintegration. 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. This is partly because rescuers may require a strong accounting function as a trust-enhancing device. This aspect of trust and accounting was explored in section 10.2.3.

There is support in extant literature in the form of narratives that point to the impact of an adverse and threatening internal organisational climate on acceptance of accounting change. Specifically Cobb *et al.*, 1995 and Polesie, 1994 allude to globalisation, technological innovation and falling profits as driving forces towards internal acceptance and successful institution of accounting related change. Although Cobb *et al.*, 1995 and Polesie, 1994 are corporate sector studies the importance of impending organisational mortality remains as it was in this research - an overriding stimuli to accounting change.

10.2.6 Accounting and organisational culture

Cultural aspects of organisational reality emerge in this research as important in explaining how organisational actors perceived the function of accounting. These perceptions appeared to have influenced how accounting was accommodated. An activist cultural orientation is seen to dominate all other aspects of the ways organisations are run - accounting being no exception. An *activist* orientation involved strong commitment by members to utilise their time and energy to work, often without commensurate remuneration, to help the cause of the organisation. Such an orientation reflects a consummate desire by organisational actors to achieve organisational goals because they identify with those goals. Consequently, within an activist orientation organisational stewardship is also more collective and interaction appears to be informal rather than formal.

In an old grounded theory study of collectivist organisations in the US, Rothschild-Whitt (1979) suggests findings that rhyme with characteristics of organisations in this study. Rothschild-Whitt (1979) narrates of organisations that are comprised of a homogenous group that selects 'members who share basic values and worldview ..[who] refuse to legitimate the use of centralized authority or standardized rules to achieve control. Instead they rely upon personalistic and moralistic appeals to provide the primary means of control ' (Rothschild-Whitt, 1979, p. 513).

Ezzamel and Willmott (1993) 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 (Ezzamel and Willmott, 1993, p. 122).

Understanding why accounting has not attained importance in internal decision processes points to the dominance of activist cultural traits that consider matters of accounting as subsidiary and instead accord importance to programme activities. Culture it turned out, was a strong explanatory variable for the lesser role for accounting in organisations - a phenomenon also observed by Ansari and Bell (1991).

What emerges from this discussion also resonates with other interpretive research into 'missionary' organisations such as religious organisations. In these organisations it was suggested that the spiritual agenda was supreme (Laughlin, 1988) important and central - sacred (Broadbent *et al.*, 1996, p. 277) and at the core of organisational practices (Abdul-Rahman and Goddard, 1998). These spiritual contexts shaped the technical accounting practises, which were in contrast, 'unimportant and peripheral - profane, secular' (Broadbent *et al.*, 1996, p. 277).

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

In the end, 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.

10.2.7 The role of accounting and accountants in organisations

The role of accounting within NGOs studied appeared to be providing a formal mechanism for communicating and justifying utilisation of resources availed by institutional donors. The flow, frequency and density of accounting information were strongly related to resource flows. Institutional donors as providers of funds received most of accounting attention, followed by regulatory authorities, trustees, members and finally beneficiary communities and the general public. The actuality of donor funding dominating accounting activities in organisations raised concern among some stakeholders. There are on-going growing desires for other stakeholders to receive commensurate accounts of how NGOs are delivering on fiduciary duties.

The emerging interest of the Accounting Board in issuing a set of accounting practices for NGOs; a media interest that has begun to be critical of financial abuse in the large NGOs; and formulation of a national NGO policy are all results of pressures to enlarge the role of accounting to include a wide spectrum of stakeholders. These recent developments usher a period that may see an increased role for accounting. Observed here, as Burchell *et al.*, 1980 noted is a situation where 'accounting systems, as modes of organizational control, [can] arise out of interplay of political processes both within the organization and at its interface with dominant external agents' (p. 22).

At organisational levels, the single most important role of the accountant emerging from this study is that of 'budget makers' - technical individuals who are able to craft a 'bankable' budget. This aspect is seen as a mundane activity of accountants and appears to be granted little attention in extant literature. In organisations such as NGOs where a substantial part of incomes are tapped from institutional donors the budget is the primary fund-soliciting device and budgeting is probably the most important function of accountants. It appeared that other organisational actors concentrated on getting core activities done and showed little interest in matters of accounting. Accountants had the task of translating programme activities into budgets - budgets that were packaged to appeal to preferences of individual donor

institutions. Within NGOs, she/he became a much sought after individual the 'accounting person' who was able to put together a budget that gets accepted by donor institutions with the minimum of revisions.

The accountant was also an important person in ensuring that the budget showed increases on a year-by-year basis, indicating and communicating to donors internal confidence for continued demand for programmes of the organisation. The accountant was therefore heavily involved in exploiting the budget to heighten importance (Covaleski and Dirsmith, 1983; 1986) and influence negotiations and discourses with funding agencies (Boland and Pundy, 1983).

Once finances had been obtained the role of the accountant receded to the peripherals - accountants appeared to have little influence on how finances were actually spent. They only had to ensure that over-expenditure did not occur and periodic reports were prepared and submitted in time to institutional donors. In this respect, in so far as accountants were the creative individuals behind the 'making of the budget', they were in a sense 'advocates' (Rosenberg *et al.*, 1982; Jonsson, 1982). However, since they also ensured non-occurrence of over-expenditure this necessarily would involve their being 'guardians' (Rosenberg *et al.*, 1982; Jonsson, 1982). In contrast to extant literature, rather than these being distinct roles that accountants get assimilated into, they seem to emerge as roles that may be better conceptualised as being concurrently played depending on prevailing circumstances.

In reporting to donor institutions one task expected of the accountant was to ensure maximum retention of funds remitted to the organisation. Noticed here is the extension of the role of accountants as 'guardians' to relationships outside the organisations - with institutional donors. Organisations prided themselves over the ability to generate surpluses that can be used without having to 'account' to donors. In this regard accountants have at times accounted for donor funds as having been expended while they were actually still in the bank. This concealing behaviour is demonstrative of 'shielding' (Lightbody, 2000) - a phenomenon that was associated with attempts by finance managers to hide from view of other members funds that could otherwise have been made available for expenditure.

10.3 Summary

This chapter sought and explored connections between phenomena in the emergent theory as compared to extant literature. The objective was to build cumulative knowledge about why specific events, structures and processes appeared as they were, and if there were changes, to understand change patterns and their underlying reasons. There are aspects of the emergent theory that reconcile with extant literature but there are also areas of variance that reveal interesting insights. For example, as in extant literature, accounting practices were observed to be constituted by resultant dynamics of organisation-stakeholder interactions. However, at variance with extant literature was the observation that accounting appeared to have no significant constituting effects on the way organisations were run.

The chapter underscored the centrality of trust to accountability relationships because willingness by institutional donors to relieve some organisations of burdensome accounting requirements was closely associated with a perception of high trust in those organisations. The emergent theory also suggests that the relationship between accounting practices and trust is not one-dimensional. The generation and production of accounting information affects, over time, levels of trust but similarly the extent of trust relationships between internal and external actors influences accounting practices.

The chapter also explored relationships between accounting and organisational accountability and suggested that although issues of audit, accuracy and integrity of accounts were important there were other facets of accountability that stakeholders paid attention to. Two of which were the degree to which an organisation was accessible to societal scrutiny and the extent of availability of knowledge of its operations to interested constituents. Both these aspects transcended accounting and regulatory requirements. Although regulation was observed to be important it provided only minimum care standards with regard to organisational accountability.

Accounting practices were implicated in legitimating organisations to external stakeholders. Visible also were changes occurring with regard to the importance accorded to accounting functions within organisations. Such changes were, nevertheless, seen to be of little consequence to internal decision processes. Accounting functions were geared largely

towards portraying images of organisations as competent entities that employed modern management practices that society perceives as important. In line with institutional theorists (Meyer and Rowan, 1977; Meyer and Rowan, 1991; Powell and DiMaggio, 1991) organisations were responding to societal dynamics that desired a role for accounting. Similarly important was the use of expert services such as auditors and management consultants in enhancing organisational legitimacy. Consequently accounting and accountants were relatively insignificant in constituting change within organisations. Accounting and accountants were instead essentially symbols of rationality (Ansari and Euske, 1987).

Changes in accounting functions were mostly externally instigated and organisations were successful in preventing such changes from penetrating through to the core fabric of organisations. Through a strategy of seemingly open acceptance coupled with passive resistance, organisations were able to sustain preferred modes of administrative behaviour by repeatedly ignoring expert recommendations.

The strength of organisational culture and the threat of organisational mortality are two aspects that appeared to explain the manner in which organisations accommodated accounting changes. It was observed that a strong activist cultural orientation did not appreciate formal and managerialist approaches as important for effectiveness of delivery of core programmes. Such a cultural orientation saw utility of accounting as only being to meet requirements for reaching donor resources. In these organisations accountants therefore were acknowledged as important technical people who could craft budgets - the most important activity of the accountant in these organisations. Once funds had been acquired the accountant was peripheral in subsequent decisions expect to ensure that budget limits agreed to with institutional donors were not exceeded and expenditure and other financial reports were unfailingly submitted to donors and other users.

The strength of cultural values was however watered down if continued existence of the organisation was at stake. The threat of organisational mortality (for example, a major crisis; or loss of long term donor funding) coaxed organisations into yielding to accept more accounting-related change that resulted in what appeared to be a stronger accounting function in one organisation.

This chapter placed and succeeded in interweaving the emergent theory with extant literature. It also explored and discussed areas of commonality and divergence. The following chapter finalises the thesis and makes suggestions for extension of elements of the emergent theory into other substantive areas. It draws this research undertaking to a close by outlining its overall conclusions and reiterating its theoretical contributions, and marking and discussing its methodological contributions.

Chapter Eleven

11 Conclusions and contributions

11.1 Introduction

This chapter accomplishes one major objective - setting out the key ideas drawn from this research and their implications to extant literature and substantive research interest areas. It seeks to indicate how the focal literature has changed as a result of this piece of research and what contributions it makes to the body of literature reviewed in Chapter Three [Interpretive Accounting Research] and Chapter Four [Accounting in Non-governmental not-for-profit organisations].

The chapter summarises major themes that arise from the research in the first section. The second section lists the theoretical contribution this research makes to the body of interpretive research literature generally and not-for-profit organisations in particular. The final section attempts to link this research with future research by putting forward methodological contributions and making suggestions for future research.

11.2 Principal research ideas

Excluding religious organisations, non-governmental not-for-profit organisations handle \$1.1 trillion (Salamon *et al.*, 1999) and are emerging as key actors in development assistance. NGOs were involved in 54 percent of all approved World Bank projects (World Bank, 1998). Non-governmental not-for-profit organisations are therefore institutions of growing importance in society. However, the review of focal literature in Chapter Four concluded that research in non-governmental not-for-profit organisations is rather limited (see for example, Laughlin, 1988; Laughlin, 1990; Abdul-Rahman and Goddard, 1998; Lightbody, 2000; Parker, 1998). But even more limited is empirical research outside religious organisations - for example, all of the above publications are studies in religious organisations. By studying non-religious organisations this research addresses this lacunae in literature.

NGOs embrace collectivist ideals, are managed and often made up by a small number of activists, and obtain funding from institutional donors in order to implement programmes that provide benefits to targeted and often disadvantaged members of society. Their operations are therefore embroiled in stakeholder relationships, which appeared to be the primary platform on which all other aspects of organisational life revolved. This research followed these stakeholder relationships in the developments of three large organisations and how accounting and accountants featured and influenced or were influenced by those relationships.

This research is a grounded theory study that proposes an account of social processes that underlie the existence of NGOs; how they gain access to donated resources and how they account for those resources. It identifies *navigating legitimacy* as the central phenomenon of the emergent substantive theory. This construct represented the basic social process of how and the extent to which organisations succeeded to access resources availed by donors and modes by which these organisations justified resource utilisation to a spectrum of stakeholders. Two *macro-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*. A weak and outdated regulatory regime appears to have encouraged exploitative tendencies where NGOs accessed and obtained funds with little accountability to stakeholders other than donor institutions. Issues of finances and how they are accounted for were therefore central in these two macro-conditioning contexts. The phenomenon of 'mushrooming of NGOs' - the high rate of unregulated growth in NGOs in the past ten years in Tanzania appears to be a result of these two conditions.

Two *micro-conditioning contexts* were also identified. Micro-conditioning contexts are the organisation-specific circumstances that either facilitated or constrained the way organisations managed the process of navigating legitimacy. These were the *internal organisational situation*; and *accountability profiles* of individual organisations. Internal organisational situation is a construct indicating whether an organisation experienced growth and stability or conflict and stagnation/decline. The internal organisational situation had impact on first; the legitimacy threshold an organisation sought, and second; the courses of action (strategies) available for navigating legitimacy. Internal stability attracted donor

confidence and hence growth opportunities while conflict had the opposite effect. Attributes of high donor appeal, leadership credibility and competence, and general public acceptance were more likely to be found in NGOs experiencing stability. These attributes are associated with organisations with high legitimacy thresholds.

Accountability patterns or profiles are positions taken by or ascribed to organisations with respect to scope and quality of accountability. Superior accountability (i.e. wide in scope and higher in quality) is associated with organisations seeking a high legitimacy threshold while inferior accountability is associated with organisations seeking a low legitimacy threshold, such as 'briefcase' NGOs.

Depending on these micro-conditioning contexts organisations were shown to seek either superior accountability [high legitimacy threshold] or inferior accountability [low legitimacy threshold]. Organisations seeking high legitimacy thresholds engaged the whole spectrum of stakeholders while those seeking low legitimacy thresholds engaged only a few most critical stakeholders. These low legitimacy threshold organisations kept a low public profile, maintained the minimum house keeping requirements and met only donor accounting and reporting requirements to ensure a continued flow of funds.

A number of strategies and tactics that organisations employed in navigating legitimacy were described. These fell into two sub-processes - *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.

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 covert and overt 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.

Conformity with formal accounting and reporting stakeholder requirements was essential for accountability but it did not always confer legitimacy to an organisation. Good financial reports that were properly audited were important in discharging organisational accountability but they were, at times, also associated with phases in organisational lives that were deficient in legitimacy. Superior accountability however transcended technical accounting and embodied aspects such as organisational transparency and accessibility.

Consequences of the process of navigating legitimacy were observed in the increasing profile of accounting functions. As funding increased accounting functions have, 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'. This promises significant future implications for the study of accounting in NGOs in Tanzania.

11.3 Theoretical contributions

[...] The institutional and social aspects of financial accounting are still relatively unexplored. Compared to our insights into the economic theory of income calculation and the economic determinants, our knowledge of how forms of financial accounting emerge from, sustain and modify wider institutional and social structures is modest (Hopwood, 2000, p. 763).

The previous chapter - emergent theory within extant literature - identified and discussed elements of the emergent grounded theory in light of prior empirical research in extant literature. Areas in which the emergent theory offered conceptual insights were also discussed at length. What this section sets out to achieve is to reiterate specific areas that this research contributes to.

First, in response to Hopwood (2000) above, this research contributes to the parent body of interpretive literature by providing incremental evidence of previously observed phenomena but from organisational forms that have not been studied previously. Concurring with prior interpretive research, this research study observed accounting to be intertwined with diverse aspects of organisational lives [intra-organisational dynamics] as well as aspects that arise from interactions with stakeholders outside organisations [inter-organisational dynamics].

For example, this research demonstrates the influences of organisational culture in resisting accounting change (Cobb *et al.*, 1995; Jacobs, 1995; Nahapiet, 1988; Polesie, 1994; Broadbent, 1992; Broadbent and Laughlin, 1998; Laughlin *et al.*, 1994). 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. This research also supports and illustrates the symbolic role accounting plays in legitimating organisations (Ansari and Euske; 1987; Ansari and Bell, 1991; Berry *et al.*, 1985; Hoque and Hopper, 1994) even in circumstances where accounting itself had a minimal role to play in internal decision processes.

Secondly, this research contributes to descriptive stakeholder theory (Jones, 1995; Donaldson and Preston, 1995; Mitchell *et al.*, 1997; Frooman, 1999) and to literature on stakeholder approaches in accounting (Goddard and Powell, 1994; Gray *et al.*, 1997) by examining and describing in depth how organisations responded to and influenced stakeholder claims. Although ample literature addresses the question 'who are stakeholders?' the empirical descriptive component of stakeholder theory has not received sufficient attention (Mitchell *et al.*, 1997). Questions such as 'to what and how' managers pay attention in stakeholder interactions and descriptions of stakeholder influence strategies have received piecemeal attention (Frooman, 1999). This research and particularly descriptive results of stakeholder analysis in Chapter Six contribute towards an understanding of organisations in stakeholder terms.

Thirdly, 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. Pendlebury *et al.*, 1994 for example, stated, at one time, that contextual research 'cannot offer an alternative, not even a status quo. This is because, in essence, they [interpretive researchers] are arguing that we do not understand enough about our organisations to know whether or not we are ever doing the right thing' (Pendlebury *et al.*, 1994, p. 33). Recently however, there has been a change of heart and now at least there is acknowledgement that:

[...] qualitative research, possibly utilizing interviews, might help to provide useful insights to explain the reasons for the current level of compliance/non-compliance and the lagged adoption of recommendations. Studies of this nature would help to provide a more complete understanding of the role of annual reports in the provision of information (Connolly and Hyndman, 2000, p. 98).

Findings of this research illustrate a commonality of issues with, and complement the central premise in parent extant literature - that accounting is a component part of social and institutional interactions, affecting and being affected by human interactions and institutional conditions. This research extends our understanding of the relationships between accounting and effects of stakeholder interactions. It suggests that visibility of accounting functions and levels of compliance with recommended accounting practices may be influenced by stakeholder stature and accountability profiles of organisations.

Regardless of the stated importance of accounting recommendations organisations appear to only fulfil demands of stakeholders who are important to the survival or credibility of the organisations. For example, if fund providers are already satisfied with accounting reports prepared and availed in current formats there is less incentive to comply with discretionary accounting claims such as recommended accounting practices. Organisations may comply only if these have potential to substantially increase an organisation's accountability profile. Symbolic acceptance and subsequent non-implementation of expert recommendations was suggested in this study as a strategy organisations employed to maintain legitimacy without alienating claimants.

Fourthly, this work also sheds light on accountability in non-governmental not-for-profit organisations by narrating how the phenomenon is constructed, its features and dimensions and finally how it was perceived by organisations and stakeholders. It suggested 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. Accountability profiles also were influenced by the strength of trust relationships developed between the providers and receivers of 'accounts'. For example, despite having what even donors acknowledged to be a weak accounting function annual incomes of AIKA more than doubled in the space of five years because from the experiences of institutional donors the organisation was perceived as a high trust organisation.

Finally, this research offered and illustrated the construct of *functional visibility of accounting* - in which accounting changes within organisations were observed over time. Consistent with extant literature this research suggests that the strength of organisational culture appeared to play a defining role in the extent to which accounting changes were undertaken and the success with which such changes penetrated interpretive schemas of organisational actors (Broadbent, 1992; Broadbent and Laughlin, 1998; Laughlin *et al.*, 1994). This research expands this understanding by suggesting that where there was a major crisis that posed a threat of organisational mortality, organisational actors inhibited cultural preferences and appeared more accommodative to an increased role for accounting. There are incidents within extant literature that narrate external threats as contextual backgrounds for organisational change, such as globalisation, technological innovation and falling profits (Cobb *et al.*, 1995 and Polesie, 1994) or plummeting credit rating (Carpenter and Feroz, 1992). This research contributes to extant theory by blending these themes and conceptualising them as illustrations of the threat of organisational mortality.

11.4 Methodological contributions

This research suggests four areas in which it contributes to methodology. One is on the use of stakeholder theory in understanding accounting and reporting relationships in not-for-

profit organisations and the remaining three make suggestions on different aspects of grounded theory methodology that may improve its application to accounting research.

11.4.1 A stakeholder approach in interpretive research

The familiar pattern in interpretive research follows organisational anthropology where the researcher as a participant observer is resident in an organisation, which becomes the only focus of the study. Although this research was initiated in, and focused at individual organisations the focus transcended the organisation and investigated relationships and interactions with organisational stakeholders. This enabled a multi-perspective analysis that is not obtained when the focus is restricted to only the organisation.

A stakeholder perspective facilitated the identification of stakeholders and understanding of stakeholder relationships and their implications for accounting and accountability. Such a perspective to field data had the capacity to capture both the regulatory complexities associated with maintaining and producing accounting information, as well as the important socio-cultural aspects. Grounded theory analysis also benefited from stakeholder analyses conducted early during the research.

This research contributes to methodology by executing such a stakeholder informed approach to organisational studies and offering it as of potential benefit to research in similar not-for-profit organisational settings. Lack of ownership in the sense of corporate entities; existence of donors who have altruist motives and may not require strict fund accountability; an insignificant role for creditors; and the separation of financing from the actual delivery of programmes are conditions that make the stakeholder approach even more appropriate to not-for-profit organisations research.

11.4.2 Practical suggestions for grounded theory analysis

This research contributes to methodology by reflecting on fieldwork experiences from this and other works in extant literature and suggests how grounded theory analysis could be made more productive. Since Parker and Roffey's advocacy paper (Parker and Roffey, 1997) grounded theory has gained popularity as a research methodology in the accounting field.

However, few empirical studies have attempted to systematically document and communicate the dynamics of the theory generating processes or evaluated its use.

For novice grounded theorists the recurring problem in executing a grounded theory study is the dearth of published works that detail field-informed processes of grounded theory, within accounting as well as management research broadly (from recent publications see for example, Greenhalgh, 2000; Andriopoulos and Lowe, 2000; Daymon, 2000; Lye, 1998; Abdul-Rahman and Goddard, 1998; Parker, 1998; Lightbody, 2000; Lowe, 1995; and Lowe, 1998). Slagmulder (1997) is an exception - it is a publication that offers a detailed description of how the coding process was undertaken, and suggestions it makes have been taken up by others (see Greenhalgh, 2000, for example).

Some aspects of Slagmulder's account of the coding process are however, problematic especially on open coding [how it is conducted and what its output is]. The author suggests for example that:

[...] open coding is undertaken using both a paragraph-level and line-by-line analysis of the cases. In the first stage of the open coding, the main idea of each paragraph is given a conceptual label. This level of analysis allows the central theme of each paragraph to be assigned to a single category. After all the categories have been identified and the categories of interest selected, the open coding level is changed to line-by-line analysis for those categories of interest. This more detailed level of analysis allows each individual event to be given a conceptual label so that different events which pertain to the same phenomenon are coded using the same concept. Finally, the level of analysis is changed to the entire cases and by comparing similarities and differences across the cases the underlying phenomena are identified. Once open coding is completed, we use axial coding to identify the main categories and make connections between those categories and their subcategories (Slagmulder, 1997, p. 137).

First, four kinds of outputs can be identified from the above quote; conceptual labels [from each paragraph and from each individual event]; the central theme of each paragraph [assigned to a single category]; categories [and selected categories of interest]; and underlying phenomena. Neither the above quote nor the actual coding process (Slagmulder, 1997, p. 111) narrates how this output is brought together; how concepts link with categories and how one narrows down to select 'categories of interest' during open coding. In our view it is overly optimistic to expect such kind of output from open coding and it may even

present a threat of premature closure. Notice that by the end of open coding Slagmulder (1997) had already identified seven categories and selected four out of these as 'those that capture the adaptive process' (p. 111).

Second, grounded theory analysis ought to progress from lower to higher levels of abstraction with increasing levels of coding. Slagmulder (1997) starts with paragraph-by-paragraph coding, identifies categories and sub-categories and thereafter goes into line-by-line coding. It is unlikely that one will be able to code paragraphs and generate categories and subcategories without observing closely the contents of individual sentences and words, especially if one follows the counsel of Strauss and Corbin (1990; 1998) which requires that during generation of categories one also identifies their properties and dimensional ranges. Close reading of Strauss 1987; Strauss and Corbin, 1990; 1998 appears to suggest that one begins with the lowest unit of coding which is also the most generative in order to 'break down the data'.

Experience from this research suggests that open coding may be conducted initially on a line-by-line mode, which may then progress into a paragraph-by-paragraph mode. One does not have to undertake both and could even begin with paragraph-by-paragraph coding from the outset. Although whole transcripts may be read and perhaps ought to be read before 'intensive' coding begins, this reading is only a way of absorbing the data, 'getting immersed' in it. The position taken in this research is especially consistent with Strauss (1998) who offered the following advice regarding open coding to [his] grounded theory students:

[...] I try to show students the difference between just looking at an interview or fieldnote in search of general themes or patterns and what I call intensive coding. .. The effort is to show students that they should not skim over things when doing analysis. *They have to read every sentence very closely*, for words and phrasing will suggest all kinds of possible hypotheses that are worth exploring. The name of the game is not to know exactly what's going on in that interview; you can only know that after you have analyzed the whole interview and have gone back to reinterview. So I teach them from the very beginning that *they have to scrutinize very carefully and that coding helps them to open things up*. The idea is not that one always does this kind of coding, what I call 'open coding', but that *they have to do that coding in order to get started* (Strauss, 1998, p. 93 [emphasis added]).

Once one has developed categories from open coding and has developed theoretical notes, further analysis (axial and selective coding) builds on these categories and theoretical notes. It is necessary to go back to the data (transcripts, field notes, diagrams and financial statements) to trace specific incidents one is led to revisit during axial and selective coding but this should not be construed as re-coding of transcripts.

Figure 14 summarises basic steps and outputs of the coding process as they were executed in this research.

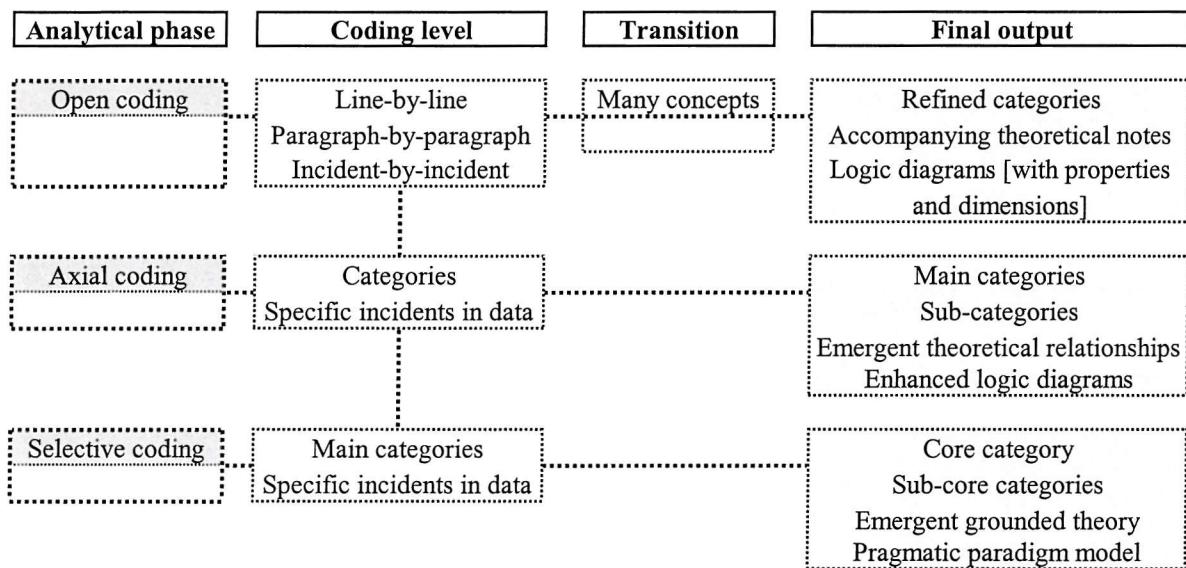


Fig. 14 : Basic steps and outputs of grounded theory coding

11.4.3 Operationalisation of the paradigm model

The paradigm model was employed in this research as a vehicle for integrating the emergent theory during selective coding. Strauss and Corbin (1990; 1998) suggested the paradigm model as made up of components in the following relationships:

(A) CAUSAL CONDITIONS → (B) PHENOMENON →
(C) CONTEXTS → (D) INTERVENING CONDITIONS →
(E) ACTION/INTERACTIONAL STRATEGIES →
(F) CONSEQUENCES (Strauss and Corbin, 1990, p. 99).

Although the position of Strauss and Corbin (1990) on the necessity of using the paradigm model as an integrating device has changed (Strauss and Corbin, 1998, p. 128), its

components and their relationships have remained unchanged (Strauss and Corbin, 1990; 1998).

One of the difficulties to a neophyte grounded theorist was operationalisation of the model itself. While the real world is complex and fluid, relationships in the model are static and uni-directional. Operationalisation of the paradigm model can therefore be overwhelming depending on the complexity of relationships as well as the researcher's experience. While the paradigm model is portrayed sequentially, relationships emerging from data were, often, not. Understanding these complexities Strauss and Corbin (1990) point out that consequences can lead back to causal conditions. These linkages are however, not restricted to these two parts of the 'process'. This research observed for example that although interactional strategies gave rise to consequences as the paradigm model suggested, interactional strategies were also aimed at, and had impact on conditioning contexts [see Fig. 12, page 229].

There may exist therefore backward loops [(D) Conditions[causal, intervening and contextual] ↔ (E) Action/Interactional strategies ↔ (F) Consequences]. The contribution to methodology this research makes is laying open the possibility for existence of multifaceted relationships that may require making necessary modifications to the sequential relationships of the paradigm model.

11.4.4 Towards a convergent grounded theory approach

In contrast to what is sometimes termed 'orthodox grounded theory' (Glaser, 1992; 1999; Lowe, 1998) this research closely followed Strauss and Corbin's methodology (Strauss, 1987; Strauss and Corbin, 1990; 1998). The methodology did prove useful in ordering large amounts of qualitative data in a systematic way, resulting in a substantive grounded theory. In a discipline such as accounting where published works that detailed grounded theory methodology were scanty it provided a detailed structure and examples on how one executed a grounded theory study. There were nevertheless analytic difficulties encountered when the procedures were followed to the letter. This research contributes to methodology by discussing and sharing these analytical intricacies and problems encountered in the different stages of analysis.

Difficulties were especially encountered during axial coding because it is an analytical phase that required filling-in elements of the paradigm model for each of the main categories. It eventually proved inhibitory to attempt, during axial coding, a level of conceptual integration that required all elements of the paradigm model as suggested by Strauss and Corbin, 1990; 1998. This was because the core category had not emerged and some categories and their relationships were still developing. Consequently axial coding became too monotonous especially because of the fixation to identify conditions [causal, intervening and contextual], interactional strategies and consequences for each of the main categories.

Axial coding was toned down and instead of worrying about elements of the paradigm model, effort went into simply coding for categories that either converged or contrasted on related properties or/and dimensional ranges. These became the 'axes' of axial coding and made axial coding what it should have been - an attempt to relate and blend open codes by comparing and contrasting incidents around them. Elements of the paradigm model did finally become vital but this was only towards the end when integration of the main categories around the core category was attempted.

Orthodox grounded theory (Glaser, 1992; 1999; Lowe, 1998) is, in its entirety, difficult to execute for the novice grounded theorist and in resource constrained research undertakings. Its attractiveness however, is in the flexibility with which one can move from substantive to theoretical coding without a prescribed structure. The appeal of grounded theory (Strauss and Corbin, 1990, 1998) is, on the other hand, its procedural mode of execution (Rennie, 1998; Kendall, 1999) that considered and therefore suits beginners on grounded theory methodology (Kendall, 1999; Baszanger, 1998; Corbin, 1998; Strauss and Corbin, 1998). This research contributes to methodology by making and illustrating a pragmatic choice in axial coding that resulted in appreciable ease in theory integration during selective coding but which towards the end allowed expedient incorporation of elements of the paradigm model. Other researchers might find this approach useful.

11.5 Suggestions for future research

Since an emergent grounded theory is an account of social process, its empirical testing heavily relies on plausibility of the narrative. Suggestions for future research therefore need

to encourage further research that tests scope and conditions under which narratives in the emergent theory are credible. This is especially important because interpretive research has been seen to 'offer great insight but fail to build on one another' (DiMaggio, 1997, p. 263) - an observation that was also made by Humphrey and Scapens (1996) and Humphrey (2001).

Scope and conditions can be tested for the phenomenon of navigating legitimacy in its entirety or its underlying sub-processes and individual concepts. Testing of the process of navigating legitimacy would involve research into substantive areas that are similar to NGOs studied, such as other large NGOs in Tanzania or in other countries where these organisational forms exist. The objective is to find out if the phenomenon is operative in other situations and to extend its scope because of variations that other substantive areas may generate.

Circumstances obtained in NGOs observed may not be dissimilar from other not-for-profit organisations that rely on others' charitable actions such as charities and collectivist organisations. These are potential rich sites where some elements that emerged from this research may be of interest to observe. In the review of non-governmental not-for-profit accounting literature in Chapter Four accounting practices of charities in the UK and similar not-for-profit organisations in the US and Canada were found to be diverse and non-uniform (Birds and Morgan-Jones, 1981; Gambling *et al.*, 1993; Hyndman and Kirk, 1984; Holder, 1987; Seville, 1987; Hyndman, 1990; Hyndman, 1991). The introduction of the Statement of Recommended Practice 2 (SORP2) in the UK did not seem to have significantly reduced accounting practice diversity (Hines and Jones, 1992; Gambling *et al.*, 1990; Williams and Palmer, 1998). This is potentially a research field where some of the key themes emerging from this research may be explored. Some of the suggestive questions being, what may be the underlying field-informed justifications for non-compliance with respect to SORP? What are organisational actors' perceptions of the concept of compliance burden, if it exists? What are the influences of positions stakeholders have taken on changes in accounting practices of charities? What role does accounting have in internal decision processes? In depth studies will enable a greater understanding of the accounting complexities (or simplicities) in charity accounting.

Finally, the strength of the Grounded Theory methodology is seeking and discovering plausible explanations in relation to a phenomenon beyond the original research area. Some aspects that emerge from this research have been suggested in extant literature and there are opportunities to further explore these into organisations that are profit oriented. The confluence of trust and accounting requirements and practices is for example, one such area where in depth studies may yield interesting additional insights.

Appendices

Appendix I: Table of interpretive research by type of institution studied

Institution type		Research theme		
		Budgeting and control	Information processing and communication	Organisational change and cultural implications
Corporate	<i>Public</i>	Berry <i>et al</i> (1985) Hoque and Hopper(1994)		Berry <i>et al</i> (1985) Dent(1991) Hoque and Hopper(1994)
	<i>Private</i>	Scapens and Roberts(1993)	Dirsmith and Covaleski(1985) Preston(1986) Jonsson and Gronlund(1988) Polesie(1994) Ahrens(1997) Dirsmith <i>et al</i> (1997)	Innes and Mitchell(1990) Ansari and Bell(1991) Scapens and Roberts(1993) Polesie(1994) Cobb <i>et al</i> (1995) Gray <i>et al</i> (1995) Ahrens(1997) Granlund and Lukka(1998)
Government	<i>Municipal</i>	Jonsson(1982) Rosenberg <i>et al</i> (1982) Boland and Pondy(1986) Covaleski and Dirsmith(1988)		
	<i>Department</i>	Ansari and Euske(1987)		Ansari and Euske(1987) Chew and Greer(1997)
Not-for-profit	<i>Hospital</i>	Covaleski and Dirsmith(1983) Covaleski and Dirsmith(1986) Nahapiet(1988) Broadbent(1992) Goddard(1992) Goddard and Powell(1994)	Boland and Pondy(1983) Broadbent(1992)	Broadbent(1992) Laughlin(1992) Laughlin <i>et al</i> (1994) Jacobs(1995) Broadbent and Laughlin(1997) Broadbent and Laughlin(1998)
	<i>University</i>		Boland and Pondy(1983)	
	<i>Religious</i>	Laughlin(1990)	Laughlin(1988) Laughlin(1990)	Laughlin(1988) Abdul-Rahman and Goddard(1998)

Appendix II: A list of 78 early concepts from which categories were generated

1. Modes of legitimacy
2. Social legitimacy
3. Legal legitimacy
4. Organisational culture
5. An activist organisation
6. Commonality of values
7. Shared vision
8. Team spirit
9. Building and maintaining alliances
10. Levels of staff commitment
11. Implications of trust and mistrust for organisations
12. Extent of use of 'participatory' methods
13. Leadership styles
14. Staff recruitment 'procedures'
15. Attitudes towards organisational hierarchies
16. Initiation and cultural assimilation
17. Office layout and occupancy arrangements
18. Personal meaning of an office
19. Impetus for changes
20. Origin of changes
21. Scale of changes
22. Effects of changes
23. Duration of changes
24. Organisational transparency
25. Functional visibility of accounting relative to other functions
26. Perceptions of the importance of accounting
27. Budgetary practices
28. Organisational procedures and compliance
29. Public social standing and reputations of organisations
30. Complexities and simplicities of accounting processes
31. Convergence of organisational and personal goals
32. Features of the regulatory environment and the institutional framework
33. Efforts towards 'standardisation' of accounting practices
34. Organisational conflicts
35. Opportunism within organisations
36. Organisational 'ownership'
37. The effects of social and economic reforms
38. Nature of stakeholder relationships
39. Audits and inspections
40. Types of assessments of resource utilisation
41. Clarity of lines of accountability in organisations
42. Mechanisms for monitoring legality and conformity
43. Proliferation of NGOs
44. Creating an enabling environment
45. Resisting and influencing the NGO policy
46. Reporting relationships
47. The burden of multiple donor reporting
48. Conforming with donor accounting requirements

49. Lessening the donor reporting burden
50. Current donors as witnesses to potential donors
51. The role of professional consultants
52. Resource endowment and income generating capacities of organisations
53. Incidents of interventions by stakeholders
54. Organisational reconstruction
55. Donor acceptability
56. Professionalisation of NGO management
57. Relative stakeholder stature
58. Organisational oversight and effectiveness of governance
59. Trustee selection
60. Personal and collective strengths of trustees
61. Degrees of tolerance of inefficiencies of colleagues
62. The role of the Accounting Board
63. The rhetoric of participation of beneficiaries - 'Empowering beneficiaries'
64. Building capacity for accounting and management
65. Influencing donor accounting requirements
66. Basket funding
67. Building consortiums
68. Power plays by recipients and providers of funds
69. Importance of management initiated evaluations
70. Legitimating overtures
71. Networking
72. Experiences of accounting failure
73. Regulating and coordinating NGO operations
74. Member cohesiveness in organisations
75. Accountability of NGOs
76. Briefcase NGOs
77. Outdated statutory provisions
78. Positive and negative 'intentions' of government regulation

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