DOWNWARD ACCOUNTABILITY & NGO EFFECTIVENESS: A SECOND PHASE STUDY

[1]NURUL HIDAYANA MOHD NOOR, [2]SITI HAJAR ABU BAKAR AH

[1]PhD Candidate, Department of Social Justice & Administration, Faculty of Arts & Social Science, University of Malaya, Malaysia
[2]Associate Professor Dr., Department of Social Justice & Administration, Faculty of Arts & Social Science, University of Malaya, Malaysia
E-mail: [1]nurulhidayana@yahoo.com, [2]shajar@um.edu.my

Abstract— The qualitative data found in this paper was intended to validate and explain the outcomes of the first phase study which is the survey results of 209 employees. This was carried out as to elucidate the effect of downward accountability towards NGO effectiveness. We argue that the existing measures are incomplete and based from that, we develop a structural model to test the hypothesized effect. Utilizing Mango' (2010) framework, the results have revealed that information disclosure and complaints procedures affect NGO effectiveness except for participation mechanism. Thus, in understanding those results, for the second phase study, we utilize semi-structured interview technique by collecting data from six key informants who are leaders, managers, and influential person of Malaysian NGOs. The insightful results verify and confirm the empirical model as well as provide in-depth understanding on the hypothesized relationships.

Keywords— Information Disclosure, Participation Mechanism, Complaints Procedures, Non-Governmental Organization (NGO)

I. INTRODUCTION

A stakeholder theory proposed that when the organizations are large, their impact on the society is so prevalent; hence, they should discharge accountability to its various stakeholders (Freeman, 1984). Relating to our study context, non-governmental organizations (NGOs) are accountable to the multiple actors which can be clearly understood using three core area of nonprofit accountability. First, NGOs are upwardly accountable to its donors, government, and foundations. Second, NGOs are downwardly accountable to its beneficiaries group (i.e., those who either directly or indirectly received the services). Finally, NGOs are inwardly accountability to its organizational mission and staff (Edwards & Hulme, 1996). In recent years, downward accountability has received an attention among previous scholar due to its ability in improving the performance of an organization (Wallace, Johnson, Mathe, & Paul, 2011; Mitchell, 2012). Unfortunately, many scholars have discovered that many NGOs still facing a fragile accountability practice especially in downward accountability (O'Dwyer & Unerman, 2008). For example, based on a study conducted among 213 Malaysian registered NGOs for the financial period of 2010, Arshad, Abu Bakar, Sakri, and Omar' (2013) study has revealed that the information disclosure practice among Malaysian NGO remains weak with the mean value for the overall extent of disclosure is only 12 percent (%). Recognizing these matters, our first phase study was design in order to examine the current practice of downward accountability and their effect on NGO effectiveness. The study also been carried out based on the premise that there is paucity of comprehensive studies in the accountability area. For example, studies conducted by Zainon, Atan, Wah, and Ahmad (2012), and Arshad and Ismail (2011) only focusing in a limited aspect of downward accountability. In addition, perhaps the most importance contribution of our previous study is the development of downward accountability scale which has been adapted and modified based on Mango's (2010) checklists. Our survey among 209 valid responses, have revealed that information disclosure and complaints procedures affect NGO effectiveness except for participation mechanism. Thus, in this paper, we aim to validate and explain these findings by utilizing the second phase study of explanatory sequential mixed method. We believed that the findings of the interview data could verify the empirical model and also provide explanation on the insignificant effect of participation mechanism.

The remaining of this paper is structured as follows: 1) literature review and empirical model, 2) research methodology, 3) findings and discussion, and 4) conclusion and future suggestions.

II. LITERATURE REVIEW

Downward Accountability & Core Area

Ebrahim (2003) defined downward accountability as to discharge power to those further down the aid chain, for example from an organization to its intended beneficiaries. Accountability to beneficiaries checklist developed by Mango (2010) provides concrete benchmarks for measuring downward accountability. Through this checklist, we defined downward accountability based on three areas which are: 1) information disclosure, 2) participation mechanism, and 3) complaints procedures.

Information disclosure. A body of knowledge has agreed that information disclosure is a foundation for effective accountability (Relly, 2012; Ebrahim & Weisband, 2007; Madon, 2014). Generally, disclosure report can be either legally required or voluntary prepared by the NGOs. In Malaysia for example, NGOs are legally to submit a set of the annual report to the Registrar of Societies or Companies Commission as depend on which regulation governed them. NGOs are also not obliged to report this information to the public. In discussing the information disclosure practice among Malaysian NGO, Nahan'(2003) study had identified three main weaknesses which are: 1) the information is not accessible, 2) the information is incomplete, and 3) there is no oversight function. In this case, NGOs need to ensure that information disclosure practice is implement at the highest standard with the highly quality information that can fulfilled the need and demand of their wide range stakeholder.

Participation mechanism. World Bank Learning Group (1995) defined participation as "process through which stakeholders' influence and share control over development initiatives, and the decisions and resources which affect them" (as cited in Gaventa & Valderrama, 1999, p.2). Participation can deliver several benefits such as 1) better decision making, 2) improve communication, and 3) enhance the organizational performance (Cleaver, 1999; Salmen, 1995). However, the degree of participatory practice is complex in nature and a body of knowledge has discovered that participation practices are varies across the organization (Ebrahim, 2003; Padanyi & Gainer, 2004). In explaining the differences, Bovaird and Loffler (2009) have introduced the model of participation categories. The model consisted of three participation types which are: 1) communication (i.e., one-way flow of information which is from service provider to the stakeholder), 2) consultation (i.e., two-way dialogue between service provider and its stakeholder), and 3) co-production (i.e., active stakeholder participation in all program phases). A consensus of research strongly believes that participation is only established when the beneficiaries are involve in all phases of projects (Kolavalli & Kerr, 2002).

Complaints procedures. Mango (2010) defines complaints procedure as an important mechanism to get feedback and improve on meeting customer needs. Complaint arises due to the feeling of dissatisfaction and its can lead to the continuous improvement and organizational learning if the organization knows how to learn from it (Brewer, 2007). In contrast, the ineffective and inefficient in understanding complaints can damage organizational reputation (Singh, 1990). Thus, complaints procedures is a serious matter need to be concerned by an organization, especially, NPO. However, managing complaints is not an easy task; instead there are several challenges. Past studies have identified three main barriers to the effective complaints procedures. These include: 1) cost in handling complaints, 2) uncertainty towards customer complaints, and 3) the ignorance from unsatisfied customer (Stauss & Schoeler, 2004). In achieving complaints management effectiveness, the organization can utilize varieties types of complaint mechanisms in order to assist them such as complaint committees, third-party complaint mechanisms, community feedback, meeting, and public hearing, perception survey, and others (Wood, 2011).

Downward Accountability Empirical Model for NGO Effectiveness

In the first phase study, a conceptual model incorporating three downward accountability areas was developed. A total of 209 responses were received (69.6% of the response rate). Survey items were adopted and adapted from the established framework. Figure 1 summarized the final empirical analysis.

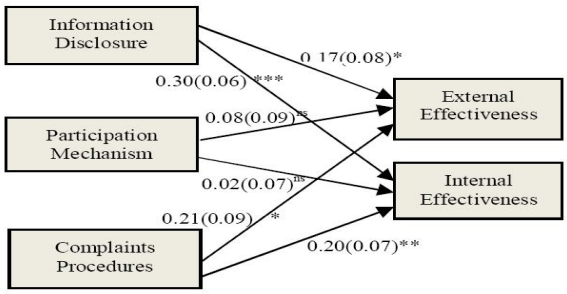


Fig. 1. Empirical model of downward accountability core areas (Source: Mohd Noor, 2015)

Notes. N=209; ***p<0.001, **p<0.01,*p<0.05, ns=insignificant. Model fit indices: RMSEA (Root Mean Square Error of Approximation) =0.10, CFI (Comparative Fix Index) = 0.90, TLI (Tucker-Lewis Index) =0.90, and Chisq/df (Chi Square/Degree of Freedom) =4.46.

Based on the findings, information disclosure and complaints procedures significantly determine external effectiveness ($\beta 1$=0.17, p<0.05 and $\beta 3$=0.21, p<0.05), and internal effectiveness ($\beta 1$=0.30, p<0.001 and $\beta 3$=0.20, p<0.01). However, as not expected, participation mechanism does not contribute to both external effectiveness ($\beta 2$=0.08, p>0.05) and internal effectiveness ($\beta 2$=0.02, p>0.05). In a further analysis, the results of one-way ANOVA on the categories differences (i.e., service-oriented and membership-oriented) have showed that there is significant differences for participation mechanism (F (9) =2.264, p<0.05) and none for others variable.

III.METHODOLOGY

Within this paper, the second phase study was undertaken using a qualitative research approach (i.e., semi-structured interview). This format also allowed

us to explore and contribute any additional information that relevant to the research topic (Mann & Stewart, 2000). After approval, six key informants willing to participate. Interviews took place at a mutually agreed place and time, and all personal interviews were recorded on audiotape and subsequently transcribed. Interview questions were formulated based on the previous standardized questionnaire. In this case, interview questions were sorted into four themes: information disclosure, participation mechanism, complaints procedures, and validation of the findings. On average, interviews took about 40 minutes.

IV. RESULTS & DISCUSSION

Based on the interviews, we concluded that each NGO has implement downward accountability and all of them believed that downward accountability is importance for their organizational effectiveness. For example, the first interviewee briefly explained:

> *Disclosing information is vital in order to get public support and maintain donation flow. In order to organize our yearly activities, we need at least an expenditure of RM 1.5 million per year. Thus, accountability is something that can't be comprised by an institution…In term of participation, we have invited the beneficiary representative to be involved with our meeting. Any projects and programs are based on public feedback... We have our own websites where the public can give complaints or feedback. Besides that, public also can complaints by phone, letter, or email. Feedback is importance for our foundation improvement (Mr. L, Membership-Oriented NGO, December, 30, 2014).*

On the same question, second interviewee has explained as follow:

> *We disclose basic information such annual report to public using our websites. We disclose any single cents to show that we are transparent. Our accounts strictly being manage by our internal and external audit board… We have complaints procedures. However, we can't immediately settle those requests. It could take several procedures and times. But, we always try our best in helping our clients (Madam T, Membership-Oriented NGO, January, 15, 2015).*

While, another interviewee has stated that:

> *In our centre, under special scheme, each child is receiving RM 2400 per year. So, any achievement or performance of these children will be informed. In term of disclosing, we are lucky because usually the parents will help us to disclose any information to the public… They have created their own websites and I quite surprise that they continuously maintain this websites by disclose pictures or programs conduct by our centre… We also take several initiatives in disclosing information such as providing flyers, brochures or establishing booth (Madam A, Service-Oriented NGO, January, 22, 2015).*

Next, in examining the unexpected effect of participation mechanism, our previous examination on the result of one-way ANOVA has found that each NGO (i.e., service-oriented and membership-oriented NGO) is practicing difference participation mechanism. Perhaps, the measurement set used is inconsistent with the actual practice. As debated by previous scholars, different orientations might affect the degree of accountability practice (Ebrahim, 2003; Padanyi & Gainer, 2004; Kolavalli & Kerr, 2002; Bovaird and Loffler, 2009). Following are examples of the verbatim quotes that highlighted the differences:

> *We invite our beneficiaries to attend our annual meeting and convention. During the convention, they are encouraged to provide any feedback and recommendation (Madam L, Membership-Oriented NGO, January, 30, 2015).*

> *Parents and publics can participate with our programs at any times... We are proudly to welcome them (Madam A, Service-Oriented NGO, January, 22, 2015).*

From above quotes, we could discover that membership-oriented NGOs are more formalized in term of managing their beneficiary participation. This is because as highlighted by Ebrahim (2003), membership NGOs is primarily focused on the interest of their members. On the other hand, service NGOs largely focuses on a range of services to their clients or beneficiaries and their main activity mostly focuses on the target public. Finally, when the interviewees were asked to validate the survey findings, all of them were agreed with the findings. Thus, we can conclude that the interview data reflect the survey findings.

The evidence from this study suggests the NGO management needs to continuously focus in managing downward accountability. In this case, we suggest NGOs to create an environment and develop their own procedure and mechanism that suit and meet the need of their own beneficiaries group. This is importance since each NGO has different nature and mission to be accomplished. For example, after a post-tsunami in 2008, Medair established the Beneficiary Accountability Programme as to provide

a platform for their beneficiary to provide feedback. Through this system, the public can issue feedback or complaints either in person, or in writing and by phone, and the complaints will be resolved within 7 days after being issued (Bainbridge, Tuck, & Bowen, 2008). Next, we also suggest NGOs to conduct beneficiary assessment in order to identify the salient of their beneficiary group. This is importance because each beneficiary group is requiring different level of downward accountability treatment. As highlighted by Mitchell, Agle, and Wood (1997), the more attributes (i.e., power, legitimacy, and urgency) the stakeholder possess, the salient that stakeholder becomes for the organization.

CONCLUSION

The main aim of this study is to validate and understand the results of our previous quantitative study. Our findings from this second phase have provided several important implications. First, we able to confirmed and validated our previous empirical model that describes and predicts the effect of downward accountability on NGO effectiveness. Second, our tested valid constructs can be used as a reference for further study. Third, by utilizing the qualitative study, this study provides in-depth explanation on the results of the survey study as well as it counterbalances the weaknesses of the previous study. However, there are some limitations need to be addressed. First is in term of generalizability. Since our sample was limited to the perception of NGO leader in Klang Valley area, Malaysia, perhaps future research needs to enlarge the scope of study. Second limitation is this study only focuses on three downward accountability core areas which could limit our knowledge on the issue. Thus, we suggest future studies to extend our proposed model by include other areas such as self-regulation, social auditing, and performance evaluation.

ACKNOWLEDGEMENTS

We are grateful to the key informants who participate for this study. We also are indebted to the Malaysian Ministry of Education and MARA Technology of University (UiTM) for providing funding for this study.

REFERENCES

[1] Arshad, R., Abu Bakar, N., Sakri, F.H., & Omar, N. (2013). Organisational characteristics and disclosure practices of non-profit organisations in Malaysia. *Asian Social Science, 9*(1).

[2] Arshad, R., & Ismail, R.F. (2011). Discretionary risks disclosure: A management perspective. *Asian Journal of Accounting and Governance, 2*, 67–77.

[3] Bainbridge, D., Tuck, E., & Bowen, K. (2008). *Tearfund disaster management team good practice guidelines: Beneficiary accountability* [Online]. Available: http://reliefweb.int/sites/reliefweb.int/files/resources/4A736E8A2A06FB1DC12574A3004B930F-tearfund-feb2008.pdf

[4] Bovaird, T., & Loffler, E. (2009). *Public management & governance*. London, UK: Routledge.

[5] Brewer, B. (2007). Citizen or customer? Complaints handling in the public sector. *International Review of Administrative Sciences, 73*(4), 549–556.

[6] Cleaver, F. (1999). Paradoxes of participation: Questioning participatory approaches to development. *Journal of International Development, 11*, 597–612.

[7] Ebrahim, A. (2003). Accountability in practice: Mechanisms for NGOs. *World Development, 31*(5), 813–829.

[8] Ebrahim, A., & Weisband, E. (2007). *Global accountabilities: Participation, pluralism, & public ethics*. Cambridge: Cambridge University Press.

[9] Edwards, M., & Hulme, D. (1996). Too close for comfort? The impact of official aid on nongovernmental organizations. *World Development, 24*(6), 961–973.

[10] Gaventa, J., & Valderrama, C. (1999). *Participation, citizenship, & local governance, background for workshop: Strengthening participation in local governance*. Sussex: Institute of Development Studies.

[11] Jabry, A. (2008). *Listen first: 25 real-life examples of downward accountability practice*. London, UK: Mango & E-Merge Consulting Limited.

[12] Kolavalli, S., & Kerr, J. (2002). Scaling up participatory watershed development in India. *Development and Change, 33*(2), 213–235.

[13] Madon, S. (2014). *Information tools for improving accountability in primary health care: Learning from the Case of Karnataka*. Closing the Feedback Loop, 189.

[14] Mango (2010). *Accountability to beneficiaries checklist: How accountable is your organization to its beneficiaries?* [Online]. Available:www.mango.org.uk/Pool/G-Accountability-to-beneficiaries_Checklist.pdf.

[15] Mann, C., & Stewart, F. (2000). *Internet communication and qualitative research: A handbook for researching online*. London, UK: Sage Publications.

[16] Mitchell, G.E. (2012). *The construct of organizational effectiveness: perspectives from leaders of international nonprofits in the United States*, Nonprofit and Voluntary Sector Quarterly [Online]. Available: doi: 10.1177/0899764011434589

[17] Mitchell, R., Agle, B., & Wood, D. (1997). Towards a theory of stakeholder identification: Defining the principle of who and what really counts. *Academy of Management Review, 22*(4).

[18] Mohd Noor, N.H. (2015). Enforcing downward accountability for nonprofit effectiveness: A case study of Malaysian NGO. *International Journal of Innovation, Management and Technology, 6*(2), 93–99.

[19] Nahan, M. (2003). *US foundation funding in Malaysia: NGO project report.* Melbourne, Australia: Institute of Public Affairs.

[20] O'Dwyer, B., & Unerman, J. (2007). From functional to social accountability: Transforming the accountability relationship between funders and non-governmental development organisations. *Accounting, Auditing and Accountability Journal,* 20(3), 446–471.

[21] Padanyi, P., & Gainer, B. (2004). Market orientation in the nonprofit sector: Taking multiple constituencies into consideration. *Journal of Marketing Theory & Practice, 12*(2).

[22] Relly, J.E. (2012). Examining a model of vertical accountability: A cross-national study of the influence of information access on the control of corruption. *Government Information Quarterly, 29*(3), 335–345.

[23] Salmen, L.F (1995). *Beneficiary assessment: An approach described. World Bank environmental department papers, social assessment series no. 23.* Washington, DC: World Bank.

[24] Singh, J. (1990). Identifying consumer dissatisfaction response styles: An agenda for future research. *European Journal of Marketing, 24*(6), 55–72.

[25] Stauss, B., & Schoeler, A. (2004). Complaint management profitability: What do complaint managers know? *Managing Service Quality, 14*(2/3), 147–156.

[26] Wallace, J.C., Johnson, P.D., Mathe, K., & Paul, J. (2011). Structural and psychological empowerment climates, performance, and the moderating role of shared felt accountability: A managerial perspective. *Journal of Applied Psychology, 96*(4), 840–850.

[27] Wood, A. (2011). *Overview of NGO-community complaints mechanisms.* Global Accountability Discussion Series #2, World Vision.

[28] Zainon, S., Atan, R., Wah, Y.B., & Ahmad, R. (2012). *Information disclosure by charity organizations. Recent advances in business administration*. Cambridge: Harvard.

★★★